August 2, 2006

SYLVESTER BLACK
VICE PRESIDENT, WESTERN AREA OPERATIONS

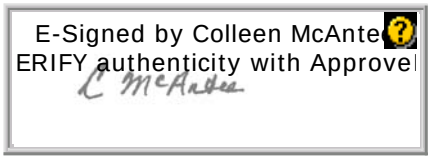
SUBJECT: Audit Report – Efficiency of Carrier Sequence Barcode Sorters
(Report Number NO-AR-06-005)

This report presents the results of our self-initiated audit of the efficiency of carrier sequence barcode sorters (CSBCS) (Project Number 05YG036NO000). Our objective was to assess the efficiency of using CSBCS to process delivery point sequence mail at the North Bend and Blaine Associate Offices (AOs); and the South Sound Delivery and Distribution Center (DDC). We conducted this audit in cooperation with the Western Area manager, Operations Support and the manager, Seattle District.

The Seattle District continues to make delivery point sequencing mail processing more efficient. Specifically, the Seattle District has already discontinued CSBCS processing at many of its facilities. However, we found that further opportunities exist to use the delivery barcode sorter (DBCS) to process mail at the North Bend and Blaine AOs; and the South Sound DDC. Processing mail on the DBCS rather than the CSBCS would reduce mail processing and maintenance workhours, increase processing efficiency, and improve use of DBCS. Further, transferring mail to the DBCS should allow the U.S. Postal Service to maintain service and transportation commitments and increase available workroom floor space. We estimate using the existing and anticipated DBCS capacity would save 10,521 workhours, which could produce a cost avoidance of approximately $3.7 million over 10 years. This amount represents funds put to better use and will be reported as such in our *Semiannual Report to Congress*.

We made four recommendations in this report. Management agreed with our finding, recommendations, and associated monetary impact. They have initiatives in progress, completed, or planned addressing the issues in this 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 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.



Colleen A. McAntee
Deputy Assistant Inspector General
for Core Operations

Attachments

cc: Paul E. Vogel
David E. Williams
Michael T. Matuzek
Harold J. Matz
Richard H. Loar
Steven R. Phelps

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EXECUTIVE SUMMARY

Introduction

This report presents our assessment of the U.S. Postal Service's delivery point sequence (DPS) operation at associate offices and mail processing facilities in the Seattle District. Our objective was to assess the efficiency of using carrier sequence barcode sorters (CSBCS) to process DPS mail at the North Bend and Blaine Associate Offices (AO); and the South Sound Delivery and Distribution Center (DDC). We conducted this audit in cooperation with the Western Area manager of Operations Support and the manager, Seattle District.

Results in Brief

The Seattle District continues to make DPS mail processing more efficient. Specifically, the Seattle District has already discontinued CSBCS processing at many of its facilities. However, we found that further opportunities exist to use the delivery barcode sorters (DBCS) to process mail at the North Bend and Blaine AOs; and the South Sound DDC. Processing mail on the DBCS would:

- Reduce mail processing and maintenance workhours.
- Increase processing efficiency in the Seattle District.
- Improve DBCS utilization.

We also found that using the DBCS at these facilities should allow the Postal Service to maintain service and transportation commitments and increase available workroom floor space.

39 U.S.C. Chapter 4, § 403 (a) states:

> The Postal Service shall plan, develop, promote, and provide adequate and efficient postal services . . . .

The Postal Service did not eliminate some CSBCS processing due to DBCS capacity concerns. However, in anticipation of declines in letter mail volume,[1] we estimate that adequate DBCS capacity will exist by fiscal year (FY) 2011. Consequently, the Seattle District could realize additional workhours savings to sort letter mail to DPS. We

[1] From FYs 2006 through 2010, the Postal Service projects that First-Class Letter Mail volume will decline more than Standard Letter Mail will increase, resulting in an overall decline in letter mail volume.

	estimate using existing and anticipated DBCS capacity would save 10,521 workhours. This workhour reduction could produce a cost avoidance of approximately $3.7 million over 10 years.
Summary of Recommendations	We recommended the vice president, Western Area Operations, direct the manager, Seattle Customer Service District, to discontinue use of CSBCS at the North Bend and Blaine AOs; and the South Sound DDC by FY 2011.
Summary of Management's Comments	Management agreed with our finding, recommendations, and associated monetary impact. Management indicated they should eventually be able to eliminate the use of CSBCS through improved mail processes and the realization of predicted letter mail volume decreases. Management indicated that this would allow for the reduction of letter mail operating costs by the amount identified in the report over the next 5 fiscal years. Management's comments, in their entirety, are included in Appendix F.
Overall Evaluation of Management's Comments	Management's comments are responsive to the finding and recommendations. Management recognizes there are opportunities to use DBCS to a greater extent in letter mail processing. Management's response also indicated they are taking a proactive approach to improving letter mail processing efficiency where warranted. Management's actions, taken or planned, should correct the issues identified in the report.

INTRODUCTION

Background

The U.S. Postal Service's letter automation program was designed to reduce costs by using automated equipment. One of the ways to process letter mail is to sort it into the order it is delivered - delivery point sequencing (DPS).[2] This is accomplished by utilizing the barcode representation of the existing ZIP+4 Code and the last two numbers of the street address on the mailpiece. DPS provides significant savings by eliminating the need for carriers to manually case[3] letters.

The Postal Service uses two types of equipment to sort mail into DPS: the delivery barcode sorter (DBCS) and the carrier sequence barcode sorter (CSBCS).

