



September 29, 2008

DAVID E. WILLIAMS, JR.  
MANAGER, PROCESSING OPERATIONS

SUBJECT: Audit Report – Follow-up Review of Implementation of Significant Audit Recommendations Impacting Mail Processing Efficiency (Report Number NO-AR-08-011)

This report presents the results of our audit of the U.S. Postal Service's progress in implementing significant audit recommendations impacting mail processing efficiency (Project Number 08XG033NO000). Our objectives were to determine the progress made by the Postal Service in implementing significant U.S. Postal Service Office of Inspector General (OIG) audit recommendations affecting mail processing efficiency, and in assessing the productivity and service impact of actions taken on those recommendations. This audit was self-initiated and addresses operational risks. Click [here](#) to go to Appendix A for additional information about this audit.

## **Conclusion**

The Postal Service achieved significant results in addressing OIG recommendations to improve mail processing efficiency through workhour reductions. From March 1, 2004, through September 30, 2007, the Postal Service reduced workhours by more than 1.6 million, or approximately 61 percent of the 2.7 million workhour reductions recommended at the 11 facilities reviewed. Service scores have remained consistently high, and productivity has improved in those facilities. In addition, the Postal Service achieved the workhour reductions through attrition, with the total number of paid employees decreasing by approximately 769, or 8 percent. However, the Postal Service has not made workhour reductions at two facilities that require additional follow-up.

## **Progress on Significant Recommendations**

Through fiscal year (FY) 2007, the Postal Service:

- Reduced workhours by more than 1.6 million, or 61 percent of the total workhour reductions the OIG recommended, including almost 370,000 overtime workhours.<sup>1</sup>

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<sup>1</sup> The 11 audits reviewed for this follow-up audit recommended reducing 2.7 million workhours for a savings of \$803 million.

- Significantly exceeded expectations by achieving 77 percent or better of the recommended savings at four of the 11 facilities.
- Completed 61 percent of the recommended workhour reductions in approximately half the completion time specified in the recommendations.
- Achieved these reductions in workhours mainly through attrition, decreasing the total number of employees by 769, or 8 percent.
- Improved productivity and some service scores since the initial audits.

Click [here](#) to go to Appendix B for more details.

We also noted that while the Postal Service had not yet reduced workhours at two facilities, the San Francisco and Los Angeles International Service Centers (ISCs), its planned reorganization of the two sites should produce the recommended workhour savings.<sup>2</sup>

### Opportunity for Improvement

The Postal Service had not yet made the anticipated workhour reductions at the Canton Processing and Distribution Center (P&DC) and the Dallas Bulk Mail Center (BMC).

### Criteria

- Government Auditing Standards direct auditors to recommend actions to correct problems identified during their audits and to improve programs and operations when the potential for improvement is substantiated by the reported findings and conclusions. Effective recommendations encourage improvements in the conduct of government programs and operations.
- Office of Management and Budget (OMB) Circular A-50,<sup>3</sup> *Audit Follow-up*, dated September 29, 1982, requires each agency to establish a system to ensure prompt and proper resolution and implementation of audit recommendations.

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<sup>2</sup> The OIG plans to review the reorganization of the San Francisco and Los Angeles ISCs in FY 2009.

<sup>3</sup> Although the Postal Service is not required to follow OMB Circular A-50, we consider this a best practice.

## Cause and Effect

Management did not provide the necessary follow-up at the Canton P&DC and the Dallas BMC to ensure workhours were reduced according to our recommendations. Consequently, these facilities may still be using more workhours than necessary to process mail.

We recommend the Manager, Processing Operations:

1. Follow up with the Canton Processing and Distribution Center and the Dallas Bulk Mail Center to ensure full implementation of the workhour reduction recommendations.

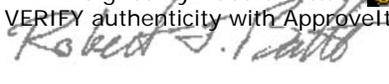
## Management's Comments

Management agreed with the recommendation. They expect the two facilities to realize the appropriate workhour reductions by the end of FY 2009. Management's comments in their entirety are included in [Appendix F](#).

## Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendation and the actions planned should resolve the issues identified in the report.

