May 31, 2007

ELLIS A. BURGOYNE
VICE PRESIDENT, SOUTHWEST AREA OPERATIONS

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MANAGER, DALLAS BULK MAIL CENTER

SUBJECT: Audit Report – Efficiency Review of the Dallas Bulk Mail Center (Report Number NO-AR-07-005)

This report presents the results of our review of the Dallas, Texas, Bulk Mail Center (BMC) located in the Southwest Area (Project Number 06YG006NO000). Our objective was to assess the efficiency of the Dallas BMC operations. U.S. Postal Service Headquarters requested the audit, and we conducted the audit in cooperation with Headquarters and local BMC officials.

The audit confirmed that the Dallas BMC could improve operational efficiency. Specifically, the Dallas BMC did not adjust workhours in response to changes in workload, attain the efficiency achieved by most other BMCs, achieve target productivities, take full advantage of existing mechanization options, and reduce excess handling of mail. Consequently, the Dallas BMC used more workhours than necessary to process the mail.

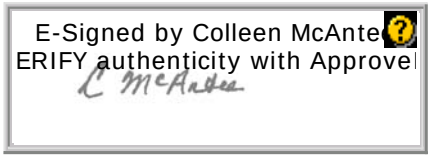
The Dallas BMC could improve operational efficiency by reducing mail processing workhours by 418,000 based on fiscal year 2006 usage. This would allow the Dallas BMC to achieve target productivity levels and produce a cost avoidance of $134,971,638 based on workhour savings projected over 10 years. We will report these workhour savings as funds put to better use in our *Semiannual Report to Congress*.

We made four recommendations. Management agreed with our finding and recommendations. Management has 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. During the audit, the Postal Service agreed to reduce workhours to improve efficiency and began taking corrective action on our recommendations.

The U.S. Postal Service Office of Inspector General (OIG) considers recommendation 1 significant, and therefore requires OIG concurrence before closure. Consequently, the

OIG requests written confirmation when the corrective action is completed. This recommendation should not be closed in the follow-up tracking system until the OIG provides written confirmation the recommendation can be closed.

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



Colleen A. McAntee
Deputy Assistant Inspector General
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Attachments

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TABLE OF CONTENTS

TABLES AND ILLUSTRATIONS

Tables

Illustrations

EXECUTIVE SUMMARY

Introduction

The U.S. Postal Service Office of Inspector General assessed the efficiency of mail processing operations at the Dallas Bulk Mail Center (BMC), located in the Southwest Area. U.S. Postal Service Headquarters requested the audit, and we conducted the audit in cooperation with Headquarters and local BMC officials.

Results in Brief

The Dallas BMC could improve efficiency. Specifically, the Dallas BMC did not adjust workhours in response to changes in workload, attain the efficiency achieved by most other BMCs, achieve target productivities, take full advantage of existing mechanization options, and reduce excess handling of mail.

39 of the U.S.C. Chapter 4, § 403 (a) states, "The Postal Service shall plan, develop, promote, and provide adequate and efficient postal services…" The *U.S. Postal Service Transformation Plan* also recommends that the Postal Service improve productivity.

Dallas BMC management addressed operational efficiency by adjusting their allocated workhours to match the number of workhours planned for in the budget process. As a result, fiscal year (FY) 2006 workhours were approximately 31,400 below budgeted workhours. However, Postal Service management had not:

- Evaluated operational efficiency by assessing its own performance against productivity targets and other BMCs.
- Adjusted resources, both staff and equipment, in response to workload changes.

In addition, the Dallas BMC could provide better supervisory oversight. Consequently, the Dallas BMC was using more workhours than necessary to process its mail volume.

Postal Service management agreed to reduce workhours by 418,000 based on FY 2006 usage. This action could produce a cost avoidance of $134,971,638 over the next 10 years.

