



September 25, 2009

ROLAND A. FUENTES
SENIOR PLANT MANAGER, DENVER PROCESSING AND DISTRIBUTION CENTER

SUBJECT: Audit Report – Sunday Mail Processing Operations
(Report Number NO-AR-09-012)

This report presents the results of our review of Sunday mail processing operations at the Denver Processing and Distribution Center (P&DC) located in the Colorado/Wyoming Customer Service District, Western Area (Project Number 09XG016NO000). Our objective was to determine if Sunday mail processing operations could be eliminated or streamlined. The Colorado/Wyoming Customer Service District was identified as high-risk by the Performance and Results Information Systems Network and Delivery Optimization Risk Model.¹ This audit addresses operational risk and is one in a series being conducted based on a request from the former Vice President, Network Operations. See [Appendix A](#) for additional information about this audit.

Conclusion

We concluded Sunday mail processing operations at the Denver P&DC could not be eliminated,² but could be streamlined through improving operational efficiencies and processing some mail on Monday instead of Sunday.

Efficiency of Mail Processing Operations

The Denver P&DC could streamline Sunday operations by improving efficiency. We found that:

- Sunday is the least productive day of the week and the second highest day for overtime usage.
- Comparing Sunday operations to similarly sized or Group 1 facilities³ showed that the Denver P&DC is a low performer.

¹ In Quarter 1, fiscal year (FY) 2009, the Colorado/Wyoming Customer Service District ranked the most at risk, respectively, of 80 districts with low service scores for 2- and 3-day mail, low Breakthrough Productivity Initiative performance, high overtime in delivery and mail processing, as well as a high percentage of carriers returning after 5 p.m.

² The processing of some mail is necessary on Sunday since there was not sufficient processing time on Monday to meet service requirements.

- The Denver P&DC could process some mail worked on Sunday on Monday without significantly increasing workhours or impacting service.

Several factors contributed to the inefficiencies and extent of Sunday mail processing operations at the Denver P&DC. Specifically:

- Management did not perform a staffing analysis in relation to workload to ensure they properly scheduled employees.⁴
- Management did not evaluate mail processing activities to determine if employees could more efficiently process some mail on automated equipment rather than manually.
- Management did not review all operations to determine whether they could eliminate some of these activities on Sunday.
- Supervisors did not ensure employees were actively engaged in mail processing operations or followed established color code and mail staging procedures.

Consequently, the Denver P&DC used more workhours than necessary to process its workload on Sunday, at a higher labor cost. If the Denver P&DC could improve efficiency to the top 10 Group 1 facility average, it could save approximately 122,000 workhours. Based on the savings of 39,000 workhours already achieved, the Denver P&DC should further reduce Sunday mail processing workhours by 83,000 with an economic impact of approximately \$38 million over 10 years. See [Appendix B](#) for our detailed analysis of this topic, and [Appendix C](#) for calculation of workhour savings.

We recommend the Senior Plant Manager, Denver Processing and Distribution Center:

1. Reduce 83,000 workhours, based on fiscal year (FY) 2008 usage, by the end of FY 2010 with an associated economic impact of approximately \$38 million over a 10-year period.
2. Periodically evaluate staffing and operating efficiency. If mail volume continues to decline and/ or automation capacity increases, determine whether further reductions to Sunday operations can be made.

³ We compared the Denver P&DC to similarly sized Group 1 facilities for FY 2008. The Denver P&DC is a Group 1 processing facility (based on FY 2006 groupings). Group 1 processing facilities or plants are the largest processing facilities in terms of the amount of mail volumes processed and workhours used. There are a total of 36 plants considered to be Group 1 facilities.

⁴ Management's abilities to change work schedules is limited due to labor union contractual restrictions. Our future capping report will address and summarize this issue.

3. Provide additional training and guidance to supervisors as necessary to achieve consistent, quality supervision and ensure employees are trained in and follow established color code and mail staging procedures.

Management's Comments

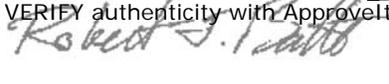
Management agreed with our findings and recommendations. Management agreed to reduce workhours by 83,000 by the end of FY 2010 and will have reduced them by about 22,000 by the end of FY 2009. Additionally, management agreed to periodically evaluate staffing and operating efficiency and provide training and guidance to supervisors to ensure they follow procedures. See [Appendix D](#) for management's comments in their entirety.