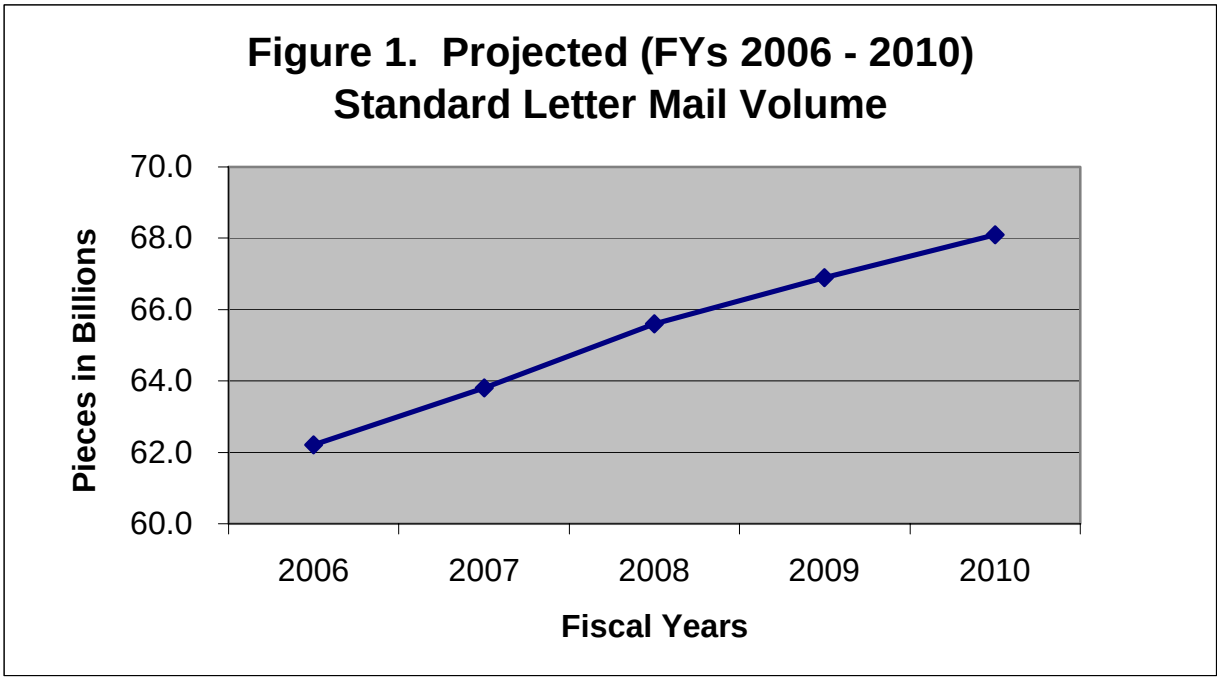
- The DBCS is a multilevel, high-speed barcode sorter located in mail processing facilities designed to process mail in a fully barcoded environment. The DBCS has a throughput of about 39,000 pieces per workhour.

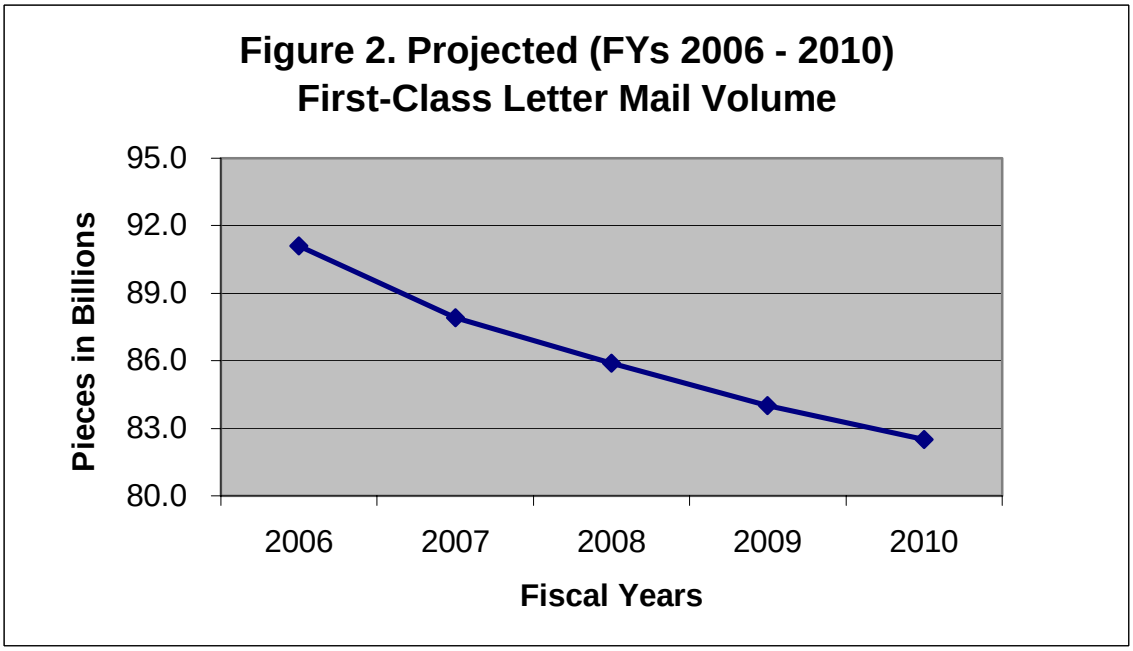
- The CSBCS is a small, high-speed barcode sorter designed specifically for decentralized processing in associate offices.[4] The CSBCS has a throughput of about 19,000 pieces per workhour. Illustration 1 shows the CSBCS at the Blaine Associate Office (AO).