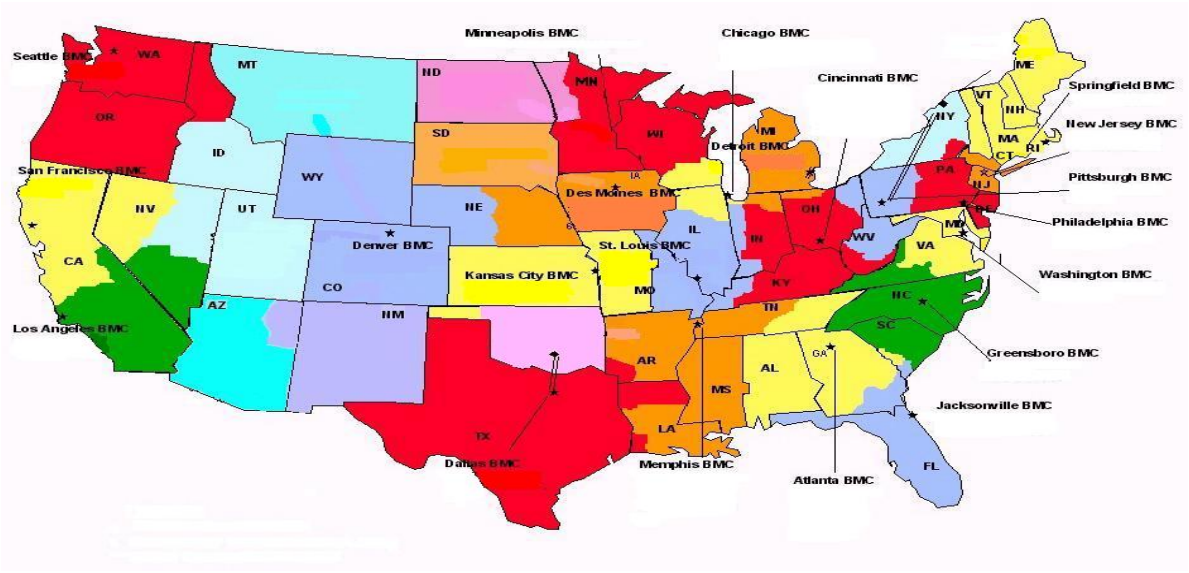
Summary of Recommendations	We recommended the Manager, Dallas BMC, reduce workhours at the Dallas BMC by 418,000; periodically evaluate operating efficiency in relation to target productivity levels and other BMCs; adjust resources (workhours and equipment) in response to workload changes; and provide better supervisory oversight. In addition, we recommended the Manager, Dallas BMC, reduce sack sorter processing as much as possible.
Summary of Management's Comments	Management agreed with our finding and recommendations. Management agreed to reduce workhours at the Dallas BMC and to periodically evaluate the facility's operating efficiency against established productivity targets. Management also agreed to increase supervisory oversight of employees, and validate mail volumes processed on sack sorters. Management's comments, in their entirety, are included in Appendix G of this report.
Overall Evaluation of Management's Comments	Management's comments are responsive to the finding and recommendations. Management's actions taken or planned should correct the issues identified in the report.

INTRODUCTION

Background

Bulk mail centers (BMC) are highly mechanized mail processing plants that are part of the National Bulk Mail System. These facilities distribute Parcel Post®,[1] Standard Mail®,[2] and Periodicals.[3] The U.S. Postal Service developed a bulk mail network in the 1970s to maintain its share of the parcel market against the United Parcel Service (UPS) and built 21 plants. (See Illustration 1.)

Illustration 1. BMC Locations



Source: Postal Service Poster 175

Many carriers serve the package delivery market. UPS; Federal Express; the Postal Service; and Dalsey, Hillbloon, and Lynn are the larger players in the market. As seen in Table 1, the Postal Service has lost market share in every segment of the package delivery market since fiscal year (FY) 2002.

[1] Parcel Post is mail that does not meet the mail processing category of letter-size mail or flat-size mail. It is usually enclosed in a mailing container such as a carton.
[2] Standard Mail is a mail class that is not mailed as First-Class Mail® or entered as Periodicals.
[3] Periodicals consist of magazines, newspapers, or other publications formed of printed sheets that are issued at least four times a year from a known office of publication.

Table 1. Postal Service's Share of Package Delivery Market

Fiscal Year	Overnight Air (Percentage)	2- and 3-Day Air (Percentage)	Ground (Percentage)
2002	6	74	31
2003	5	71	31
2004	5	71	29
2005	5	72	26

Source: FY 2005 USPS Household Diary Study

As shown in Table 2, Postal Service total package volume decreased in FY 2005 after increasing in FY 2004. Households increased their use of both First-Class and Priority Mail® Package Services.

Table 2. Postal Service Package Volume (Units in millions)

Mail Classification	FY 2003	FY 2004	FY 2005
First-Class and Priority	642	739	821
Expedited Mail	485	616	649
Standard Mail	903	887	802
Package Services	647	724	520
Unclassified	89	137	125
Total Packages	**2,766**	**3,102**	**2,916**

Source: FY 2005 USPS Household Diary Study

To process parcels more efficiently, the Postal Service has developed automation to reduce manual handling and increase capacity. New mail processing equipment, such as the Singulation Scan Induction Unit (SSIU) and the Automated Package Processing System, has raised BMC productivity and replaced less efficient equipment such as the sack sorter.

The Dallas BMC has the highest mail volume of the 21 BMCs and is located in the Southwest Area. (See Appendix A.) From FY 2004 through FY 2006, the Dallas BMC's mail volume declined by 16.4 million pieces (7.16 percent) and workhours declined by 119,279 hours (5.96 percent).

Objective, Scope, and Methodology

The objective of our audit was to assess the efficiency of the Dallas BMC operations. To assess efficiency, we observed mail processing operations, analyzed mail volumes and workhours, evaluated machine use, and interviewed Postal Service officials. In addition, we benchmarked productivity against the other 20 BMCs nationwide.