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendations and management's comments should identify the issues identified in the report.

The 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 Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

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

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APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

In FY 2008, mail volume has declined by 9.5 billion pieces (4.5 percent), leading to a loss of \$2.8 billion. During the first 5 months of FY 2009, the Postal Service has seen an accelerated decline in mail volume (about 11 billion pieces) with a total loss of about \$2 billion. Furthermore, projections for the remainder of FY 2009 suggest mail will continue to decline by 27 billion pieces (13 percent) resulting in a net loss of \$7 billion.

While the Postal Service has reduced expenses by \$773 million in the first 5 months of FY 2009, the expense reduction was not sufficient to fully offset the decline in mail volume and rising cost of workers' compensation and retirement costs. In recent testimony before Congress,⁵ the U.S. Government Accountability Office (GAO) recommended that urgent action was needed to streamline the mail processing and retail networks, as the Postal Service no longer has sufficient revenue to cover the cost of maintaining its large network of processing and retail facilities. Furthermore, the GAO stated it was necessary for the Postal Service to consider whether it was cost-effective to retain underutilized facilities and to take action to right size its network.

A P&DC is a large mail processing facility that processes and dispatches part or all of both incoming mail and outgoing mail for a designated service area. It also provides instructions on the preparation of collection mail, dispatch schedules, and sorting plan requirements to mailers. The Postal Service has approximately 400 processing facilities. Postal Service employees receive premium pay on Sunday. This premium pay is based on the employee's regular salary with an additional 25 percent pay per hour for Sunday. If an employee works during a scheduled tour that includes any part of a Sunday, the employee is paid premium pay for all hours worked that day. For example, if an employee's tour of duty starts at 10 p.m. on Saturday night and ends at 6:00 a.m. on Sunday morning, the employee is paid a premium for the entire 8 hours, not just the 6 hours that were worked on Sunday.

The Denver P&DC is located in Denver, CO, Colorado/Wyoming Customer Service District in the Western Area, and has approximately 1,600 employees. In FY 2008, the Denver P&DC processed over 2 billion first handling pieces (FHP) using 3.4 million workhours. The Denver P&DC reduced Function 1⁶ workhours by over 285,000 compared to same period last year – including 39,000 workhours for Sunday operations.

⁵ GAO-09-475T, Testimony before the Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, Committee on Oversight and Government Reform, House of Representatives, dated March 25, 2009.

⁶ Mail processing operations are in the Function 1 category.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to determine whether Denver P&DC Sunday mail processing operations could be eliminated or streamlined. To accomplish this objective we:

- Interviewed Postal Service officials.
- Analyzed mail volume, workhours, and machine output trends.
- Reviewed employee work schedules.
- Benchmarked against other similarly sized sites (Group 1) sites, comparing all days of the week.
- Observed mail processing operations.

We relied on Postal Service data systems, including:

- Web Enterprise Information System
- Web End Of Run System
- Management Operating Data System
- Enterprise Data Warehouse

We obtained data from October 1, 2007, through September 30, 2008, but did not test controls over these systems. However, we checked the reasonableness of results by confirming our analysis and results with management and multiple data sources.

We conducted this performance audit from February through September 2009 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management officials on July 30, 2009, and included their comments where appropriate.

PRIOR AUDIT COVERAGE

We conducted 18 efficiency reviews that recommended a workhour reduction of approximately 26 million with an associated economic impact in excess of \$2 billion. These audits found that management could improve efficiencies at these processing facilities through workhour reductions. Management agreed with the recommendations made in each of these reports.