[2] DPS is the process of sorting barcoded mail into the carrier's walk sequence so the carrier can deliver it without manual sorting before going to the street.
[3] A "case" is a piece of equipment containing slats into which employees sort letters, flats, and irregular parcels.
[4] A post office that is in a service area of a processing and distribution center (P&DC) which usually receives all mail classes to and from the facility.

Illustration 1. Two CSBCS located at the Blaine AO. (Blaine, Washington AO, July 27, 2005, 5:42 a.m.)

The Postal Service placed over 3,700 CSBCSs in its facilities to increase overall processing capacity nationwide in anticipation of increased letter mail volume. Unfortunately, the entire projected growth of letter mail volume did not occur. Although the Postal Service projects that Standard Letter Mail will increase by over 5.8 billion pieces from fiscal years (FY) 2006 through 2010, First-Class Letter Mail is projected to decrease by over 8.6 billion pieces during the same period. Figure 1 shows the increasing trend of Standard Letter Mail volume while Figure 2 shows the declining trend of First-Class Letter Mail volume.



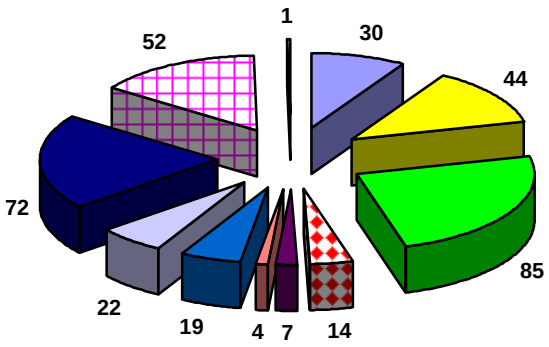


The Seattle District is in the Western Area (see Appendix A for a map of the Western Area). The Western Area has 12 districts.[5] Eleven of these districts have 350 active

[5] During the audit, the Western Area had 12 Postal Service districts. As of April 1, 2006, the Western Area gained two additional Postal Service districts; Arizona and Nevada-Sierra.

CSBCS,[6] 14 of which are located in the Seattle District.[7] Chart 1 shows the number of active Western Area CSBCS by district.

Chart 1. Active CSBCS in the Western Area by District



*The Spokane District does not have any CSBCS.

Objective, Scope, and Methodology

The objective of this audit was to assess the efficiency of using CSBCS to process DPS mail at the North Bend and Blaine AOs; and the South Sound Delivery and Distribution Center (DDC).

The audit focused on the methods used to sort mail into DPS at applicable mail processing facilities and associate offices in the Seattle District. For FYs 2004 and 2005, we analyzed the efficiency of the CSBCS and DBCS. We also examined opportunities to consolidate processing operations and the potential impact on customer service and transportation. In addition, we examined the elimination of CSBCS processing by the Pittsburgh District in Pennsylvania to determine the effects of centralizing DPS operations.

We relied on computer-processed data maintained by Postal Service Operational Systems, including the National Workhour Reporting Systems (NWRS), Web Enterprise Information System (WEBEIS), Web End of Run System

[6] Number of active CSBCS in the Western Area as of July 14, 2005.
[7] Even though the Seattle District does not employ CSBCS extensively as compared to other sites, we chose the Seattle District as our first site in order to refine our methodology and gain insights from Seattle District management. The Seattle District is one of the best performers with regards to productivity in the nation.

(WEBEOR), FLASH,[8] Web Management Operating Data System (WEBMODS), Job Information Monitoring System (JIMS), Origin Destination Information System (ODIS), Delivery Operations Information System (DOIS), Corporate Data Base systems, and the Electronic Maintenance Activity Reporting and Scheduling (eMARS) system. We did not test the validity of controls over these systems. However, we checked the accuracy of the data by confirming our analysis and results with Postal Service managers.

We also conducted interviews and observations. Finally, we analyzed first handling pieces (FHP)[9] and/or total piece handling (TPH)[10] productivity levels, workhours, sorter output, mail arrival and employee work schedules, and trends.

We conducted this audit from July 2005 through August 2006 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. We discussed our observations and conclusions with management officials and included their comments where appropriate.

Prior Audit Coverage

We did not identify any prior audits or reviews related to the objective of this audit.

[8] FLASH designates a critical job, data, or application that must be recovered within 2 days.
[9] Mail volume recorded into the operation where it will receive its first distribution handling within a postal facility.
[10] The total of the FHP and second handling pieces volumes become the TPHs for manual operations. For machine operations, TPH is total pieces fed minus any reworks or rejects.

AUDIT RESULTS

Assessment of the Efficiency of Carrier Sequence Barcode Sorter Mail Processing

The Seattle District continues to make delivery point sequencing mail processing more efficient. Specifically, the Seattle District has already discontinued CSBCS processing at many of its facilities. However, we found that further opportunities exist to use the DBCS to process mail at the North Bend and Blaine AOs; and the South Sound DDC. Processing mail on the DBCS would:

- Reduce mail processing and maintenance workhours.
- Increase processing efficiency in the Seattle District.
- Improve DBCS utilization.

We also found that using the DBCS at these facilities should allow the Postal Service to maintain service and transportation commitments and increase available workroom floor space.

39 U.S.C. Chapter 4, § 403 (a) states:

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The Postal Service did not eliminate some CSBCS processing due to DBCS capacity concerns. However, in anticipation of declines in letter mail volume, we estimate that adequate DBCS capacity will exist by FY 2011. Consequently, the Seattle District could realize additional workhours savings to sort letter mail to DPS. We estimate using the existing and anticipated DBCS capacity would save 10,521 workhours. This workhour reduction could produce a cost avoidance of approximately $3.7 million over 10 years.