We relied on Postal Service operational systems, including the National Workhour Reporting System, the Enterprise Data Warehouse, the Web-Enabled Enterprise Information System, the Web End of Run System, the Activity-Based Costing System, the Breakthrough Productivity Initiative, and the Management Operating Data System. 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.

We conducted this audit from April 2006 through May 2007 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 on November 28, 2006, and included their comments where appropriate.

Prior Audit Coverage

We have issued 22 audit reports on workhour efficiency. As a result of these audits, the Postal Service has agreed to reduce approximately 2.4 million workhours. These reductions could produce a cost avoidance of about $714 million over 10 years. (See Appendix B.)

In addition, we issued an audit report on the mail processing controls at the Dallas BMC (Report Number NO-AR-06-009 September 28, 2006). The audit found internal controls over mail processing were generally in place and effective. However, controls over mail reporting, timekeeping, color coding, and preventive maintenance required strengthening. During the audit, BMC management developed an action plan to address the internal control deficiencies.

AUDIT RESULTS

Assessment of Dallas Bulk Mail Center Efficiency

Management at the Dallas BMC could use resources more efficiently. Specifically, the Dallas BMC did not:

- Adjust workhours in response to changes in workload.
- Attain the efficiency achieved by most other BMCs.
- Achieve target productivities.
- Minimize mail handling.
- Take full advantage of existing mechanization options.

39 U.S.C. Chapter 4, § 403 (a) states, "The Postal Service shall plan, develop, promote, and provide adequate and efficient postal services . . ." The *U.S. Postal Service Transformation Plan* also recommends that the Postal Service improve productivity.

Dallas BMC management addressed operational efficiency by adjusting their allocated workhours in relation to budgeted or planned workhours. As a result, FY 2006 workhours were approximately 31,400 below budgeted workhours. However, management had not evaluated operational efficiency by assessing its performance against productivity targets and other BMCs, and adjusting resources, both staff and equipment, in response to workload changes. In addition, the Dallas BMC could provide better supervisory oversight. Consequently, the Dallas BMC was using more workhours than necessary to process its mail volume.

Workhours in Relation to Workload

Workhours were excessive in relation to workload. In FY 2006, the First Handled Pieces (FHP) mail volume declined by almost 5 percent (4.85 million pieces), while workhours used to process this mail decreased by just 1 percent, or the equivalent of 22,803 workhours from FY 2005 levels. In addition, the overtime workhours used to process this mail increased from 288,674 in FY 2005 to 310,212 in FY 2006, an increase of nearly 7.5 percent. This means the Dallas BMC management had not adjusted workhour usage in response to decreased mail volume.

Additionally, the correlation between overtime usage and workload could be improved. For example, in FY 2005, the correlation between Total Pieces Handled (TPH) volume and overtime was .83, indicating that management had properly used overtime in response to workload changes. However, in FY 2006, this correlation was .67, indicating that overtime usage could be better managed.

Analysis of overtime trends substantiates this finding. Table 3 shows that although TPH volume fluctuated, the overtime rate remained relatively stable. For example, in FY 2004, the Dallas BMC experienced a 9.6 percent increase[4] in TPH mail volume, and the overtime rate was 15.77 percent. In contrast, in FYs 2005 and 2006, the Dallas BMC experienced declines in TPH volume, yet the overtime rate was more than 16.49 percent. This indicated that overtime was not being used in relation to workload changes.

Table 3. Overtime Rate Comparison to Workload

Fiscal Year	TPH Volume Change (Percentage)	Overtime Rate[5] (Percentage)
2004	9.6	15.77
2005	-5.2	16.68
2006	-2.0	16.49

Additionally, the increase in overtime led to an increase in the number of craft employees on the high earners list. Excessive overtime results in higher labor costs because overtime rates are 50 percent more than the standard hourly pay rate. In pay year 2004, 79 out of 1,074 craft employees (7.4 percent) at the Dallas BMC earned more than $70,000, while in pay year 2006, 101 out of 986 (10.2 percent) earned more than $70,000. (See Table 4.) FY 2006 base salaries for these employees ranged from $43,512 to $49,095.

[4] As compared to the prior FY.
[5] The complement from FY 2005 to FY 2006 changed only by 3.7 percent, and thus did not impact overtime usage.

Table 4. Dallas BMC High Earners

Calendar Year	Number of Employees Earning More than $70,000	Total Number of Craft Employees	Percentage of Employees Earning More than $70,000
2004	79	1,074	7.4
2005	83	1,024	8.1
2006	101	986	10.2

Comparison to Other Bulk Mail Centers

The Dallas BMC has generally been less efficient than other BMCs. For example, in FY 2004, the Dallas BMC ranked 12th out of 21 BMCs in overall productivity (volume per workhour). Similarly, in FYs 2005 and 2006, the Dallas BMC ranked 15th and 13th out of 21 BMCs, respectively. Table 5 shows the overall ranking, as well as the Dallas BMC's ranking, for major sorting operations from FY 2004 through FY 2006.