REPORT TITLE	REPORT NUMBER	FINAL REPORT DATE	MONETARY IMPACT
<i>Efficiency of the Oakland International Service Facility and the Regatta Facility</i>	NO-AR-04-007	3/31/2004	\$17,013,959
<i>Efficiency of the San Francisco International Service Center and the General Service Administration Facility</i>	NO-AR-04-006	3/31/2004	44,263,283
<i>Efficiency of the New York International Service Center</i>	NO-AR-04-009	9/24/2004	98,355,534
<i>Efficiency of the Air Mail Records Unit at the New York International Service Center</i>	NO-AR-04-011	9/24/2004	9,248,967
<i>Efficiency Review of the Mansfield, OH Main Post Office</i>	NO-AR-05-004	12/8/2004	17,183,404
<i>Efficiency Review of the Akron, OH Processing and Distribution Center</i>	NO-AR-05-009	3/30/2005	73,996,558
<i>Efficiency of the Air Mail Records Unit at the Los Angeles International Service Center</i>	NO-AR-05-010	4/28/2005	1,847,858
<i>Efficiency of the Los Angeles International Service Center</i>	NO-AR-05-011	6/17/2005	26,075,474
<i>Efficiency of the Air Mail Records Unit at the San Francisco International Service Center</i>	NO-AR-05-012	9/6/2005	2,563,277
<i>Efficiency Review of the Canton, OH Processing and Distribution Center</i>	NO-AR-05-013	9/22/2005	63,617,713
<i>Efficiency of the Chicago Air Mail Records Unit at the J. T. Wecker International Service Center</i>	NO-AR-06-002	12/22/2005	1,121,794
<i>Efficiency Review of the Washington Bulk Mail Center</i>	NO-AR-06-003	2/22/2006	118,383.220
<i>Efficiency of Carrier Sequence Barcode Sorters</i>	NO-AR-06-005	8/2/2006	3,688,930
<i>Efficiency Review of the Los Angeles, CA, Worldway Air Mail Center</i>	NO-AR-06-006	9/12/2006	192,173,980
<i>Efficiency Review of the Bridgeport Processing and Distribution Facility, Bridgeport, CT</i>	NO-AR-07-004	4/25/2007	17,740,107

REPORT TITLE	REPORT NUMBER	FINAL REPORT DATE	MONETARY IMPACT
<i>Efficiency Review of the Dallas Bulk Mail Center</i>	NO-AR-07-005	5/31/2007	134,971,638
<i>Summary Audit on the Timeliness of Mail Processing, Transportation and Delivery in the Chicago District</i>	NO-AR-08-003	3/28/2008	231,337,397
<i>Assessment of Overall Plant Efficiency</i>	NO-MA-09-002	5/8/2009	969,495,708
		TOTALS	\$2,023,078,801

APPENDIX B: DETAILED ANALYSIS

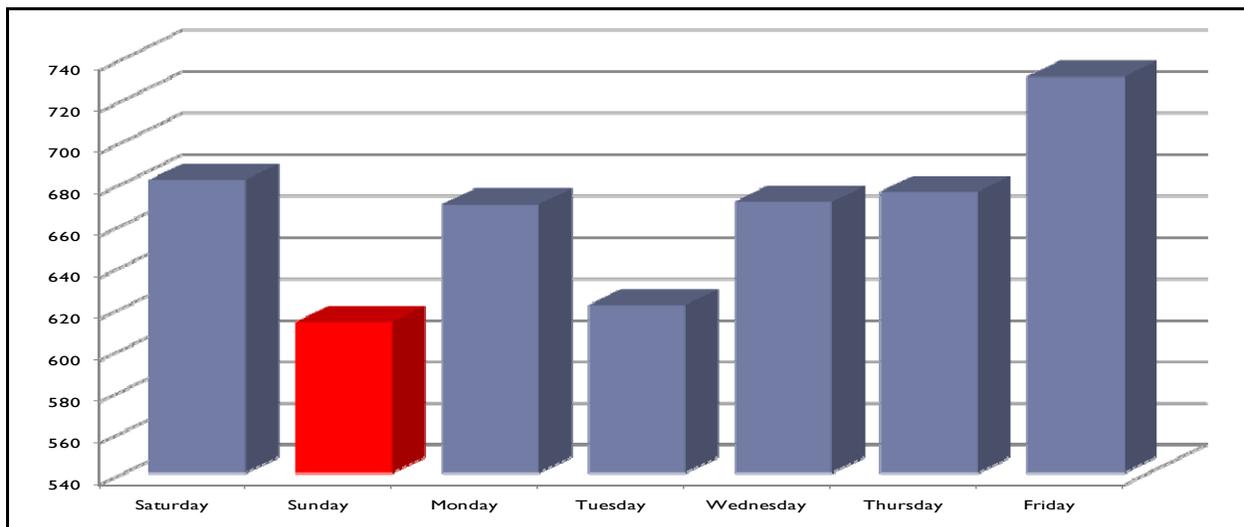
Efficiency of Mail Processing Operations

