



OFFICE OF  
**INSPECTOR  
GENERAL**  
UNITED STATES POSTAL SERVICE

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# **Use of Postal Support Employees in Customer Service Operations**

## **Audit Report**

August 16, 2013

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Report Number DR-AR-13-006



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# HIGHLIGHTS

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## **BACKGROUND:**

In the 2010-2015 American Postal Workers Union's National Labor Agreement (National Agreement), the U.S. Postal Service created a new category of non-career employees called postal support employees (PSEs) to increase its workforce flexibility and reduce labor costs. PSEs have no daily or weekly workhour guarantees; however, when scheduled to work, they are guaranteed 2 hours of work or pay.

The Postal Service employed PSEs in May 2011 and provided training at both the national and area levels. In fiscal year (FY) 2012, salaries and benefits in customer service operations were over \$6.5 billion, more than \$575 million (or 9 percent) of which was overtime costs. As of May 31, 2013, there were 11,443 PSEs (18.5 percent of career employees) and 61,961 career employees on the rolls in customer service operations. Our objective was to evaluate the use of PSEs in customer service operations.

## **WHAT THE OIG FOUND:**

The Postal Service showed incremental increases in using PSEs in customer service operations in FY 2012 and achieved significant labor cost savings totaling over \$233 million. However, it ended the year with a PSE usage rate of only 10.5 percent, about half of the maximum 20 percent usage rate allowed by the National Agreement.

The low usage rate occurred because of the lengthy hiring process, inconsistent use of PSEs, the absence of goals in FY 2012 to use these employees to reduce overtime costs, and contractual staffing restrictions.

The Postal Service subsequently streamlined the hiring process and set a FY 2013 nationwide goal to reduce overtime costs by using PSEs. We recognized the staffing cap is part of the National Agreement; therefore, we are not making recommendations on these matters. Maximizing the use of lower cost staff provided an opportunity for the Postal Service to avoid overtime costs of \$43.2 million in FY 2012.

## **WHAT THE OIG RECOMMENDED:**

We recommended the vice president, Delivery and Post Office Operations, continue emphasizing managers maximize usage of PSEs to reduce overtime costs and meet operational needs.

[Link to review the entire report](#)



August 16, 2013

**MEMORANDUM FOR:** EDWARD F. PHELAN, JR.  
VICE PRESIDENT, DELIVERY AND  
POST OFFICE OPERATIONS

E-Signed by: Robert Batta  
VERIFY authenticity with e-Sign   
*Robert J. Batta*

**FROM:** Robert J. Batta  
Deputy Assistant Inspector General  
for Missions Operations

**SUBJECT:** Audit Report – Use of Postal Support Employees in  
Customer Service Operations  
(Report Number DR-AR-13-006)

This report presents the results of our audit of Use of Postal Support Employees in Customer Service Operations (Project Number 13XG005DR000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Rita F. Oliver, director, Delivery and Post Office Operations, or me at 703-248-2100.

Attachment

cc: Douglas A. Tulino  
James J. Boldt  
Margaret M. Pepe  
Jennifer T. Vo  
Corporate Audit and Response Management

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## Introduction

This report presents the results of our audit of Use of Postal Support Employees (PSEs)<sup>1</sup> in Customer Service Operations (Project Number 13XG005DR000). This self-initiated audit addresses operational risk. Our objective was to evaluate the use of PSEs to support customer service operations. See [Appendix A](#) for additional information about this audit.

From the early 1970s, the U.S. Postal Service has supplemented its workforce with non-career employees. In May 2011, the Postal Service created a new category of non-career employees called PSEs to increase its workforce flexibility and reduce labor costs. PSEs replaced casual employees.<sup>2</sup> PSEs may be used in several positions, including customer service, mail processing, maintenance, and motor vehicles operations.<sup>3</sup> This audit focuses on customer service PSEs. As of May 31, 2013, there were 11,443 (18.5 percent of career employees) PSEs and 61,961 career employees on the rolls in customer service operations.

## Conclusion

Postal Service managers achieved significant labor cost savings by using PSEs in fiscal year (FY) 2012. However, their usage rate at year end in customer service operations was 10.5 percent,<sup>4</sup> well below the staffing cap allowed by the National Agreement.<sup>5</sup> The low usage rate occurred due to the lengthy hiring process, inconsistent use of PSEs among installations, not establishing FY 2012 goals to reduce overtime costs by using PSEs, and staffing cap limit restrictions.<sup>6</sup> Maximizing the use of lower cost staff resources, provided the Postal Service the opportunity to avoid overtime costs of \$43.2 million in FY 2012. See [Appendix B](#) for monetary impact.