Table 5. Dallas BMC Productivity Ranking

Operation	FY 2004 Rank	FY 2005 Rank	FY 2006 Rank
Overall	**12**	**15**	**13**
Major Operations:			
Machinable Parcels[6]*	13	13	19
Small Parcel and Bundle Sorter[7]**	14	11	7
Sacks	14	14	10
Mechanized Letter trays[8]***	2	3	4
Manual Nonmachinable Outsides	12	17	17

Mail processing was more expensive at the Dallas BMC than at other BMCs. For example, the cost per 1,000 FHP for the Dallas BMC for FY 2005 was $1,526, while the national average for the same period was $1,260. In FY 2006, the cost per 1,000 FHP for Dallas was $1,649, while the national average was $1,365. This means that in FYs 2005 and 2006, handling a piece of mail cost an average of 21 percent more at the Dallas BMC than the national average for other BMCs. Appendix C shows the cost per 1,000 FHP for each of the 21 BMCs as well as the national average.

[6] Productivity ranking is based on TPH volume.
[7] Only 18 BMCs have a small parcel bundle sorter operation.
[8] Only nine BMCs had a mechanized letter tray operation in FY 2004, 14 in FY 2005, and 17 in FY 2006.

Target Productivities	The Dallas BMC, from FY 2004 through FY 2006, did not achieve overall target productivity levels. In FYs 2004, 2005, and 2006, the Dallas BMC only achieved 79 percent, 89 percent, and 81 percent of its target productivity levels, respectively. Target productivity levels are based on total pieces of mail that employees should process for each workhour of an operation. Achieving established productivity levels could reduce workhours. For example, the machinable parcels secondary operation achieved 71 percent of its national target productivity level of 338 pieces per workhour in FY 2006. If this operation achieved its national Breakthrough Productivity Index target level, the Dallas BMC could save over 89,000 processing workhours per year in a single operation. Appendix D shows that the Dallas BMC could potentially save approximately 165,000 workhours in four operations.
Mail Handlings	Excessive mail handling at the Dallas BMC resulted in lower productivity and use of more workhours than necessary to process mail volumes. Specifically: • Mail was staged outside the designated staging areas, resulting in congestion and additional handlings. In addition, older mail was staged behind more recent mail, which meant that the newer mail had to be moved in order to reach and process the older mail.

Illustration 2. Improper mail staging. Mail was staged outside of the designated staging area at the dock areas, resulting in congestion and additional mail handlings. (June 29, 2006, 11:00 a.m.)

- Because the Dallas BMC did not always have sufficient mail transport equipment (MTE), mail had to be shrink-wrapped, which required additional handlings. In addition, mail was not always properly shrink-wrapped, which resulted in bundle breakage and further handling.

Illustration 3. Insufficient MTE. The Dallas BMC had to shrink-wrap letter trays, which required additional handling, as they did not have sufficient MTE. (May 1, 2006, 12:09 p.m.)

- Mail was often unloaded from trucks at the wrong processing location. Mail should be sent to the correct dock to avoid multiple handling.

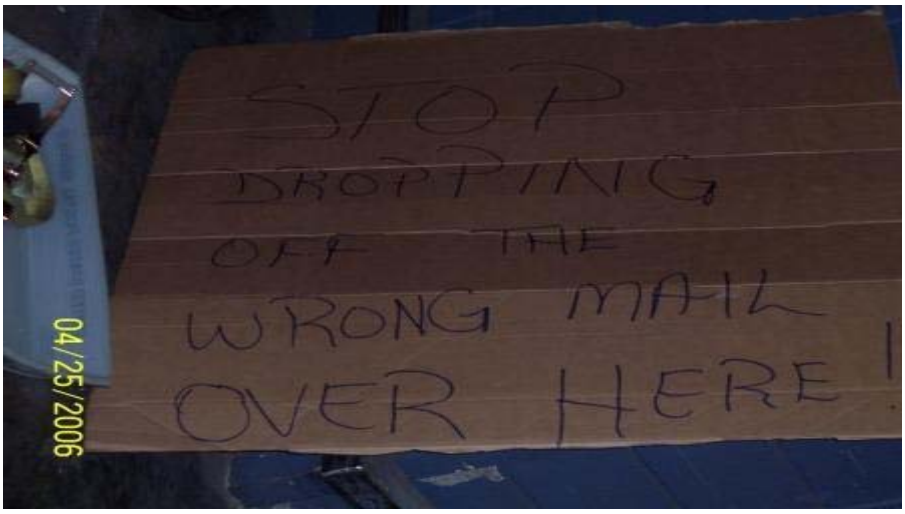


Illustration 4. Mail delivered to wrong dock. Employee-made sign venting frustration with mail delivered to the wrong dock area. (April 25, 2006, 11:30 a.m.)