The Denver P&DC could streamline Sunday operations by improving efficiency. However, Sunday operations cannot be eliminated because some operations must be performed that day to meet delivery standards. For example, the Denver P&DC has to process incoming⁷ flat mail volumes on Sunday because it does not have sufficient machine capacity to process this mail on Monday. Sunday processing ensures the mail is ready for delivery on Monday.

Sunday Productivity and Overtime

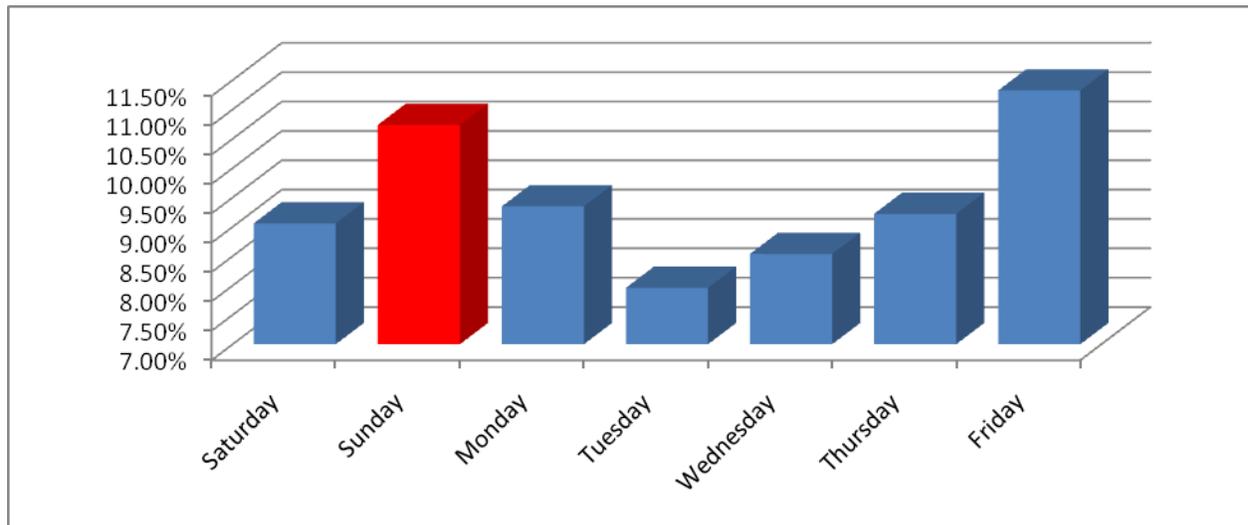
Sunday is an ideal day to eliminate or streamline mail processing operations. When comparing the Denver P&DC's FHP productivity on Sunday to other days of the week, Sunday was the facility's lowest performing day, averaging 613 pieces per hour, compared to 731 on Friday, the highest performing day. See Graph 1. Sunday was also the second highest day for overtime usage, averaging almost 11 percent of total workhours. See Graph 2.

Graph 1. Denver P&DC FY 2008 FHP Productivity by Day



⁷ Incoming mail is received from other P&DC's from around the country for delivery in a given service area.

Graph 2. Denver P&DC FY 2008 Overtime Percentage by Day



[Comparison to Top 10 Group 1 Facilities \(Similarly Sized Sites\)](#)

The Denver P&DC was below the top 10 productivity Group 1 facilities average.⁸ For example, the Denver P&DC:

- Processed 2,479 letters per hour in Automated/Mechanized Letter Operations compared to the Group 1 facilities average of 3,303 letters per hour. In other words, the Group 1 facilities process approximately 33 percent more volume per hour than the Denver P&DC.
- Used more hours compared to the Group 1 facilities average, as a percent of total mail processing hours in Allied and Miscellaneous Operations, which includes traying mail, opening and dumping mail from containers, loading and unloading trucks.⁹

If the Denver P&DC increased its Sunday productivity to the top 10 average of the Group 1 facilities, it could realize workhour savings of approximately 118,000. See Table 1 for details.