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<sup>1</sup> Non-career bargaining unit employees paid at a lower rate than career bargaining unit employees. PSEs may be hired for a term not to exceed 360 days, but may be rehired following a 5-day break in service.

<sup>2</sup> Casual employees were limited to two 90-day terms of employment in a calendar year.

<sup>3</sup> For the purpose of this review, we considered PSEs performing clerk craft duties in customer service operations or Function 4 operations. These employees manually distribute mail and perform window service activities at Postal Service-operated facilities.

<sup>4</sup> Ratio of 7,560 PSEs to 71,796 career employees on the rolls in customer service operations.

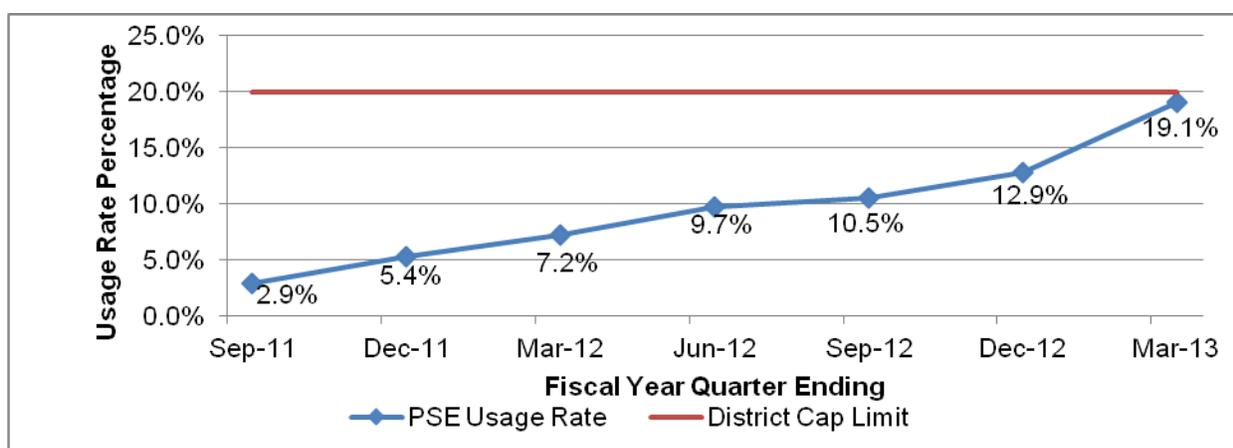
<sup>5</sup> *Agreement Between the United States Postal Service and American Postal Workers Union (APWU), AFL-CIO 2010-2015*, Memorandum of Understanding (MOU), *Postal Support Employees*.

<sup>6</sup> The National Agreement set forth that each district may employ PSEs up to 20 percent of the total number of customer service career employees. In addition, in executive and administrative schedule (EAS) level 22 and above offices, PSEs who work the window will not exceed 10 percent of the career retail clerks. In EAS level 21 and below offices, PSEs who work the window will not exceed 20 percent of the career retail clerks in that installation whose duties include working the window.

## Postal Support Employee Usage

The Postal Service incrementally increased its use of PSEs through February 2013, achieving a 19.1 percent national average PSE usage rate.<sup>7</sup> They also achieved significant labor cost savings totaling over \$233 million in FY 2012. In October 2011, there were 2,273 PSE positions (2.9 percent of the career employees in customer service operations) and by September 2012, the number of these positions had increased to 7,560 (10.5 percent of career employees). The FY 2012 year-end percentage was well below the National Agreement’s 20 percent cap limit. See Figure 1 and [Appendix C](#) for detailed district and national PSE usage rates.

**Figure 1. National PSE Usage Rate<sup>8</sup>**



Source: U.S. Postal Service Office of Inspector General (OIG) Analysis of *Clerk PSE Opportunity and Compliance* reports.

A number of factors contributed to the low PSE usage rate in FY 2012. According to management, use of PSEs in customer service operations was a new process; therefore, a 6-month ramp-up period<sup>9</sup> was needed to implement the program. OIG analysis also found several additional reasons that management did not maximize PSE use in FY 2012 from our survey<sup>10</sup> of the 67 districts.