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

E-Signed by Robert Batta   
VERIFY authenticity with ApproveIt  


Robert J. Batta  
Deputy Assistant Inspector General  
for Mission Operations

## Attachments

cc: Patrick R. Donahoe  
William Galligan  
Paul E. Vogel  
Anthony M. Pajunas  
Michael J. Nappi  
Katherine S. Banks

## [APPENDIX A: ADDITIONAL INFORMATION](#)

### BACKGROUND

Between March 1, 2004, and March 31, 2008, the OIG issued 17 audit reports addressing the efficiency of mail processing at 11 facilities with a monetary impact of more than \$1 billion, based on eliminating more than 3.4 million workhours. Management agreed with all recommendations and the associated economic impacts. We identified these savings in:

- 4 ISCs.
- 4 airmail record units (AMRUs).
- 4 P&DCs.
- 1 processing and distribution facility (P&DF).
- 2 BMCs.
- 1 airport mail center (AMC).
- 1 carrier sequence barcode sorter (CSBCS) unit.

Click [here](#) to go to Appendix C for a listing of the 17 audit reports.

### OBJECTIVES, SCOPE AND METHODOLOGY

Our objectives were to determine the progress made by the Postal Service in implementing significant OIG audit recommendations affecting mail processing efficiency, and in assessing the productivity and service impact of actions taken on those recommendations. This report summarizes results as of September 30, 2007, on the achievement of the workhour savings recommended in 11 reports dated March 1, 2004, through May 31, 2007. The 11 reports represent 78 percent of the recommended workhour reductions identified in the 17 reports issued (see Chart 1).<sup>4</sup> Our most recent report, *Timeliness of Mail Processing, Transportation and Delivery Operations in the Chicago District*, issued in March 2008, recommended reducing workhours by 697,245. Insufficient time has passed to follow up on this report.

To achieve these objectives, we analyzed workhours, overtime, mail volume, productivity, attrition rates, and service scores, and we interviewed Postal Service officials and employees. We used computer-processed data from the following systems:

- Web Enterprise Information System (WebEIS)
- Enterprise Data Warehouse

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<sup>4</sup> We did not include four reports on AMRUs and the *Efficiency of the Oakland International Service Facility and the Regatta Facility* (Report Number NO-AR-04-007, dated March 31, 2004) because the workhours were insignificant.

We did not test controls over these systems. However, we checked the reasonableness of results by confirming our analysis and results with Postal Service managers and multiple data sources.

**Chart 1: Reports Reviewed**

<b>Audit Report</b>	<b>Report Number</b>	<b>Issue Date</b>	<b>Workhour Reduction</b>	<b>Dollar Amount of Savings*</b>
Oakland, CA ISC and the Regatta Facility	NO-AR-04-007	3/31/2004	40,000	\$17,013,959
San Francisco, CA ISC and the General Services Administration Facility	NO-AR-04-006	3/31/2004	120,000	44,200,000
New York, NY ISC	NO-AR-04-009	9/24/2004	320,000	98,000,000
Mansfield, OH Main PO**	NO-AR-05-004	12/8/2004	52,000	17,200,000
Akron, OH P&DC	NO-AR-05-009	3/30/2005	235,000	74,000,000
Los Angeles, CA ISC	NO-AR-05-011	6/17/2005	85,000	26,100,000
Canton, OH P&DC	NO-AR-05-013	9/22/2005	202,000	64,000,000
Washington, DC BMC	NO-AR-06-003	2/22/2006	400,000	118,000,000
Worldway AMC	NO-AR-06-006	9/12/2006	760,000	192,000,000
Bridgeport, CT P&DF	NO-AR-07-004	4/25/2007	53,000	17,740,107
Dallas, TX BMC	NO-AR-07-005	5/31/2007	418,000	134,971,638
<b>TOTALS</b>			<b>2,685,000</b>	<b>\$803,225,704</b>

\*Savings are based on a 10-year projection.

\*\*Post Office.

We conducted this performance audit from July through September 2008 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management officials on September 9, 2008, and included their comments where appropriate.

**PRIOR AUDIT COVERAGE**

The OIG has not completed any follow-up reviews of recommendations made in previous mail processing efficiency audits. Appendix C lists the mail processing efficiency audits issued since March 1, 2004, that identified monetary savings.