⁸ We used the Group 1 facilities top 10 average to rank the Denver P&DC in the upper one-third of Group 1 facilities. Discussions with management indicated this is a realistic and achievable target for the Denver P&DC.

⁹ Allied and Miscellaneous Operations did not have mail processing volumes; therefore, a productivity ratio is not possible. Instead, we used the percentage of workhours used in these operations as a percentage of total mail processing workhours for comparison purposes.

**Table 1. Sunday Productivity
Comparing Denver P&DC to Top 10 Group 1 Facilities Averages**

Labor Distribution Code (LDC)	Denver P&DC – Mailpieces Processed Per Workhour	Group 1 Facility Sunday – Mailpieces Processed Per Workhour	Workhour Saving if Group 1 Facility Average is Achieved
Automated/Mechanized Letter Processing (LDC 11)	2,479	3,303	15,660
Automated/Mechanized Flat Processing (LDC 12)	1,695	3,128	10,022
Automated/Mechanized Parcel Processing (LDC 13)	165	129	Not Applicable
Manual Letter, Flat, Parcel Processing (LDC 14)	99	300	32,492
	Percentage of Total Workhours	Percentage of Total Workhours	
Allied Operations (LDC 17)	43.46	30.96	48,714
Miscellaneous Operations (LDC 18)**	7.92	5.18	10,678
Total Workhour Savings			117,566

**Includes Express Mail®, registry operations, union time, meeting time.

[Some Sunday Mail Could be Processed on Monday](#)

The Denver P&DC could process some mail worked on Sunday on Monday without significantly increasing workhours on Monday or impacting service. For FY 2008, we found the idle time percentage was high for Combined Input/Output Subsystem (CIOSS), Delivery Bar Code Sorter (DBCS), and DBCS with Input Subsystem and Output Subsystem (DIOSS) machines while in the operational mode. Thus, additional capacity exists to process Delivery Point Sequencing mail. See highlighted numbers in Table 2 below.

Table 2. FY 2008 End of Run Summary

	Operational Time	Idle Time	Idle Time Percentage	Average Hours Run Per Day
CIOSS	9,913	3,180	32.08	6.1
DBCS	150,648	57,870	38.41	6.6
DIOSS	38,498	19,929	51.77	4.7

Moreover, our observations for the weekends of April 25 and May 2, 2009, and subsequent analysis¹⁰ showed sufficient machine capacity to process some Sunday first pass letter mail volumes on Monday. For example, of the 2.1 million letters processed on Sunday, April 26, approximately 30 percent (or 621,000 pieces) could be processed on Monday with little or no increase in workhours. Similarly, of the 2.5 million letters processed on Sunday, May 3, approximately 25 percent (or 625,000 pieces) could be processed on Monday. These figures represent low volume sort plans.¹¹

Causes

Several factors contributed to the inefficiencies and extent of Sunday mail processing operations at the Denver P&DC. See Illustrations 1 through 3. Specifically:

- Management did not perform a staffing analysis in relation to workload to ensure they properly scheduled employees.¹²
- Management did not evaluate mail processing activities to determine if employees could more efficiently process some mail on automated equipment rather than manually.
- Management did not review all operations to determine if they could eliminate some of these activities on Sunday.
- Supervisors did not ensure employees were actively engaged in mail processing operations or followed established color code and mail staging procedures.

¹⁰ Analysis based on FY 2008 average Sunday processing of total mailpieces fed.

¹¹ Our analysis was limited to low volume sort plans, which indicated low productivity. A low volume sort plan is a software configuration that maps mailpieces (less than 50,000 mailpieces) and directs them to specific holdouts contingent upon the type of mail being run.

¹² Management’s abilities to change work schedules is limited due to labor union contractual restrictions. Our future capping report will address and summarize this issue.

Sources of Efficiency Improvement

We identified opportunities to increase efficiency by improving employee scheduling, better utilizing automated equipment, ensuring employees properly stage mail, and eliminating non-essential mail processing activities.