Ten of the 46 district survey respondents (or 22 percent) cited difficulties in the hiring process. They stated the PSE hiring process was lengthy and tedious. In addition, these districts noted that applicants frequently had trouble passing the required screening tests. In February 2012, the Postal Service streamlined the process for hiring bargaining employees, including PSEs, from an average of 75 days to 30-40 days, while preserving

<sup>7</sup> The FY 2013 increases were attributable, in part, to a *One Time Incentive Retirement* MOU, dated September 2012, between the Postal Service and the APWU. The MOU provides a 90-day period, effective January 31, 2013, to exceed the National Agreement cap limits by replacing each career APWU employee who accepted the Voluntary Early Retirement Authority with a PSE to help with the transition.

<sup>8</sup> Data for the quarter ending March 2013, is as of February 22, 2013.

<sup>9</sup> For the purpose of this audit, we considered the ramp-up period to begin in May 2011, when the National Agreement was ratified for the Postal Service to prepare for hiring, training, and assigning PSEs.

<sup>10</sup> Forty-six districts responded to the OIG survey.

the integrity of the selection process. Management implemented two process improvements: a standardized screening process<sup>11</sup> to better utilize resources and a simplified medical assessment process to reduce cycle time. Therefore, we are not making a recommendation on this matter.

While headquarters management has provided webinar training regarding the flexibility afforded with the National Agreement at the national and area levels for PSEs, our analysis of survey results showed that managers in two districts interpreted the National Agreement as prohibiting installations from sharing PSEs.<sup>12</sup> District management believed that installations sharing PSEs may prohibit them from rehiring those same PSEs at the end of their 360-day term. In addition, district management believed that they should not move PSEs among installations to mitigate grievances. Further, when other PSEs were assigned to a larger central office with plans to share them with smaller offices, they found that the larger offices were reluctant to do so. Yet, other districts we surveyed had established practices to facilitate sharing, such as using an electronic (web-based) scheduling tool. According to guidance provided by Postal Service Headquarters Human Resources<sup>13</sup> and the *2012 Joint Contract Interpretation Manual*, dated July 2012, installation managers may use PSEs at various locations, presuming the PSE qualifies for the position. In FY 2013, Postal Service Headquarters initiated processes to monitor and meet bi-weekly with area management on PSE usage. However, despite these efforts, 39 of the 67 districts' customer service PSE usage rates were below the 20 percent cap level as of May 2013.

Also, the Postal Service did not establish specific nationwide goals<sup>14</sup> for reducing overtime costs by using PSEs in FY 2012 in customer service operations. Nevertheless the Postal Service did achieve over \$233 million in straight-time labor cost savings<sup>15</sup> by using PSEs instead of career employees in customer service operations. However, there was more saving opportunity, as about 9.7 million overtime hours were incurred in customer service operations (see [Table 1](#)). Management established a goal for FY 2013 to reduce overtime costs in customer service operations by 2.3 percent by using PSEs. Therefore, we are not making a recommendation on this matter.

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<sup>11</sup> Background checks and drug tests are to be requested after interviews for tentatively selected candidates, but prior to extending a conditional job offer.

<sup>12</sup> The OIG's review of the National Agreement found no evidence of such a restriction.

<sup>13</sup> *Postal Support Employee Recruitment, Testing, Hiring Guidance Office of Organizational Effectiveness*, July 2011.

<sup>14</sup> District and area offices had set goals to reduce overtime established for their operations.

<sup>15</sup> In FY 2012, career employees earned an average of \$42.63 while PSEs earned just \$17.23 per hour. The labor rate difference of \$25.40 multiplied by 9,212,085 PSE workhours equals \$233,962,765 in labor cost savings.

**Table 1. FY 2012 Customer Service Operations Regular and Overtime Workhours<sup>16</sup>**

Operations	Regular Workhours	Overtime Workhours	Total Workhours	Percentage of Total Workhours
Mail Distribution	48,817,955	4,104,621	52,922,576	36%
Window Service	43,630,772	2,582,697	46,213,469	32%
Administrative & Other	40,399,130	2,864,166	43,263,296	30%
Computerized Forwarding Sites	2,486,393	196,396	2,682,789	2%
<b>Total</b>	<b>135,334,250</b>	<b>9,747,880</b>	<b>145,082,130</b>	<b>100%</b>

Source: Enterprise Data Warehouse (EDW), *Labor Utilization Report*.

Lastly, our survey results showed 20 of the 46 survey respondents had difficulty using PSEs at their retail window counters due to the percentage cap restrictions in the National Agreement.<sup>17</sup> For example, some district managers stated that the contractual restrictions were an obstacle to providing adequate service to customers. Also, smaller independent post offices, such as those with three or fewer career employees, would not, by the terms of the National Agreement, qualify to use a PSE for window service. Further, when the career employee complement is reduced through a transfer or retirement, the office may lose the flexibility of using PSEs because the number of allowable PSEs will be reduced as well. Because the staffing cap is part of the National Agreement, management stated they will not pursue renegotiating of PSE cap restrictions. Therefore, we are not making a recommendation on this matter.