## APPENDIX B: DETAILED ANALYSIS

### Progress on Significant Recommendations

The Postal Service achieved significant results in addressing OIG recommendations to improve mail processing efficiency through workhour reductions. The 11 audits reviewed for this follow-up audit recommended reducing workhours by 2.7 million, for a savings of \$803 million. These reductions represent 24 percent of the annual mail processing workhours at the 11 facilities. In response to OIG recommendations, through FY 2007, the Postal Service has:

- Reduced workhours by 1.6 million, or approximately 61 percent of the total recommended reduction. (See Chart 2.)
- Significantly exceeded expectations at four of the 11 facilities, achieving 77 percent or more of the recommended workhour savings.
- Achieved workhour reductions before the target completion date. For example, the Postal Service completed 61 percent of the recommended workhour reductions in approximately half the time recommended. (See Chart 3.)
- Achieved these reductions in workhours mainly through attrition, decreasing the total number of employees by 769, or 8 percent. (See Chart 4.)
- Improved productivity by more than 4 percent, as measured by first handled pieces (FHP) processed per workhour. The Akron P&DC has been the most successful, with a productivity gain of 15 percent. (See Chart 5.)
- Improved service scores. For example, comparisons of Overnight, 2-Day and 3-Day service scores for the P&DC and AMC sites to the scores recorded at the time of the initial audits showed improvement. (See Chart 6.)
- Decreased overtime usage at the majority of the facilities. Overtime hours decreased by 369,728, or approximately 29 percent. (See Chart 7.)

We noted that the Postal Service had not yet reduced workhours at two facilities, the San Francisco and Los Angeles ISCs. However, the planned reorganization of the two sites should produce the necessary workhour savings.<sup>5</sup>

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<sup>5</sup> The OIG plans to review the reorganization of the San Francisco and Los Angeles ISCs in FY 2009.

## Opportunity for Improvement

The Postal Service had not made anticipated workhour reductions at the Canton P&DC and the Dallas BMC. As a result, these facilities may be using more workhours than necessary to process their workloads. Additional follow-up by the Postal Service is necessary to ensure that workhour reductions are completed.<sup>6</sup>

**Chart 2: Workhour Savings Results**

Audit Site	Proposed Workhour Savings	Base FY	Base FY Workhours	Hours Used in FY 2007	Change in Workhours	Percentage of Proposed Reduction Realized
Oakland, CA ISC	40,000	2003	264,128	247,233	-16,895	42.24
San Francisco, CA ISC	120,000	2003	896,935	927,672	+30,737	0.00
New York, NY ISC	320,000	2003	2,835,248	2,686,570	-148,678	46.46
Mansfield, OH Main PO	52,000	2003	270,748	222,650	-48,098	92.5
Akron, OH P&DC <sup>7</sup>	235,000	2003	795,543	757,519	-38,024	16.2
Los Angeles, CA ISC	85,000	2004	451,912	571,651	+119,739	0.00
Canton, OH P&DC	202,000	2003	430,679	397,560	-33,119	16.4
Washington, DC BMC	400,000	2004	1,398,285	1,090,436	-307,849	77.0
Worldway AMC	760,000	2004	1,584,212	578,385	-1,005,827	132.3
Bridgeport, CT P&DF	53,000	2005	110,772	0	-110,772	209.0
Dallas, TX BMC	418,000	2006	1,999,713	1,913,518	-86,195	20.6
<b>TOTALS</b>	<b>2,685,000</b>		<b>11,038,175</b>	<b>9,393,194</b>	<b>-1,644,981</b>	<b>61.27</b>

Source: WebEIS – Operations/Management Operating Data System (MODS) (Daily)/Mail Processing/ Hours

<sup>6</sup> The Akron P&DC has not substantially reduced workhours, but volume has increased by 10 percent, and productivity by 15 percent, since FY 2003. No additional follow-up is required.

**Chart 3: Percentage Completion Time of Workhour Reductions  
 Versus Percentage of Time Elapsed Based on Completion Date<sup>8</sup>**

<b>Audit Site</b>	<b>Percentage of Proposed Reduction Realized</b>	<b>Percentage of Time Elapsed</b>
Oakland, CA ISC	42.24	100.00
San Francisco, CA ISC	0.00	80.00
New York, NY ISC	46.46	60.00
Mansfield, OH Main PO	92.50	40.00
Akron, OH P&DC	16.20	28.57
Los Angeles, CA ISC	0.00	40.00
Canton, OH P&DC	16.40	66.67
Washington, DC BMC	77.00	50.00
Worldway AMC	132.30	33.33
Bridgeport, CT P&DF	209.00	50.00
Dallas, TX BMC	20.60	50.00
<b>AVERAGES</b>	<b>61.27</b>	<b>52.08</b>

<sup>8</sup> Completion date means the time period Postal Service had to complete the recommendations as stated in the individual audit reports.