Equipment Opportunities	Through our observations, we learned that Dallas BMC management could better utilize existing equipment. Specifically, we found that:

- Keyers processed mail on Parcel Sorting Machines rather than processing it through the more efficient SSIU. This practice resulted in lower productivity and additional workhours.

Illustration 5. Mail directed to keyers rather than SSIUs. Small parcels with an SSIU readable barcode were processed by parcel sorter keyers rather than by the more efficient SSIU, resulting in the use of unnecessary workhours. (April 25, 2006.)

- The practice of keying mail was encouraged when the goal should be having fewer pieces keyed.

Illustration 6. Emphasis placed on keying. Emphasis was placed on number of parcels keyed. Mail should be first fed to the SSIU, reducing the need for keying. (May 1, 2006.)

- The Universal Sorter was not used as designed. The barcode scanner was covered with cardboard to disable the scanner, requiring mail to be keyed. This allowed more employees to be involved in work activities.

Illustration 7. Scanner disabled on Universal Sorter. The Universal Sorter barcode scanner was disabled, requiring the use of keyers. This resulted in lower productivity. (April 25, 2006.)

- The sack sorter was used instead of more efficient processing equipment. For example, as shown in Table 6, actual productivity for sack processing (202 pieces per workhour) was below that of machinable parcels (313 pieces per workhour) and small parcel and bundle sorter operations (316 pieces per workhour). The small parcel bundle sorter and parcel sorting machines process over 54 percent more pieces per workhour than the sack sorter.

Table 6. Productivity Comparison of Machinable Parcels, Small Parcel Bundle Sorter, and Sack Sorter

Operation	FY 2006 (Pieces/hour)
Machinable Parcels	313
Small Parcel and Bundle Sorter	316
Sack Sorter	202

- The Powered Industrial Vehicle Management System (PIVMS) was not being used to manage workhours. Managers did not properly review reports and monitor tow and forklift drivers. For example, tow drivers accounted for 12.6 percent of total function 1 workhours, compared to the national average of

	7.10 percent. If the Dallas BMC could achieve the national average through better use of the PIVMS, a potential 103,000 workhours could be saved.
Causes and Impact on Operations	Management at the Dallas BMC addressed operational efficiency by reducing workhours to better align with budgeted workhours. As a result, they had reduced FY 2006 workhours by approximately 31,400 from FY 2005 levels. However, management had not evaluated operational efficiency by assessing its performance against productivity targets and other BMCs, and adjusting resources, both staff and equipment, in response to workload changes. Appendix E provides suggestions to improve Dallas BMC efficiency. We also found that improved and consistent supervision[9] was needed. Specifically: • During the audit, supervisors were difficult to locate based on our spot checks. • The Dallas BMC had high management turnover. For example, during a 2-year period, out of 36 authorized supervisors of distribution operations, 18 positions had been vacated. Also, out of nine authorized managers of distribution operations, two positions had had been vacated. These positions have subsequently been filled; however, the vacancies resulted in inconsistent supervision. • Employees were not properly scheduled. For example, there was an overlap of 1.5 hours between Tours 1 and 2. During this overlap, employees were found idle. (See Illustration 8.) • Supervisors did not ensure that employees reported to workstations promptly. (See Illustrations 9 and 10.)

[9] Supervisory control was also addressed in our September 28, 2006 Dallas BMC Mail Processing Internal Control Report.

Illustration 8. Mail backed up on Rapistan Tray Sorter. Mail was backed up on the Rapistan tray sorter while employees were idle. (April 25, 2006.)

Illustration 9. Nonmachinable outsides mechanized operation not staffed. The nonmachinable outsides mechanized operation was not staffed for over an hour. (April 25, 2006.)

Illustration 10. Inadequate supervision resulted in delays in processing nonmachinable outsides, creating a bottleneck. (September 13, 2006, 7:21 a.m.)