Staffing analysis and employee scheduling - Management had not performed a staffing analysis in relation to workload and employee scheduling in manual letter operations. Better employee scheduling would improve productivity. The average productivity for Sunday manual letter operations for the Top 10 Group 1 facilities was 300 letters per hour; whereas the Denver P&DC's average productivity on Sunday was 99 letters per hour. This low productivity indicates the facility used more hours than necessary to process letter volumes on Sunday. If the Denver P&DC could more accurately match staffing to workload and achieve the average productivity of the Top 10 Group 1 facilities, it would result in a savings of approximately 32,000 workhours.¹³

Evaluation of mail processing activities and utilizing automated equipment - Management did not evaluate mail processing activities to determine whether some mail could be more efficiently processed on automated equipment. Employees were manually processing mail, rather than using the idle Automated Package Processing System (APPS)¹⁴ that could process this mail faster with less workhours. Supervisors stated that manually processing the mail kept all employees productive. The APPS can process an average of 729 pieces of Priority Mail® per hour as compared to the 207 piece average which the employees process manually.¹⁵ See Illustration 1.

¹³ The 32,000 workhours are reflected in Table 1 and are part of the claimed 118,000 workhour savings.

¹⁴ The APPS costs about \$4.9 million per machine, and sorts parcels with Optical Character Recognition and Barcode Readers.

¹⁵ Priority Mail computation are based on FY 2008.



Illustration 1. As many as 20-25 clerks worked Priority Mail for dispatch manually, rather than on the APPS. (Photograph taken April 25, 2009, at 9:44 p.m. This is Sunday's Tour 1 operation which begins on Saturday night.)

Eliminating Mail Processing Activities That Are Not Essential on Sunday – If the Denver P&DC eliminated non-essential mail processing activities on Sunday, it could realize additional productivity gains and workhour savings. We identified workhours being used in 22 mail processing operations in the various LDCs, not be essential to Sunday mail processing operations. The majority of these processing activities involve outgoing operations, which include the processing and distribution of collection mail. Since there are few dispatches to carrier stations and post offices on Sunday and no Sunday delivery to customers, the impact of eliminating these activities is minimal. This mail can be processed on Monday and still meet established service standards. Additionally, since there is no pick-up of collection mail on Sunday, they could eliminate mail cancellation operations on Sunday. The associated allied operations are also non-essential on Sundays.

See Table 3 for a specific list of operations that are not essential to Sunday mail processing.

**Table 3. Opportunities to Improve Efficiency
Operations that are not Essential to Sunday Mail Processing**

LDC	Operation Number	Operation Description
11	271	DBCS OSS - OUTGOING PRIMARY
	281	DBCS ISS - OUTGOING PRIMARY
	291	DBCS-ISS/OSS MODE - OUTGOING PRIMARY
	891	DBCS - OUTGOING PRIMARY
	892	DBCS - OUTGOING SECONDARY
	897	DBCS - BOX SECTION
12	141	MPFSM - OUTGOING PRIMARY
	441	FSM 1000 - OUTGOING PRIMARY
	442	FSM 1000 - OUTGOING SECONDARY
	811	UFSM 1000 OCR - O/G PRIMARY
	812	UFSM 1000 OCR - O/G SECONDARY
14	030	MANUAL LTR - OUTGOING PRIMARY
	040	MANUAL LTR - OUTGOING SECONDARY
	060	MANUAL FLT - OUTGOING PRIMARY
	070	MANUAL FLT - OUTGOING SECONDARY
	090	LSM - INTERNATIONAL INBOUND
	321	O/G PRIMARY PARCELS - PRIORITY
17	010	HAND CANCELLATIONS
	015	ADVANCED FACER CANCELLER SYSTEM
	017	ALLIED LABOR - CANCELLATIONS
18	585	REGISTRY SECTION
	588	REGISTRY SECTION

Inadequate Supervision – All employees were not being supervised, and at times, it was difficult to locate a supervisor in some operations. For example, in the manual letter operation (030), employees were idle, chatting and walking through the casing area, while some employees were sitting casing the mail. See Illustrations 2 and 3.