Maximizing the use of lower cost staff resources provided an opportunity for the Postal Service to avoid overtime costs of \$43.2 million in FY 2012. See [Appendix B](#) for monetary impact.

### Recommendation

We recommend the vice president, Delivery and Post Office Operations:

1. Continue emphasizing that managers maximize usage of postal support employees in customer service operations to reduce overtime costs and meet operational needs.

<sup>16</sup> Excludes customer service operations supervisory workhours.

<sup>17</sup> *APWU Postal Support Employee Memoranda*, Appendix A, Article 7, B, 4.

## Management's Comments

Management agreed with the recommendation but disagreed with the finding and monetary impact. Management stated they did not consider the finding to be reflective of the actions taken or the current state of the Postal Service PSE strategy. Management stated the establishment of PSEs required new position requirements; labor, legal, and management review and approvals; hiring registers; advertisement; testing; hiring; and training. Management also stated despite these challenges, they aggressively engaged in hiring 7,500 PSEs in FY 2012. Management added the Postal Service is at maximum flexibility with PSE as allowed by the contract and have hired up to the national hiring cap of 18.2 percent.

In response to our monetary impact, management stated our methodology did not consider the operational impact of the voluntary early retirement and the measures necessary for the establishment of PSEs. See [Appendix D](#) for management's comments, in their entirety.

## Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendation and corrective actions should resolve the issues identified in the report. The OIG does not consider management's comments responsive to the finding and monetary impact.

Management stated they did not consider the finding to be reflective of the actions taken or the current state of the Postal Service PSE strategy. However, in the report, we acknowledged actions taken by management to improve hiring processes and training. We also recognized the Postal Service increased the PSE usage rate in FY 2013. Further, our report recognized the Postal Service faces constraints in pursuing flexibility due to PSE usage cap restrictions outlined in the National Agreement.

Management disagreed with our monetary impact showing that maximizing the use of PSEs in FY 2012 would have provided an opportunity for the Postal Service to avoid overtime costs of \$42 million. Management stated our methodology did not consider the operational impact of the voluntary early retirement and the measures necessary for the establishment of PSEs. However, we considered both of these factors in our cost savings calculation and discussed them with management as follows.

- Management discussed with OIG their concerns about the impact of the voluntary early retirement on our savings calculations. Our savings calculations were for FY 2012; the voluntary early retirement did not go into effect until January 31, 2013, and had no impact on our saving calculations.

- We recognized Postal Service faced certain operational constraints implementing the PSE program. Therefore, we discussed with management what they considered as a reasonable time to prepare for hiring, training, and assigning PSEs for this new initiative. Management suggested a 6-month period was reasonable. Based on management's input, we excluded 6 months from our cost savings calculations.

Based on management's corrective actions for the significant recommendation, we agree to close the recommendation with the issuance of this report.

## Appendix A: Additional Information

### Background

In May 2011, the Postal Service created a new category of employees called PSEs, to increase its workforce flexibility and reduce labor costs. PSEs are non-career employees paid at a lower rate than career employees. Although PSEs are initially hired as non-career employees, the National Agreement provides them a potential path to career employment. PSEs have no daily or weekly workhour guarantees except that, when they are scheduled to work, they are guaranteed 2 hours of work or pay. In addition, part-time career employees working at the straight-time rate are given priority over PSEs in scheduling. PSEs may be used in several positions, including customer service, mail processing,<sup>18</sup> maintenance, and motor vehicle operations.

In FY 2011, the Postal Service incurred \$6.8 billion in salary and benefit costs for employees in customer service operations, 10 percent of which was overtime costs. In comparison, in FY 2012, costs for customer service operations employees were \$6.5 billion, 9 percent of which was overtime costs. As shown in [Table 2](#), the actual overtime costs exceeded budgeted overtime costs by \$275 million (68 percent) in FY 2011 and \$285 million (98 percent) in FY 2012.<sup>19</sup>

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<sup>18</sup> We reported in May 2013, that the Postal Service did not use PSEs in mail processing operations to the fullest extent allowed by the contract (*Use of Non-Traditional Full-Time and Postal Support Employee Positions in Processing Operations*, Report Number NO-AR-13-003, dated May 17, 2013).

<sup>19</sup> In prior work, we reported the Postal Service paid \$2.86 billion in overtime nationwide compared to \$2.44 billion in FY 2009, representing an increase of 17.2 percent, or \$419.5 million (*Overtime Usage*, Report Number HR-AR-11-003, March 31, 2011).