**Chart 4: Employee Complement**

Audit Site	Complement		Complement Change	Percentage Change
	Pay Period 1, 2005	Pay Period 26, 2007		
Oakland, CA ISC	188	84	-104	-55.32
San Francisco, CA ISC	465	484	19	4.09
New York, NY ISC	1,726	1,734	8	0.46
Mansfield, OH Main PO <sup>9</sup>	134	118	-16	-11.94
Akron, OH P&DC	569	517	-52	-9.14
Los Angeles, CA ISC	255	327	72	28.24
Canton, OH P&DC	278	284	6	2.16
Washington, DC BMC	720	614	-106	-14.72
Worldway AMC <sup>10</sup>	808	293	-515	-63.74
Los Angeles, CA P&DC	2,457	2,627	170	6.92
Bridgeport, CT P&DF <sup>11</sup>	64	0	-64	-100.00
Stamford, CT P&DC	488	453	-35	-7.17
Dallas, TX BMC	1,149	997	-152	-13.23
<b>TOTALS</b>	<b>9,301</b>	<b>8,532</b>	<b>-769</b>	<b>-8.27</b>

Source: WebEIS – Human Resources/Human Resources Technology/Complement – Encumbered, Total On-Roll.

<sup>9</sup> The Mansfield Main PO transferred outgoing mail operations into the Akron P&DC.

<sup>10</sup> Worldway AMC transferred its workload to the Los Angeles P&DC.

<sup>11</sup> Mail processing operations were transferred from the Bridgeport P&DF to the Stamford P&DC.

**Chart 5: FY 2007 Productivity Results\***

Audit Site	Base Year FY	Base Year			2007		
		Volume (FPH)	Workhours	Pieces per Workhour	Volume (FPH)	Work-hours	Pieces per Hour
Oakland, CA ISC	2003	5,105,108	264,128	19	4,357,516	247,233	18
New York, NY ISC	2003	522,635,218	2,835,248	184	479,107,984	2,686,570	178
Mansfield, OH Main PO	2003	359,362,989	270,748	1,328	272,192,753	222,650	1223
Akron, OH P&DC	2003	651,912,096	795,543	819	715,724,803	757,519	945
Canton, OH P&DC	2003	399,246,695	430,679	927	388,560,585	397,560	977
Washington, DC BMC	2004	76,144,474	1,398,285	54	57,210,585	1,090,436	52
Dallas, TX BMC	2006	95,693,287	1,999,713	48	93,676,410	1,913,518	49
<b>TOTALS</b>		<b>2,110,099,867</b>	<b>7,994,344</b>	<b>264</b>	<b>2,010,830,636</b>	<b>7,315,486</b>	<b>275 (4.2% increase)</b>

Source: WebEIS – Operations/MODS (Daily)/Mail Processing/Volume

\*Does not include sites that discontinued mail processing operations in FY 2007 or have been consolidated. This includes the planned Los Angeles and San Francisco ISC reorganization, as well as Bridgeport P&DF and Worldway AMC.

**CHART 6: FY 2008 External First-Class Measurement System (EXFC) Results**

Audit Site	2004 EXFC Percent			2008 EXFC <sup>12</sup> Percent		
	O/N	2-Day	3-Day	O/N	2-Day	3-Day
Mansfield Main PO, Akron and Canton P&DCs <sup>13</sup>	94.11	89.23	89.14	94.89	92.62	91.17
Worldway AMC	95.43	94.17	89.54	95.76	96.01	91.29
Bridgeport, CT P&DF	96.33	91.85	86.92	96.48	93.16	90.91

Source: WebEIS – Operations/EXFC/Originating/Destinating Data  
O/N – Overnight

<sup>12</sup> Service scores through quarter 3, FY 2008.

<sup>13</sup> The Mansfield PO and the Akron and Canton P&DCs are all in the Northern Ohio District.