Mail Processing and Maintenance Workhours

There is a favorable business case to process mail on DBCS instead of the CSBCS at the North Bend and Blaine AOs; and the South Sound DDC. Table 1 lists these locations.

Table 1. Locations That Process DPS Mail

Locations That Use CSBCS Processing to DPS Mail	Locations That Have DBCS Processing Capacity to Absorb CSBCS Mail Volume
North Bend AO (2 CSBCS Machines) →	Seattle P&DC
Blaine AO (2 CSBCS Machines) →	Everett P&DF
South Sound DDC* (10 CSBCS Machines) →	South Sound DDC*

*CSBCS and DBCS are colocated at this facility.

This would allow the Seattle District to reduce its total workhours by 10,521 as follows:

- The Seattle District could reduce 8,189 workhours as a result of eliminating CSBCS processing. Appendix B shows the number of mail processing workhours the Seattle District could save by eliminating CSBCS processing at each of the facilities.

- The Seattle District would not need and could eliminate 2,332 of its maintenance workhours[11] previously used to service 14 CSBCS.

The economic impact of these reductions could produce a cost avoidance of approximately $3.7 million over 10 years. (See Appendix C for details.)

To corroborate our analysis and recommendations, we reviewed the results after the Pittsburgh District eliminated CSBCS processing. The Pittsburgh District discontinued use of 37 CSBCS located in 16 AOs and eliminated over 21,600 workhours. The Pittsburgh P&DC used existing DBCS capacity to process the additional workload while maintaining workhour levels.

[11] In FY 2005, the Seattle District used 4,431 maintenance workhours to service 14 CSBCS.

Mail Processing Efficiency

Employees could process mail sorted into DPS more efficiently on the DBCS than the CSBCS. The DBCS, by design, is more productive than the CSBCS. The DBCS has more stacker units[12] to sort mail than the CSBCS, which allows for deeper mail sortation without having to rerun mail through the sorter. In FY 2005, we found:

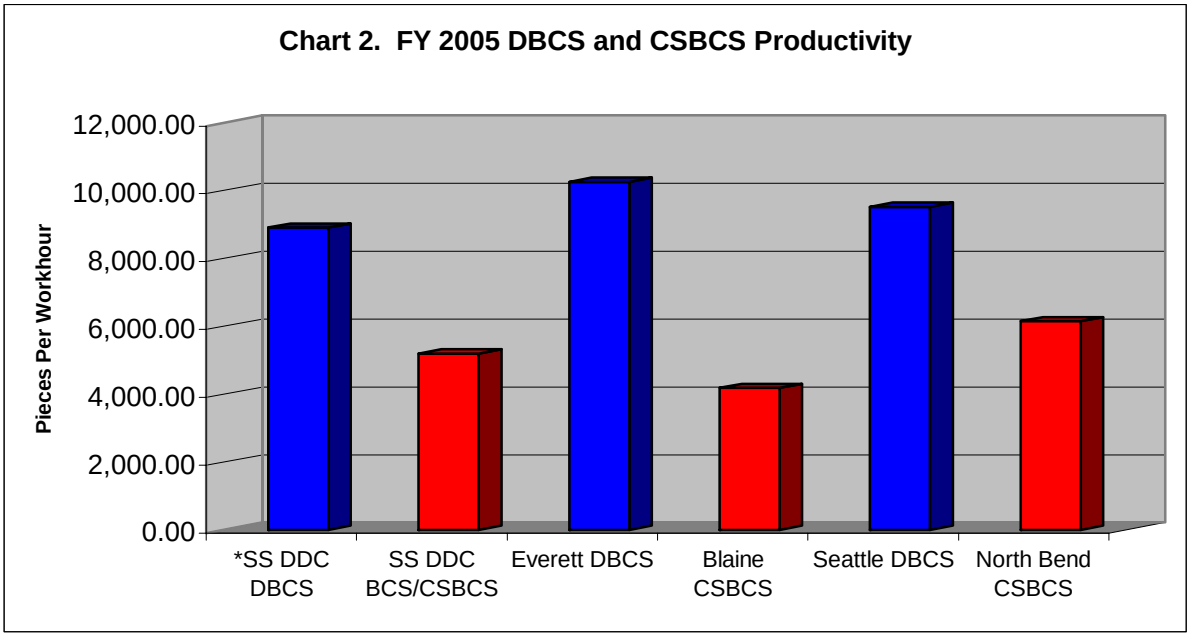
- The DBCS at the South Sound DDC processed 8,911 mailpieces per hour while the Bar Code Sorter (BCS)/CSBCS at the same facility processed 5,196 mailpieces per hour.

- The DBCS at the P&DC processed 9,528 mailpieces per hour while the North Bend AO CSBCS processed 6,150 pieces per hour.

- The DBCS at the Everett Processing and Distribution Facility (P&DF) processed 10,257 mailpieces per hour while the Blaine AO CSBCS processed 4,183 pieces per hour.

This means employees processed at least one-third more mailpieces on DBCS than they did on CSBCS. Chart 2 shows these productivity differences.

Chart 2. FY 2005 DBCS and CSBCS Productivity



*SS – South Sound

[12] A stacker is a bin(s) on automated equipment that collects mail after it is processed.