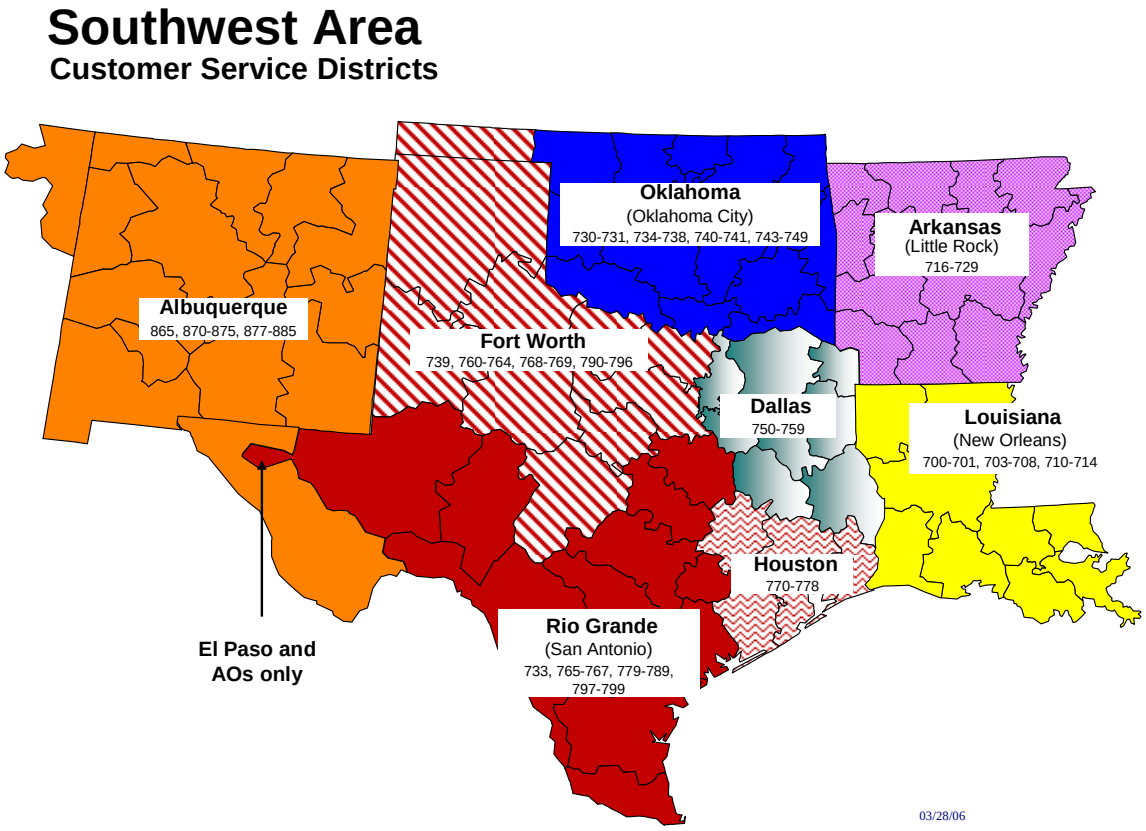
Consequently, the Dallas BMC used more workhours than necessary based on its mail volume. If the Dallas BMC's productivity were raised to the average of the top 10 BMCs, management could reduce workhours by 418,000 and produce a cost avoidance of $134,971,638 over the next 10 years.

Postal Service Actions	During the audit, the Postal Service agreed to reduce workhours by 418,000 and began taking corrective action on our recommendations.

Recommendations	To improve efficiency, we recommend the Manager, Dallas Bulk Mail Center: 1. Reduce workhours by 418,000 at the Dallas Bulk Mail Center, with an associated economic impact of $134,971,638 over a 10-year period. 2. Periodically evaluate operating efficiency by assessing its performance against productivity targets and other bulk mail centers, and adjusting resources (both staff and equipment) in response to workload changes. 3. Provide better supervisory oversight of employees. 4. Reduce sack sorter processing as much as possible.
Management's Comments	Management agreed with our finding and recommendations. Management agreed to reduce workhours at the Dallas BMC and to periodically evaluate the facility's operating efficiency against established productivity targets. Management also agreed to increase supervisory oversight of employees, and validate mail volumes processed on sack sorters.
Evaluation of Management's Comments	Management's comments are responsive to the finding and recommendations. Management's actions taken or planned should correct the issues identified in the report.