**Chart 7: FY 2007 Overtime Results**

<b>Audit Site</b>	<b>Base FY</b>	<b>Base FY Overtime Hours</b>	<b>Percent- age of Overtime</b>	<b>FY 2007 Overtime Hours</b>	<b>Percent- age of Overtime</b>	<b>Percentage Change in Overtime Hours</b>
Oakland, CA ISC	2003	21,663	8.20	12,600	5.10	-41.8
San Francisco, CA ISC	2003	120,577	13.44	88,311	9.52	-26.8
New York, NY ISC	2003	316,422	11.16	251,300	9.35	-20.6
Mansfield, OH Main PO	2003	18,763	6.93	24,741	11.11	+31.9
Akron, OH P&DC	2003	86,856	10.92	101,058	13.34	+16.4
Los Angeles, CA ISC	2004	53,086	11.75	75,529	13.21	+42.3
Canton, OH P&DC	2003	38,142	8.86	44,241	11.13	+16.0
Washington, DC BMC <sup>14</sup>	2004	190,254	14.63	66,958	6.14	-64.8
Worldway AMC	2004	79,942	5.05	28,497	4.93	-64.4
Bridgeport, CT P&DF	2005	9,350	8.44	0	0.00	-100.0
Dallas, TX BMC	2006	326,534	16.33	198,626	10.38	-39.2
<b>TOTALS</b>		<b>1,261,589</b>		<b>891,861</b>		<b>-29.3</b>

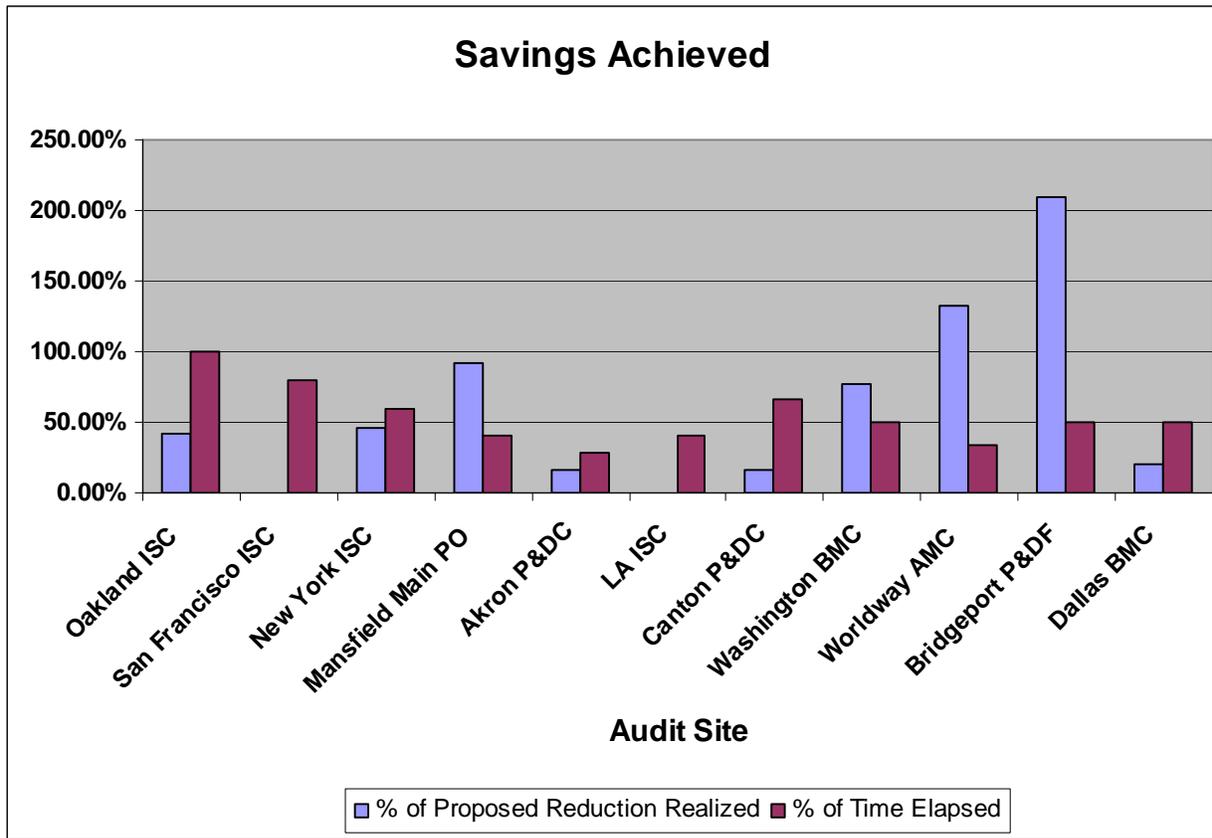
Source: WebEIS – Operations/MODS (Daily)/Mail Processing/Overtime

<sup>14</sup> The Washington BMC changed its reporting systems during FY 2004. Overtime figures used are for FY 2005.