	A major reason for the productivity differences was the DBCS requires less handling or passes[13] in order to sort mail into DPS. Fewer handlings or passes means employees can process more mail more efficiently. We corroborated this by examining post-implementation results. For example, the Pittsburgh P&DC[14] was able to process over 500,000 more mailpieces per day using the DBCS than the CSBCS. Appendix D shows the DBCS takes two handlings or passes to sort mail into DPS compared to the CSBCS which takes four handlings or passes.
Delivery Barcode Sorter Capacity	We found that adequate capacity exists to process the North Bend and Blaine AOs' workload on the DBCS. (See Appendix E.) • In FY 2005, the Seattle P&DC could process an additional 158 million pieces per year using the DBCS (based on 100 percent targeted productivity). In FY 2005, the North Bend AO processed approximately 13 million mailpieces using their CSBCS. • Likewise, the Everett P&DF has sufficient DBCS capacity to process more than 211 million additional mailpieces per year (based on 100 percent targeted productivity). In FY 2005, the Blaine AO processed approximately 8 million mailpieces using their CSBCS. However, even though sufficient DBCS capacity exists, there may not currently be sufficient capacity during the operational window.[15] We believe that by FY 2011 — in anticipation of declining letter mail volume — sufficient capacity will exist.
Additional Impact on Operations	Processing mail on a DBCS rather than a CSBCS should[16] allow the Postal Service to maintain service and transportation commitments. Moving mail upstream into plants should also free up workroom floor space in the AOs once the facilities eliminate their CSBCSs.

[13] Mail is processed to a finer sortation by using each address's delivery sequence number.
[14] This was accomplished without the use of any additional workhours.
[15] Time mail must be processed to meet service standards.
[16] Although the full impact can not be assessed until after the mail is moved to the DBCS, nothing came to our attention that would indicate any service degradation.

- We concluded that service could be maintained by examining several examples. The Seattle District did not experience any adverse affects on delivery service in AOs that already discontinued CSBCS processing.[17] Moreover, after transitioning to the DBCS, the Pittsburgh District carriers began to deliver mail at relatively the same time as when they used the CSBCS – resulting in the same level of delivery service.

- Transportation commitments should be maintained and affects should be minimal. The Seattle P&DC could run North Bend AO's mail in accordance with North Bend AO's operating plan for transportation. The 37 mile distance between the Seattle P&DC and the North Bend AO should not impact operations or commitments.[18]

- On the other hand, the Everett P&DF may need to adjust its operating plan to accommodate DPS Blaine AO's mail. The Everett P&DF is approximately 89 miles from the Blaine AO and already makes transportation runs to the Blaine AO. In fact, a portion of the transportation route already exists (i.e., Everett P&DF processed and transports DPS mail to the Bellingham AO, which is only 23 miles from the Blaine AO).

Further, the AOs could use the available floor space upon removal of the CSBCS. Additional usage options include:

- Expand carrier workspace box sections.

- Centralize manual distribution operations.

- Allow space for additional DBCSs at the South Sound DDC.

Reason for, and Impact of, Not Consolidating Operations	The Postal Service did not eliminate some CSBCS processing due to DBCS capacity concerns. However, in anticipation of declines in letter mail volume, we estimate that adequate DBCS capacity will exist by FY 2011. Consequently, the Seattle District could realize additional workhours savings to sort letter mail to DPS.

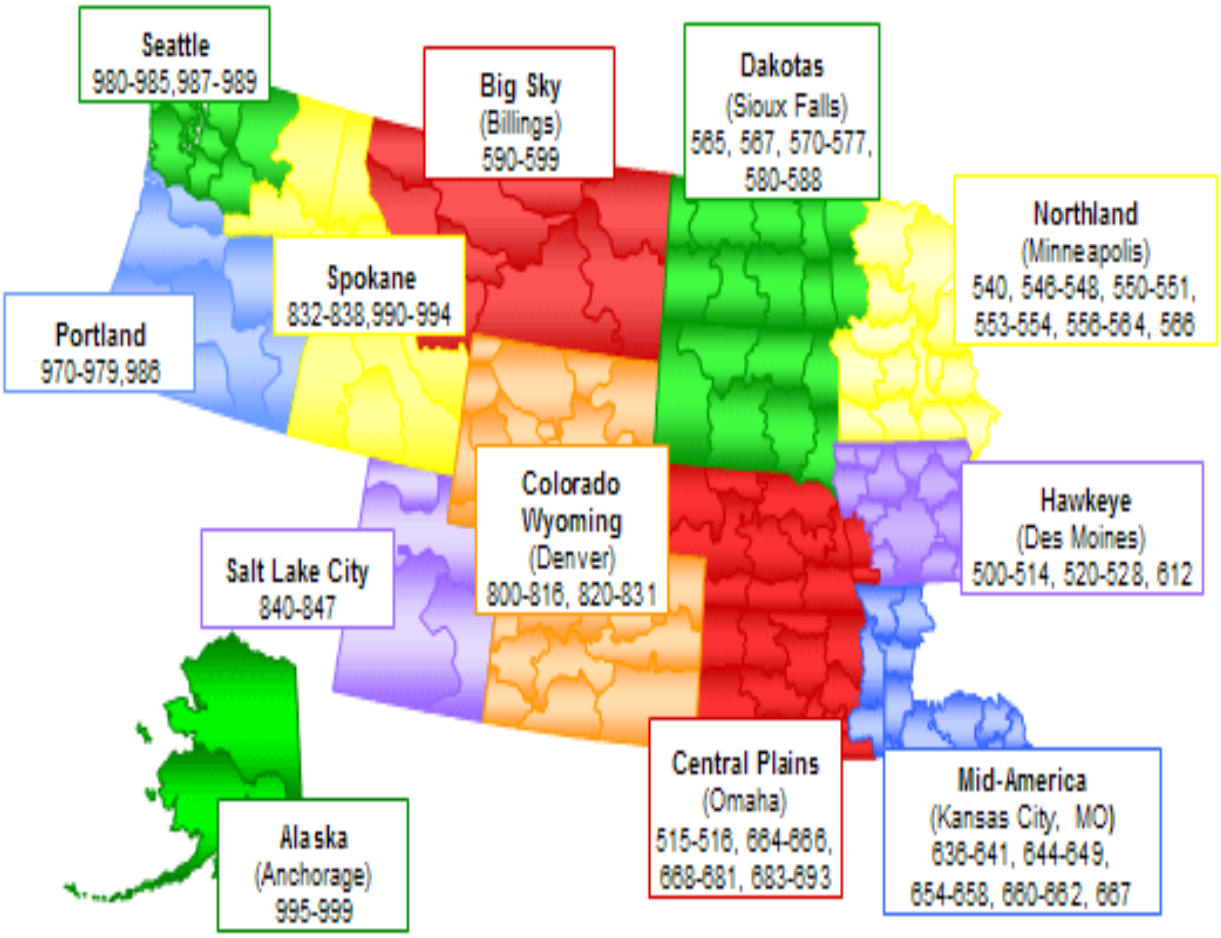
[17] Seattle District associated offices that have discontinued use of CSBCS processing include: Aberdeen, Bellingham, and Bremerton West Hills Station.
[18] Based on conversations with Seattle District management.