Illustration 2. The manual operation had inadequate supervision. Clerks are standing in the aisle talking, instead of processing the mail. (Photograph taken April 25, 2009, at 11:06 p.m. This is Sunday's Tour 1 operation, which begins on Saturday night.)



Illustration 3. Clerk was observed on several different occasions throughout the Tour sitting idle, engaged in activities other than mail processing. Better supervision is needed to ensure employees are productive. (Photograph taken June 28, 2009, at 8:42 p.m.)

Additionally, supervisors did not ensure employees were following established procedures when staging mail. Proper application of color code tags and following FIFO¹⁶ procedures would assist Denver P&DC employees in prioritizing mail for processing and ensuring the oldest mail is readily identifiable and available for processing. This would reduce mail handling and save workhours. See Illustrations 4 and 5.

¹⁶ FIFO is a method of inventory evaluation that presumes the oldest inventory (first in) is the first to be used (first out).



Illustration 4. Standard Mail without color code label, time, or date. Without a proper color code, employees cannot determine when to process this mail or how to stage it. (Photograph taken April 25, 2009, at 11:39 p.m. This is the beginning of Sunday Tour 1 Operations.)



Illustration 5. Containers with mixed color code labels are improperly staged, resulting in additional mail handlings. (Photograph taken April 26, 2009, at 11:48 a.m.)

Criteria

Title 39, U.S.C. Part 1, Chapter 1, § 101, states that the Postal Service “. . . shall provide prompt, reliable, and efficient services to patrons in all areas” Further, the September 2005 *Postal Service Strategic Transformation Plan* states “The Postal Service will continue to provide timely, reliable delivery to every address at reasonable rates.” The Postal and Accountability Enhancement Act, P.L. 109-435-December 20, 2006, Title II, highlights “. . .the need for the Postal Service to increase its efficiency and reduce its costs, including infrastructure costs, to help maintain high quality, affordable postal services. . . .”

Finally, the GAO states in its testimony titled *Network Rightsizing Needed to Help Keep USPS Financially Viable* (GAO-09-674T, dated May 20, 2009) before the Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, Committee on Oversight and Government Reform, House of Representatives, that:

Maintaining USPS’s financial viability as the provider of affordable, high-quality universal postal service will require actions in a number of areas, such as (1) rightsizing its retail and mail processing networks by consolidating operations and closing unnecessary facilities and (2) reducing the size of its workforce. Rightsizing USPS’s retail and mail processing networks is needed to eliminate growing excess capacity and improve efficiency—action that is critical to maintaining affordable postal rates and streamlining USPS’s workforce, which generates close to 80 percent of its costs.

Impact

The Denver P&DC used more resources than necessary to process its mail volume on Sunday, at a higher labor cost. Based on FY 2008 usage, if the Denver P&DC could improve efficiency to the top 10 Group 1 facilities average and move some mail worked on Sunday to Monday, they could save approximately 122,000 workhours at a cost avoidance of more than \$38 million in labor savings during a 10-year period.

APPENDIX C. CALCULATION OF FUNDS PUT TO BETTER USE

The Denver P&DC could reduce approximately 122,000 workhours¹⁷ from Sunday mail processing operations. The Denver P&DC’s FHP Sunday productivity in FY 2008 was 667. If the Denver P&DC achieved the average Sunday productivity level of its Group 1 facilities counterparts of 804, it would result in a reduction of 122,000 workhours by the end of FY 2010.

We multiplied the Function 1 Mail Processing Level 5 Mail Handler rate of \$55.49, which includes the base rate of \$48.80 and an additional 25 percent premium pay by the reduction of 83,000 workhours.

FUNDS PUT TO BETTER USE (WORKHOUR SAVINGS)

Employee Category Impacted	Workhour Reduction	Discounted Savings (Net Present Value)*
Function 1 Mail Processing Level 5 Mail Handler Hours	83,000	\$38,250,365

* Timeframe 10 fiscal years.