**Table 2. FYs 2011 and 2012 Salary Costs  
for Customer Service Employees**

FY 2012				
Workhour	Actual	Budget	Dollar Over Budget	Percentage Over Budget
Straight Time	\$5,963,770,337	\$5,353,163,461	\$610,606,876	11%
Overtime	575,383,584	290,313,181	285,070,403	98%
<b>Total</b>	<b>\$6,539,153,921</b>	<b>\$5,643,476,642</b>	<b>\$895,677,279</b>	<b>16%</b>
FY 2011				
Straight Time	\$6,156,988,714	\$5,680,146,265	\$476,842,449	8%
Overtime	682,193,140	406,641,720	275,551,420	68%
<b>Total</b>	<b>\$6,839,181,854</b>	<b>\$6,086,787,985</b>	<b>\$752,393,869</b>	<b>12%</b>

Source: EDW, Payroll Hours Summary, and Postal Service Field Budget.

### Objective, Scope, and Methodology

The objective of this audit was to evaluate the use of PSEs to support customer service operations. To accomplish our objective we:

- Surveyed 67 district management officials about using PSEs at field locations.<sup>20</sup>
- Interviewed managers at Postal Service Headquarters and seven area operations to assess data availability, usage, and training related to PSEs.
- Conducted site visits in the Northeast and Southern areas — which include the Capital and Northern Virginia districts — to understand the management and oversight of PSE usage.
- Reviewed applicable Postal Service policies and procedures and APWU agreements related to PSEs in customer service operations.
- Reviewed and analyzed PSE opportunity, workhour, salary, and compliance data in Postal Service systems for FYs 2012 and 2013 year-to-date.

We collected and relied on computer-generated data from the Postal Service's Operations Complement Management's *PSE Opportunity and Compliance* reports and webCOINS. We did not test the validity of controls over these systems; however, we did verify the accuracy of the data by confirming our analyses results with Postal Service

<sup>20</sup> The OIG received responses from 46 districts, representing a response rate of 67 percent.

managers and other data sources. In addition, we relied on prior OIG reviews of Postal Service data systems.

We conducted this performance audit from October 2012 through August 2013 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 on June 27, 2013, and included their comments where appropriate.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Use of Non-Traditional Full-Time and Postal Support Employee Positions in Processing Operations</i>	NO-AR-13-003	5/17/2013	\$30,656,031
<p><b>Report Results:</b>                      We found that Postal Service managers showed improvement in increasing the use of both Non-Traditional Full-Time (NTFT) and PSE positions, but they have not hired to the fullest extent allowed by the contract. The use of flexible positions was hindered by employees' reluctance to bid on NTFT positions, difficulties in staffing and scheduling NTFT employees, and lack of available positions at some plants. Consequently, if the Postal Service had hired PSEs up to contract limits, it could have reduced labor and overtime costs in FY 2012 by more than \$30.6 million. We recommended the Postal Service direct managers to provide additional training to improve the utilization and supervision of NTFT positions and periodically evaluate PSE staffing to optimize usage of these employees. Management agreed with the recommendations, but disagreed with the monetary impact.</p>			
Report Title	Report Number	Final Report Date	Monetary Impact
<i>Overtime Usage</i>	HR-AR-11-003	3/31/2011	None
<p><b>Report Results:</b>                      We reviewed the Postal Service's overtime usage in FY 2010 and found that it paid \$2.86 billion in overtime compared to \$2.44 billion in FY 2009, representing an increase of 17.2 percent, or \$419.5 million. We also determined that, although overtime usage increased, overall workhours were reduced by 77.3 million and costs by \$1.51 billion during this period. According to management, this increase in overtime usage was due to a reduction in personnel, mail rerouting, and equipment deployment delays and updates. We found that these things contributed to increased overtime usage and that the Postal Service did not effectively plan for overtime usage as it exceeded its planned overtime hours by 67.8 percent in FY 2010. We recommended that the Postal Service develop and implement a plan to attain alignment between current workload and workforce levels, by location, to ensure effective and efficient use of Postal Service resources; and that the Postal Service ensure significant changes impacting operations and resources are accounted for in the budget plan. Management agreed with the recommendations.</p>			

### Appendix B: Monetary Impact

Recommendation	Impact Category	Amount
1	Questioned Costs <sup>21</sup>	\$43,233,842

- We calculated potential savings of \$43.2 million<sup>22</sup> in FY 2012 customer service operations overtime costs.<sup>23</sup>
- We obtained *PSE Clerk Opportunity* reports for FY 2012<sup>24</sup> to calculate how many additional PSEs were needed in FY 2012 to reduce customer service operations overtime costs by 2.3 percent.<sup>25</sup>
- To be conservative, we adjusted the number of workhours per pay period to 60 in our calculation.
- We multiplied the number of potential PSE hires by the number of workhours multiplied by the difference in cost to calculate the potential savings for each of the 67 districts. In cases where the resulting number of potential hires was zero or a negative number (meaning the Postal Service did not need to hire PSE to hit that target), we did not calculate cost savings.