Management's Actions	The Seattle District has been progressive with DPS operational efficiency. From calendar years 1998 to 2003, the Seattle District eliminated the use of CSBCS to DPS mail at several mail processing facilities. During the audit, the Seattle District made further efficiency improvements to their DPS operation by discontinuing the use of several CSBCSs at the South Sound DDC. The Seattle District plans to continue these cost reduction efforts where practical and warranted.
Recommendations	To improve efficiency, we recommend the vice president, Western Area Operations, direct the manager, Seattle Customer Service District: 1. Discontinue use of carrier sequence barcode sorters at the North Bend and Blaine Associate Offices and the South Sound Delivery Distribution Center by fiscal year 2011. 2. Reduce a total of 8,189 mail processing workhours by the end of fiscal year 2011 at the North Bend and Blaine Associate Offices and the South Sound Delivery Distribution Center with an associated cost avoidance of over $2.8 million. 3. Reduce 2,332 maintenance workhours by the end of fiscal year 2011 at South Sound Delivery Distribution Center, the Seattle East Delivery Distribution Center, and the Everett Processing and Distribution Facility with an associated cost avoidance of over $870,000. 4. Adjust Everett Processing and Distribution Facility operating plan to accommodate delivery point sequencing mail for the Blaine Associate Office.
Management's Comments	Management agreed with our finding, recommendations, and associated monetary impact. Management indicated they should eventually be able to eliminate the use of CSBCS through improved mail processes and the realization of predicted letter mail volume decreases. Management indicated this would allow them to reduce letter mail operating costs by the amount identified in the report over the next 5 fiscal years.

Evaluation of Management's Comments	Management's comments are responsive to the finding and recommendations. Management recognizes there are opportunities to use DBCS to a greater extent in letter mail processing. Management's response also indicated they are taking a proactive approach to improving letter mail processing efficiency where warranted. Management's actions, taken or planned, should correct the issues identified in the finding.

APPENDIX A

WESTERN AREA MAP



APPENDIX B

FISCAL YEAR 2005 MAIL PROCESSING WORKHOUR ANALYSIS

	Workload	Workhours	Pieces Per Workhour*	Workhours Saved if Seattle P&DC runs North Bend's Mail on its DBCS Machines
Seattle P&DC DBCS Machines	1,011,961,100.00	106,209.32	9,527.99	**748****
North Bend AO CSBCS Machines	12,965,041.00	2,108.00	6,150.40	
	Workload	**Workhours**	**Pieces Per Workhour**	**Workhours Saved if Everett P&DF runs Blaine's Mail on its DBCS Machines**
Everett P&DC DBCS Machines	774,277,920.00	75,484.39	10,257.46	**1,147*****
Blaine AO CSBCS Machines	8,104,147.00	1,937.00	4,183.87	
	Workload	**Workhours**	**Pieces Per Workhour**	**Workhours Saved if South Sound DDC runs its Mail on its DBCS Machines**
South Sound DDC DBCS Machines	326,384,740.00	36,623.73	8,911.84	**6,294******
South Sound DDC CSBCS/BCS Machines	78,452,526.67	15,097.09	5,196.53	
Total Hours Saved				**8,189**

*Workload divided by workhours.
**If North Bend AO CSBCS workload was processed at the same pieces per workhour rate of the Seattle P&DC DBCS (9,527.99), Seattle P&DC would have to use 1,360 workhours — a net savings of 748 workhours.
***If Blaine AO CSBCS workload was processed at the same pieces per workhour rate of the Everett P&DF DBCS (10,257.46), Everett P&DF would have to use 790 workhours — a net savings of 1,147 workhours.
****If South Sound DDC CSBCS workload was processed at the same pieces per workhour rate of its DBCS (8,911.84), South Sound DDC would have to use 8,803 workhours — a net savings of 6,294 workhours.