**APPENDIX C: MAIL PROCESSING EFFICIENCY AUDIT REPORTS  
AND MONETARY SAVINGS**

<b>Audit Report</b>	<b>Report Number</b>	<b>Issue Date</b>	<b>Workhours</b>	<b>Dollar Amount</b>
Oakland, CA ISC	NO-AR-04-007	3/31/2004	40,000	\$ 17,013,959
San Francisco, CA ISC	NO-AR-04-006	3/31/2004	120,000	44,200,000
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
Mansfield, OH Main PO	NO-AR-05-004	12/8/2004	52,000	17,200,000
Akron, OH P&DC	NO-AR-05-009	3/30/2005	235,000	74,000,000
Los Angeles, CA ISC AMRU	NO-AR-05-010	4/28/2005	5,450	1,800,000
Los Angeles, CA ISC	NO-AR-05-011	6/17/2005	85,000	26,100,000
San Francisco, CA ISC AMRU	NO-AR-05-012	9/6/2005	7,757	2,600,000
Canton, OH P&DC	NO-AR-05-013	9/22/2005	202,000	64,000,000
Chicago, IL ISC AMRU	NO-AR-06-002	12/22/2005	3,860	1,100,000
Washington, DC BMC	NO-AR-06-003	2/22/2006	400,000	118,000,000
Seattle District CSBCS	NO-AR-06-005	8/2/2006	10,521	3,688,930
Worldway AMC	NO-AR-06-006	9/12/2006	760,000	192,000,000
Bridgeport, CT P&DF	NO-AR-07-004	4/25/2007	53,000	17,740,107
Dallas, TX BMC	NO-AR-07-005	5/31/2007	418,000	134,971,638
Summary Audit on the Timeliness of Mail Processing, Transportation, and Delivery Operations in the Chicago District	NO-AR-08-003	3/28/2008	697,245	231,337,397
<b>TOTALS</b>			<b>3,439,833</b>	<b>\$1,053,052,031</b>

**APPENDIX D: WORKHOUR SAVINGS**



Source: Data for this graph is contained in Chart 3.

**APPENDIX E: ACRONYMS**

AMC	Airmail center
AMRU	Airmail records unit
BMC	Bulk mail center
CSBCS	Carrier sequence bar code sorter
EXFC	External First-Class Measurement System
FHP	First handled pieces
ISC	International service center
MODS	Management Operating Data System
OIG	U.S. Postal Service Office of Inspector General
O/N	Overnight
PO	Post office
P&DC	Processing and distribution center
P&DF	Processing and distribution facility
WebEIS	Web Enterprise Information System

## APPENDIX F: MANAGEMENT'S COMMENTS

PROCESSING OPERATIONS



September 26, 2008

Ms. Lucine M. Willis  
Director, Audit Operations  
Office of the U.S. Inspector General  
1735 N. Lynn Street  
Arlington, VA 22209-2020

SUBJECT: Draft Audit Report – Follow-up Review of Implementation of Significant  
Audit Recommendations Impacting Mail Processing Efficiency  
(Report Number NO-AR-08-DRAFT)

This is in response to the Inspector General's draft audit report on the Follow-up Review of Implementation of Significant Audit Recommendations Impacting Mail Processing Efficiency. The audit report makes one recommendation to the Postal Service for continuing follow-up.

**Recommendation:** Continue to follow up with the Canton Processing and Distribution Center (P&DC) and the Dallas Bulk Mail Center (BMC) to ensure full implementation of the workhour reduction recommendations.

**Response:** We agree with this recommendation and will continue to evaluate operations at the Canton, OH P&DC and the Dallas, TX BMC. These efforts will be ongoing as we focus on continuous improvement initiatives. While these efforts will be ongoing, we expect the Canton P&DC and Dallas BMC to realize the appropriate workhour reductions by the end of fiscal year (FY) 2009.

We have reviewed the audit report and do not believe that any portion of the document requires exemption from disclosure under the Freedom of Information Act (FOIA).

A handwritten signature in black ink, appearing to read "David E. Williams".

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