The OIG classified these potential savings as questioned costs.

<sup>21</sup> A questioned cost is a cost that is unnecessary, unreasonable, unsupported, or an alleged violation of law, regulation, contract, and so forth. The cost may be recoverable or unrecoverable and is usually a result of historical events.

<sup>22</sup> We began our calculations with December 2011, allowing 6 months from the May 2011 ratification date for the Postal Service to prepare for hiring, training, and assigning PSEs. The potential savings does not include any potential offsetting expenses, such as cost to hire and train the PSEs.

<sup>23</sup> We began our calculation in December 2011, to allow 6 months for the Postal Service to prepare for hiring and staffing PSEs in customer service operations.

<sup>24</sup> The 26 pay periods covering FY 2012 began September 24, 2011, and ended September 21, 2012.

<sup>25</sup> To be conservative, we assumed that PSEs would work a 30-hour week and applied the FY 2013 2.3 percent overtime cost reduction goal to FY 2012.

**Appendix C: Postal Support Employee Usage Rate<sup>26</sup> by District**

Areas and Districts	As of FY 2012			As of February 22, 2013			Increase (Decrease) From FY 2012 to February 22, 2013		
	Career Employees On Roll	PSEs On Roll	PSE Usage Rate	Career Employees On Roll	PSEs On Roll	PSE Usage Rate	Career Employees On Roll	PSEs On Roll	PSE Usage Rate
Capital	956	54	5.6%	833	145	17.4%	(123)	91	11.8%
Baltimore	785	72	9.2%	681	134	19.7%	(104)	62	10.5%
Northern Virginia	705	141	20.0%	643	157	24.4%	(62)	16	4.4%
Richmond	910	100	11.0%	817	177	21.7%	(93)	77	10.7%
Greensboro	978	85	8.7%	897	129	14.4%	(81)	44	5.7%
Mid-Carolinas	1,012	144	14.2%	921	149	16.2%	(91)	5	1.9%
Greater South Carolina	656	117	17.8%	588	128	21.8%	(68)	11	3.9%
Atlanta	1,367	169	12.4%	1,233	229	18.6%	(134)	60	6.2%
<b>Capital Metro Area</b>	<b>7,369</b>	<b>882</b>		<b>6,613</b>	<b>1,248</b>		<b>(756)</b>	<b>366</b>	
South Jersey	1,275	54	4.2%	1,087	149	13.7%	(188)	95	9.5%
Western New York	661	80	12.1%	561	113	20.1%	(100)	33	8.0%
Western Pennsylvania	967	120	12.4%	812	193	23.8%	(155)	73	11.4%
Central Pennsylvania	1,043	61	5.8%	951	116	12.2%	(92)	55	6.3%
Philadelphia Metro	1,078	113	10.5%	960	215	22.4%	(118)	102	11.9%
Appalachian	688	129	18.8%	610	175	28.7%	(78)	46	9.9%
Tennessee	1,264	159	12.6%	1,107	226	20.4%	(157)	67	7.8%
Kentuckiana	916	128	14.0%	821	204	24.8%	(95)	76	10.9%
Northern Ohio	1,223	135	11.0%	1,064	224	21.1%	(159)	89	10.0%
Cincinnati	1,262	159	12.6%	1,093	172	15.7%	(169)	13	3.1%
<b>Eastern Area</b>	<b>10,377</b>	<b>1,138</b>		<b>9,066</b>	<b>1,787</b>		<b>(1,311)</b>	<b>649</b>	

<sup>26</sup> Per the MOU, the Postal Service can exceed the 20 percent maximum usage cap for a period of 90 days, starting February 1, 2013.