APPENDIX C

SEATTLE DISTRICT COST AVOIDANCE (FUNDS PUT TO BETTER USE)*

Recommended Action and Employee Category Affected	Workhour Reduction	Timeframe: 10 Fiscal Years for Each Annual Action	
		Undiscounted Savings	Discounted Savings (Net Present Value)
Efficiency Improvement: Mail Processing Clerks[19]	8,189	$3,733,727	$2,815,458
Efficiency Improvement: Maintenance Technicians[20]	2,332	$1,158,357	$873,472
Total	**10,521**	**$4,892,084**	**$3,688,930**

Notes:

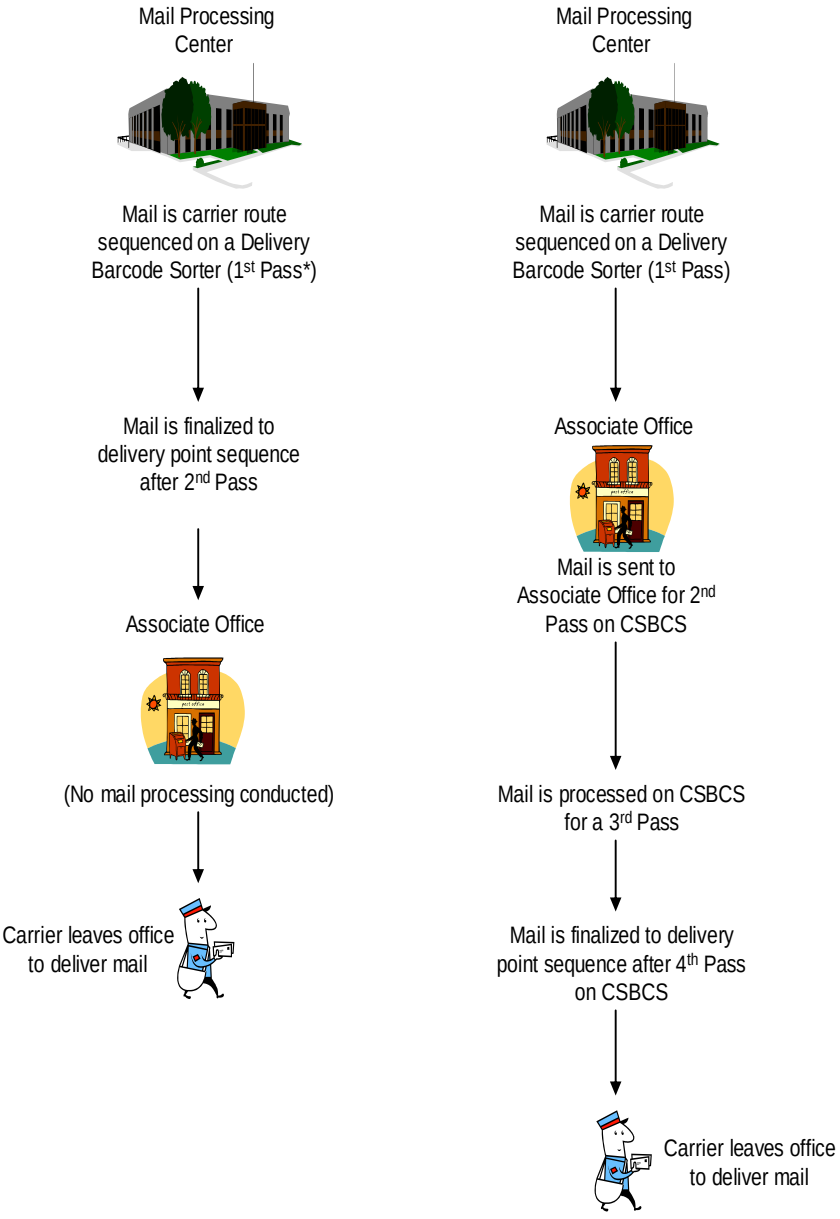
- We based cost avoidance on FY 2005 workhours and calculated it using the workhour reduction multiplied by the fully loaded labor rate.
- We escalated labor cost at 2.8 percent.
- We calculated net present value using the discount rate of 5.25 percent.
- We based fully loaded labor rates on the Postal Service's FY 2006 published rates.
- We based labor cost escalation on the Postal Service's FY 2006 published Decision Analysis Factors.
- We based workhour reductions on FY 2005 usage of 19,142 mail processing and 4,431 maintenance hours.

*Funds put to better use: Funds that can be used more efficiently by implementing recommended actions.

[19] Postal Service level 5 mail processing clerk rate.
[20] Postal Service level 8 maintenance technician rate.