APPENDIX A

SOUTHWEST AREA CUSTOMER SERVICE DISTRICTS BY THREE-DIGIT ZIP CODE AREA



Source: U.S. Postal Service Blue Pages

APPENDIX B

PRIOR AUDIT COVERAGE

Audit	Report Number	Issue Date	Workhour Savings	Monetary Impact
Bridgeport, CT, P&DF	NO-AR-07-004	4/25/07	53,000	$17,740,107
Seattle, WA, District CSBCS	NO-AR-06-005	8/2/2006	10,521	$3,688,930
Los Angeles, CA, Worldway AMC	NO-AR-06-006	6/1/2006	760,000	192,000,000
Washington D.C., BMC	NO-AR-06-003	2/22/2006	400,000	118,000,000
Chicago, IL, AMRU	NO-AR-06-002	12/22/2005	3,860	1,100,000
Canton, OH, P&DC	NO-AR-05-013	9/22/2005	202,000	63,000,000
Los Angeles, CA, ISC	NO-AR-05-011	6/17/2005	85,000	26,100,000
Los Angeles, CA, ISC AMRU	NO-AR-05-010	4/28/2005	5,450	1,800,000
San Francisco, CA, AMRU	NO-AR-05-012	9/6/2005	7,757	2,600,000
Akron, OH, P&DC	NO-AR-05-009	3/30/2005	235,000	74,000,000
Mansfield, OH, Main Post Office	NO-AR-05-004	12/8/2004	52,000	17,200,000
New York, NY, ISC	NO-AR-04-009	9/24/2004	320,000	98,000,000
New York, NY, ISC AMRU	NO-AR-04-011	9/24/2004	30,000	9,300,000
San Francisco, CA, ISC and GSA Facility	NO-AR-04-006	3/31/2004	120,000	44,200,000
Oakland, CA, ISC and Regatta Facility	NO-AR-04-007	3/31/2004	25,000	17,013,959
Springfield, VA, BMEU	NO-AR-04-004	2/9/2004	2,775	969,893
Columbia, MD, BMEU	NO-AR-04-002	12/26/2003	3,960	1,400,000
Southern MD, BMEU	NO-AR-04-001	12/24/2003	20,240	8,400,000
San Francisco, CA, BMEU	AO-AR-03-002	9/25/2003	18,000	6,900,000
Los Angeles, CA, BMEU	AO-AR-03-001	7/31/2003	28,000	9,300,000
Seattle, WA; Minneapolis, MN; and Des Moines, IA, BMEUs	CQ-AR-03-001	3/28/2003	15,053	588,730
Colorado/Wyoming Performance Cluster BMEUs	CQ-AR-02-001	9/26/2002	15,947	1,000,000
Total Savings			**2,413,563**	**$714,301,619**

Acronyms

AMC	Airport Mail Center
AMRU	Air Mail Records Unit
BMC	Bulk Mail Center
GSA	General Services Administration
ISC	International Service Center
P&DC	Processing and Distribution Center
P&DF	Processing and Distribution Facility
BMEU	Business Mail Entry Unit
CSBCS	Carrier Sequence Barcode Sorter

APPENDIX C

BULK MAIL CENTER PROCESSING COSTS

Bulk Mail Center (BMC)	Average FY 2005 Cost	Average FY 2006 Cost	2-Year Average	Percent of National Average
Greensboro BMC (363193)	$576.62	$652.28	$614.45	46.80%
Washington BMC (237482)	$713.56	$1,151.36	$932.46	71.03%
Seattle BMC (547617)	$974.66	$989.06	$981.86	74.79%
Denver BMC (072357)	$963.89	$1,075.17	$1,019.53	77.66%
Minneapolis BMC (266361)	$1,099.46	$1,073.75	$1,086.61	82.77%
San Francisco BMC (056785)	$1,009.22	$1,179.48	$1,094.35	83.36%
Los Angeles BMC (054529)	$1,197.91	$1,275.00	$1,236.45	94.18%
National BMC Average	$1,260.06	$1,365.61	$1,312.83	100.00%
Pittsburgh BMC (416607)	$1,310.88	$1,368.90	$1,339.89	102.06%
Jacksonville BMC (114381)	$1,303.97	$1,397.08	$1,350.52	102.87%
Atlanta BMC (120439)	$1,301.18	$1,421.97	$1,361.58	103.71%
St Louis BMC (287141)	$1,342.75	$1,401.20	$1,371.97	104.50%
Springfield BMC (247822)	$1,356.94	$1,471.14	$1,414.04	107.71%
Cincinnati BMC (381604)	$1,402.43	$1,466.47	$1,434.45	109.26%
Philadelphia BMC (416545)	$1,519.39	$1,547.93	$1,533.66	116.82%
Dallas BMC (482269)	$1,526.38	$1,649.04	$1,587.71	120.94%
Des Moines BMC (182413)	$1,572.70	$1,628.48	$1,600.59	121.92%
Kansas City BMC (194654)	$1,655.24	$1,752.47	$1,703.85	129.78%
Chicago BMC (161541)	$1,725.83	$1,718.88	$1,722.35	131.19%
Detroit BMC (252491)	$1,672.58	$1,773.29	$1,722.94	131.24%
Memphis BMC (475665)	$1,695.46	$1,828.01	$1,761.74	134.19%
New Jersey BMC (333869)	$1,688.85	$1,872.77	$1,780.81	135.65%

APPENDIX D

POTENTIAL WORKHOUR SAVINGS AT THE DALLAS BULK MAIL CENTER (SELECTED OPERATIONS)

Major Operations	TPH Volume	FY 2006 Workhours	Productivity		Achieved Percentage of Target	FY 2006 Workhours at 100 Percent of Target	Potential Workhour Savings at 100 Percent of Target
			Actual FY 2006	Target FY 2006			
Machinable Parcels (Secondary)	73,914,248	308,132	240	338	71	218,792	89,340
Small Parcel Bundle Sorter	37,830,639	119,896	316	366	86	103,517	16,379
Sack Processing	11,816,549	58,501	202	320	63	36,929	21,572
Nonmachinable Outsides Manual	2,528,190	60,417	42	116	36	21,875	38,542
Total							**165,833**