**PSE Usage Rate by District (Continued)**

Areas and Districts	As of FY 2012			As of February 22, 2013			Increase (Decrease) From FY 2012 to February 22, 2013		
	Career Employees On Roll	PSEs On Roll	PSE Usage Rate	Career Employees On Roll	PSEs On Roll	PSE Usage Rate	Career Employees On Roll	PSEs On Roll	PSE Usage Rate
Greater Indiana	1,122	187	16.7%	1,015	291	28.7%	(107)	104	12.0%
Detroit	1,368	206	15.1%	1,176	363	30.9%	(192)	157	15.8%
Greater Michigan	892	97	10.9%	804	212	26.4%	(88)	115	15.5%
Lakeland	1,579	217	13.7%	1,385	239	17.3%	(194)	22	3.5%
Central Illinois	1,300	171	13.2%	1,129	288	25.5%	(171)	117	12.4%
Chicago	601	67	11.1%	431	365	84.7%	(170)	298	73.5%
Gateway	1,328	208	15.7%	1,151	240	20.9%	(177)	32	5.2%
<b>Great Lakes Area</b>	<b>8,190</b>	<b>1,153</b>		<b>7,091</b>	<b>1,998</b>		<b>(1,099)</b>	<b>845</b>	
Caribbean	767	93	12.1%	697	93	13.3%	(70)	0	1.2%
Greater Boston	2,004	180	9.0%	1,771	282	15.9%	(233)	102	6.9%
Northern New England	1,163	138	11.9%	1,067	229	21.5%	(96)	91	9.6%
Connecticut Valley	1,796	61	3.4%	1,545	161	10.4%	(251)	100	7.0%
Northern New Jersey	1,778	193	10.9%	1,534	228	14.9%	(244)	35	4.0%
New York	1,294	92	7.1%	1,097	179	16.3%	(197)	87	9.2%
Westchester	884	96	10.9%	808	99	12.3%	(76)	3	1.4%
Triboro	1,084	118	10.9%	971	182	18.7%	(113)	64	7.9%
Long Island	997	111	11.1%	880	139	15.8%	(117)	28	4.7%
Albany	834	50	6.0%	746	65	8.7%	(88)	15	2.7%
<b>Northeast Area</b>	<b>12,601</b>	<b>1,132</b>		<b>11,116</b>	<b>1,657</b>		<b>(1,485)</b>	<b>525</b>	

**PSE Usage Rate by District (Continued)**

Areas and Districts	As of FY 2012			As of February 22, 2013			Increase (Decrease) From FY 2012 to February 22, 2013		
	Career Employees On Roll	PSEs On Roll	PSE Usage Rate	Career Employees On Roll	PSEs On Roll	PSE Usage Rate	Career Employees On Roll	PSEs On Roll	PSE Usage Rate
Los Angeles	976	72	7.4%	811	129	15.9%	(165)	57	8.5%
Sierra Coastal	977	92	9.4%	876	160	18.3%	(101)	68	8.8%
San Diego	1,210	158	13.1%	1,110	155	14.0%	(100)	(3)	0.9%
Santa Ana	1,512	182	12.0%	1,371	303	22.1%	(141)	121	10.1%
San Francisco	871	62	7.1%	783	92	11.7%	(88)	30	4.6%
Bay-Valley	1,123	92	8.2%	993	147	14.8%	(130)	55	6.6%
Sacramento	1,209	113	9.3%	1,043	231	22.1%	(166)	118	12.8%
Honolulu	499	58	11.6%	456	62	13.6%	(43)	4	2.0%
<b>Pacific Area</b>	<b>8,377</b>	<b>829</b>		<b>7,443</b>	<b>1,279</b>		<b>(934)</b>	<b>450</b>	
North Florida	1,456	184	12.6%	1,279	250	19.5%	(177)	66	6.9%
South Florida	1,282	85	6.6%	1,119	194	17.3%	(163)	109	10.7%
Suncoast	1,866	147	7.9%	1,576	414	26.3%	(290)	267	18.4%
Alabama	1,009	95	9.4%	914	172	18.8%	(95)	77	9.4%
Mississippi	649	96	14.8%	588	153	26.0%	(61)	57	11.2%
Louisiana	991	72	7.3%	885	210	23.7%	(106)	138	16.5%
Arkansas	712	79	11.1%	645	89	13.8%	(67)	10	2.7%
Oklahoma	696	87	12.5%	614	162	26.4%	(82)	75	13.9%
Dallas	1,168	33	2.8%	1,083	110	10.2%	(85)	77	7.3%
Fort Worth	793	36	4.5%	720	74	10.3%	(73)	38	5.7%
Houston	1,187	102	8.6%	986	230	23.3%	(201)	128	14.7%
Rio Grande	1,280	92	7.2%	1,120	221	19.7%	(160)	129	12.5%
<b>Southern Area</b>	<b>13,089</b>	<b>1,108</b>		<b>11,529</b>	<b>2,279</b>		<b>(1,560)</b>	<b>1,171</b>	