APPENDIX D

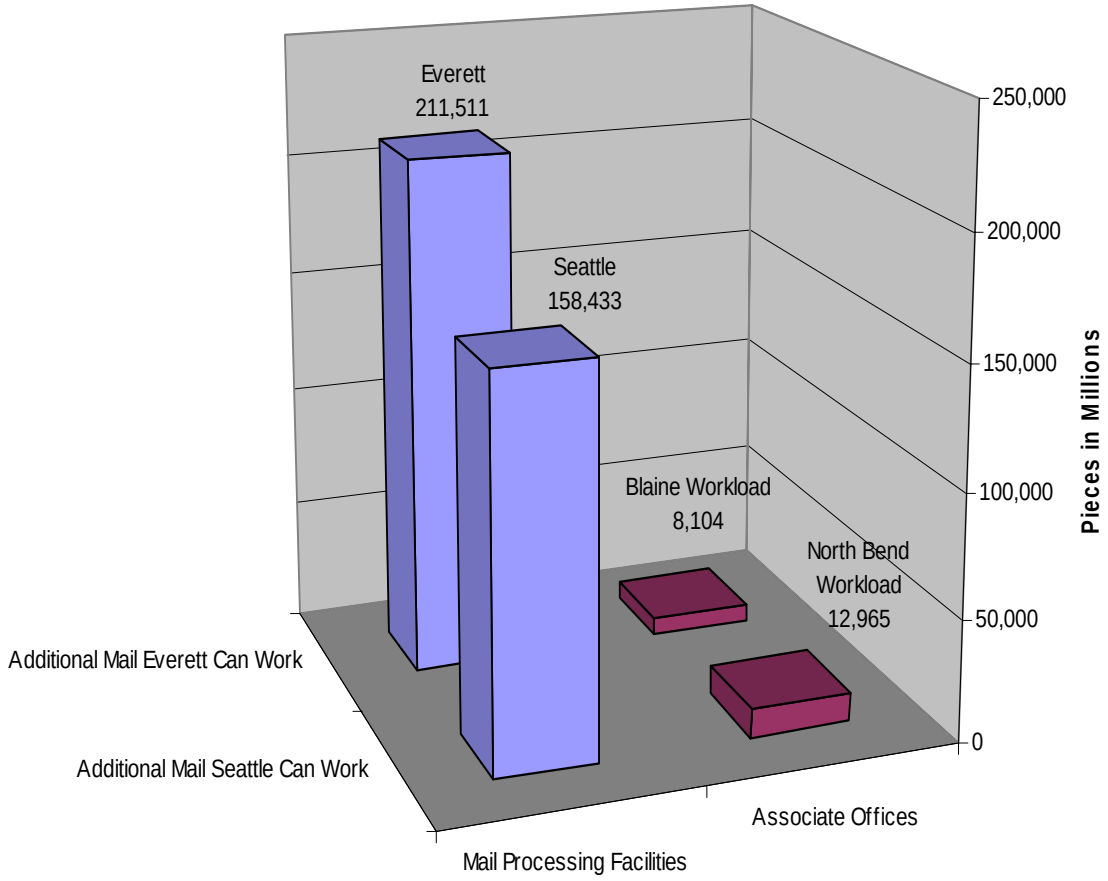
DELIVERY POINT SEQUENCE MAILFLOW



***Mail is processed to a finer sortation by using each address's delivery sequence number.

APPENDIX E

FISCAL YEAR 2005 EXCESS SEATTLE PROCESSING AND DISTRIBUTION CENTER AND EVERETT PROCESSING AND DISTRIBUTION FACILITY DELIVERY BARCODE SORTERS MAIL PROCESSING CAPACITY (BASED ON ACHIEVING TARGET PRODUCTIVITY)



Note: Although it appears that sufficient DBCS capacity exists there may not currently be sufficient capacity during the operational window (the time mail must be processed to meet service standards). However, as mail volumes decline, capacity should become available.

APPENDIX F

MANAGEMENT'S COMMENTS

OPERATIONS SUPPORT

UNITED STATES POSTAL SERVICE

June 28, 2006

TO: Kim H. Stroud
Director Audit Reporting
1735 North Lynn Street
Arlington, Virginia 22209-2020

SUBJECT: Response: Efficiency Of Carrier Sequence Barcode Sorters (#05YG036NO000)

Ms. Colleen A. McAntee's correspondence of May 31, 2006, to Western Area Vice President Sylvester Black (regarding the above subject) was forwarded to this office for review and response. On behalf of the Western Area and the Seattle Performance Cluster I would like to thank the OIG Team for the commendable efforts expended to develop this very detailed and factual assessment of both Carrier Sequence Barcode Sorters (CSBCS) and Delivery Barcode Sorters (DBCS) operations.

In response to the findings/opportunities identified within the audit we offer the following responses:

1. We are in total agreement with the supposition that processing letter mails on a DBCS is more efficient and far more operationally effective than processing letters on a CSBCS. As a result, we will continue our ongoing efforts to transfer mails from the CSBCS to the DBCS with the eventual objective being to completely discontinue the use the CSBCS.
2. Although DBCS throughput per hour has continued to increase; we concur with the premise that some opportunity remains to utilize the DBCS to a greater extent. There exists some fractional opportunities to increase the throughput on these machines via continued improvements in both methods and staffing processes. We will remain committed to focusing local efforts on maximizing the utilization of the DBCS during current operational windows. This continued improvement in throughput will support the transferal of CSBCS volumes to the more efficient DBCS operations.
3. The audit contains forecasts/predictions for future volume changes in letter size mails. These predictions indicate a future decrease in letters that should facilitate the desired objective of diminishing CSBCS operations and moving towards an environment where all letter mails can be processed on the DBCS. We endorse the logic outlined in these volume forecasts and agree with the stated conclusions as to the desired results.

In summary, we support the major conclusions put forth by the OIG in this audit. Through improved processes, increased throughputs, and realization of the predicted decreasing volumes of letter sized mails the Seattle Cluster should eventually be able to eliminate the use of CSBCS and, as a result, reduce operating costs by the amount identified over the

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next five fiscal years. This assumes the letter volume forecasts contained within the audit are found to be accurate and the operating environment remains essentially static during this five year timeframe. We also agree with the philosophy of diminishing/eliminating the use of CSBCS wherever possible and supplanting them with DBCS capacity. The Western Area will continue its efforts to move CSBCS volumes to DBCS in every location where it is found to be practicable.

We very much appreciate the cooperation and professional efforts on the part of the Office of Inspector General in their research and preparation of this audit.

Respectfully,

Mike T. Matuzek
Manager, Operations Support
Western Area

CC: Sylvester Black
Paul E. Vogel
David E. Williams
Harold J. Matz