NOTES:

- We based the 83,000 workhour reduction on management’s plan to reduce workhours over a 1-year period, based on FY 2008 usage and taking into account the 39,000 workhour saving that occurred in Quarters 1 and 2, FY 2009.
- We calculated cost avoidance using the savings in hours multiplied by the escalated labor rate over a 10-year period.
- We calculated the net present value using the May 27, 2009, discount rate of 3.5 percent over a 10-year period.
- We based labor rates on FY 2010 Actual Wage Rates for a level 05 (PS-05) mail handler.
- The yearly escalation factor is 1.3 percent based on the Postal Service’s Decision Analysis Factors, effective May 27, 2009.

¹⁷ The total of 122,000 workhours includes reducing 118,000 workhours by improving operational efficiencies and reducing 4,000 workhours by processing some mail on Monday instead of Sunday. We are only claiming 83,000 in workhour savings since the Denver P&DC used approximately 39,000 fewer workhours through Quarters 1 and 2 of FY 2009, compared to the same period in FY 2008.

APPENDIX D. MANAGEMENT'S COMMENTS

SENIOR PLANT MANAGER
 COLORADO/WYOMING PERFORMANCE CLUSTER



September 16, 2009

Lucine M. Willis
 Director, Audit Operations

Subject: Sunday Mail Processing Operations (Report Number [NO-AR-09]-Draft)

We agree that Sunday is our least productive day of the week and until recently our second highest day for OT. Compared to similarly sized or Group 1 facilities showed that Denver P & DC is a low performer in productivity. We also agree that we can process some mail worked on Sunday in the Monday processing window.

The following recommendations were made to me in your review.

1. Reduce 83,000 work hours, based on Fiscal Year (FY) 2008 usage, by the end of FY2010 with an associated economic impact of approximately \$38 million over a 10-year period.
2. Periodically evaluate staffing and operating efficiency. If mail volume continues to decline and / or automation capacity increases, determine whether further reductions to Sunday operations can be made.
3. Provide additional training and guidance to supervisors as necessary to achieve consistent, quality supervision and ensure employees are trained in and follow established color code and mail staging procedures.

Local Response to Recommendations

1. The OIG has identified the necessity to reduce our Sunday operations by 83,000 hours, which is equivalent to nearly 200 employees, we agree with this recommendation. In Quarter 3 and 4 of this Fiscal Year (FY 09) we have reduce our Sunday hours by 22,000, we must continue with this savings. To capture the rest of the identified savings we have reviewed our current staffing on Sunday by facility and Tour. Below is our current staffing matrix.

Sunday Staffing Denver Colorado						
	Clerks			Mailhandlers		
	T-1	T-2	T-3	T-1	T-2	T-3
Plant	184	30	153	75	68	109
MPA	7	16	58	22	27	17

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Based on this review In-Plant Support will accomplish the following immediately:

- A. The Mail Processing Annex will begin processing Incoming Surface Colorado Mail on the APPS on Sunday afternoon instead of on the manual spider. The Non- Schedule Days of 20 clerks will be changed to reflect no work on Sunday. Eight (8) Positions will be targeted for reversion or abolishment. In addition, on Saturday, Outgoing Priority will be processed on the APPS.
- B. The Denver P& DC will also change the Non- Schedule Days of 35 clerks to reflect no work on Sunday. Twelve (12) will be targeted for reversion or abolishment.

These changes will net our facilities an initial savings of 31,000 hours per FY. We will begin taking these actions immediately after the Incentive Retirements are identified, this will allow us to accomplish these changes with the least amount of distribution to our processing operations.

1. Local Management also agrees that periodic staffing reviews need to be made to match staffing with volume. In-Plant will use the MPSOMD to monitor Sunday work hours, this system will be used to trigger additional reviews. We do feel that we have several roadblocks preventing us from efficiently staffing or Sunday operations. It will be necessary to negotiate with the APWU at the National Level the ability to schedule employees with split Non – Schedule Days and have a complement of Part-Time Flexible employees in 200 man-year offices.
2. Local Management also agrees with the necessity to train and guide our supervisors to ensure consistent quality supervision. Senior Leaders at the Plant and Annex will provide training to our supervisor on a periodic basis and provide daily feedback on their performance. We have moved several of our strongest supervisors to our manual units where our greatest need for oversight and administrative duties has been identified.



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Senior Plant Manager
Processing & Distribution