**PSE Usage Rate by District (Continued)**

Areas and Districts	As of FY 2012			As of February 22, 2013			Increase (Decrease) From FY 2012 to February 22, 2013		
	Career Employees On Roll	PSEs On Roll	PSE Usage Rate	Career Employees On Roll	PSEs On Roll	PSE Usage Rate	Career Employees On Roll	PSEs On Roll	PSE Usage Rate
Hawkeye	687	55	8.0%	595	84	14.1%	(92)	29	6.1%
Northland	1,328	77	5.8%	1,175	169	14.4%	(153)	92	8.6%
Dakotas	719	133	18.5%	653	127	19.4%	(66)	(6)	1.0%
Mid-America	841	95	11.3%	773	142	18.4%	(68)	47	7.1%
Central Plains	907	132	14.6%	768	121	15.8%	(139)	(11)	1.2%
Colorado/Wyoming	1,570	224	14.3%	1,402	290	20.7%	(168)	66	6.4%
Salt Lake City	750	86	11.5%	674	105	15.6%	(76)	19	4.1%
Arizona	1,751	114	6.5%	1,553	243	15.6%	(198)	129	9.1%
Nevada-Sierra	551	61	11.1%	490	88	18.0%	(61)	27	6.9%
Portland	937	155	16.5%	826	200	24.2%	(111)	45	7.7%
Seattle	1,462	146	10.0%	1,305	236	18.1%	(157)	90	8.1%
Alaska	290	40	13.8%	261	57	21.8%	(29)	17	8.0%
<b>Western Area</b>	<b>11,793</b>	<b>1,318</b>		<b>10,475</b>	<b>1,862</b>		<b>(1,318)</b>	<b>544</b>	
<b>National Total</b>	<b>71,796</b>	<b>7,560</b>	<b>10.5%</b>	<b>63,333</b>	<b>12,110</b>	<b>19.1%</b>	<b>(8,463)</b>	<b>4,550</b>	<b>8.6%</b>

Source: OIG analysis of Clerk PSE Opportunity and Compliance reports.

## Appendix D: Management's Comments

EDWARD F. PHELAN  
VICE PRESIDENT, DELIVERY AND POST OFFICE OPERATIONS



August 2, 2013

JUDITH LEONHARDT  
DIRECTOR, AUDIT OPERATIONS

**SUBJECT:** Postal Support Employees in Customer Service Operations  
(DR-AR-13-DRAFT)

The findings and recommendation outlined in the above noted audit report has been reviewed and the response is as follows. While the USPS agrees with the recommendation we express disagreement with the monetary and operational assumptions included within the audit, an example of such is noted below:

- Maximizing the use of lower cost staff provided an opportunity for the Postal Service to avoid overtime costs of \$43.2M in Fiscal Year 2012.

It is our believe that the methods used to determine the monetary impact do not take into consideration the operational impact as a result of the Voluntary Early Retirement (VER) and the measures necessary for the establishment of a new category of personnel.

The establishment of this new category of personnel included the development of position requirements, labor, legal and management review and approvals. It also required the development of a hiring register, public advertisement of availability, testing, hiring, and training. Subsequent to the hiring of any personnel, including lower cost Postal Support Employees (PSE); relevant operational factors were evaluated. These factors include, but are not limited to, workload, volume, vacancy, type of vacancy, type of personnel availability, and existing need. Despite these challenges, the USPS aggressively engaged in hiring PSEs up to the national hiring cap of 18.2% bringing on 7500 PSEs in FY2012. It should be noted that the USPS is at maximum flexibility with PSE as allowed by the contract.

Therefore, we do not consider the findings to be reflective of the actions taken or the current state of USPS PSE strategies. The USPS will continue its established hiring practice(s) as indicated in the recommendation.

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**RECOMMENDATION:** We recommend the vice president, Delivery and Post Office Operations:

1. Continue emphasizing that managers maximize usage of postal support employees in customer service operations to reduce overtime costs and meet operational needs.

**MANAGEMENT RESPONSE:** USPS has a well-defined set of processes to achieve this recommendation. It will continue to utilize its' set processes relative to the PSE initiative.

This report and managements' response does not contain information that may be exempt from disclosure under the Freedom of Information Act.

*for Elizabeth A. Schaefer*  
Edward F. Phelan, Jr.

cc: Douglas A. Tulino  
James Boldt  
Jennifer Vo  
Margaret Pepe  
CARM