Source: USPS Breakthrough Productivity Index

APPENDIX E

DALLAS BULK MAIL CENTER SUGGESTIONS FOR IMPROVING EFFICIENCY[10]

- ✓ Improve scheduling of employees. Consider eliminating 1.5 hour overlap between Tours 1 and 2.
- ✓ Reduce keying by sending mail first to the SSIU.
- ✓ Acquire a wider belt for the Universal Sorter to accommodate Non Machinable Outsides (NMO).
- ✓ Stage mail on a first-in first-out basis to reduce handling.
- ✓ Ensure that letter trays are not placed on sack sorter machines.
- ✓ Improve scheduling of preventive maintenance.[11]
- ✓ Review employee keying errors, take corrective actions, and reward good performance.
- ✓ Ensure that an adequate supply of MTE is available.
- ✓ Monitor forklift and tow drivers by using PIVMS reports.
- ✓ Process letter trays on the Rapistan Tray Sorter rather than the Universal Sorter to improve productivity.
- ✓ Inform employees of productivity goals and reward them accordingly.
- ✓ Closely monitor overtime usage.
- ✓ Eliminate use of the sack sorter to process NMOs.
- ✓ Monitor and reduce bundle breakage by training employees to restrap or place mail in another container.
- ✓ Institute better cross-docking procedures to minimize handling by providing adequate signage for drivers.
- ✓ Ensure that scanner on Universal Sorter is functioning and in use.

[10] These items are options for management to use as possible sources of workhour reductions. They are not recommendations, and management may or may not implement them, at their discretion.
[11] This item was also identified in our September 28, 2006 Dallas BMC Mail Processing Internal Control Report.

APPENDIX F

DALLAS BULK MAIL CENTER COST AVOIDANCE (FUNDS PUT TO BETTER USE)

Years	Total Yearly Workhour Reduction	Present Value of Cost Avoidance (10 Years with Escalation)
FY 2007 through 2017	418,000	$134,971,638

NOTES

- The 418,000 workhour reduction was based on management's plan to reduce workhours over a 10-year period, based on FY 2006 usage of approximately 2 million workhours.
- The cost avoidance was calculated using the savings in hours multiplied by the escalated labor rate over a 10-year period.
- The net present value was calculated using the November 13, 2006, discount rate of 5.25 percent over a 10-year period.
- Labor rates were based on the Postal Service's March 6, 2006, published rates for a level 05 (PS-05) mail processing clerk.
- The yearly escalation factor is 2 percent, based on the Postal Service's Decision Analysis Factors effective November 13, 2006.

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

APPENDIX G. MANAGEMENT'S COMMENTS

ELLIS A. BURGOYNE
VICE PRESIDENT, AREA OPERATIONS
SOUTHWEST AREA

UNITED STATES POSTAL SERVICE

April 27, 2007

Kim H. Stroud, Director
Audit Reporting
1735 North Lynn St.
Arlington, VA 22209-2020

SUBJECT: Audit Report – Efficiency Review of the Dallas Bulk Mail Center
(Report Number NO-AR-07-DRAFT)

The Southwest Area agrees with the findings contained in the subject audit report. We are committed to improving operating performance in the Dallas Bulk Mail Center by reducing costs and improving service. The Area has committed to saving 418, 000 work hours over the next ten years in this facility. The BMC management team has captured significant saving this year, with a 60,364 work hour reduction from same period last year (-4.2% to SPLY), and the associatd economic impacts.

The Dallas BMC was constructed as a medium-configuration facility in the BMC network. There are two large-configuration, seven medium-configuration and 12 small-configuration facilities that make up the network. Today, as you acknowledge in the audit report, the Dallas BMC processes more volume than any other BMC in the nation including the two large-configuration facilities. As a result, the facility is undersized given its current volume, which impacts productivity levels. However, the Dallas BMC efficiency has shown improvement, with a complement reduction each of the last three years, compared to SPLY. The Southwest Area and the Dallas BMC agree that the savings are obtainable and will be captured.

Regarding the report's other recommendations, we are in full agreement with them, and changes have been made.

- The BMC manager and staff will periodically evaluate the facility's operating efficiency against established productivity targets and will adjust staff and equipment numbers and usage in response. This effort is ongoing now and will receive additional emphasis in the future.
- Supervisory oversight of employees will be increased and emphasized. An increased effort will be made to replace 204-B's with full-time career positions within the limits of mandated ratios and hiring freezes.
- Mail volumes processed on sack sorters will be validated and this, in turn, will reduce the total amount of volume processed.

The Southwest Area appreciates the review of the Dallas BMC operations. If you have any questions, please contact Cliff Rucker, Southwest Area Manager, Operations Support at (214) 819-8600.

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