



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

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# **Use of Non-Traditional Full-Time and Postal Support Employee Positions in Processing Operations**

## **Audit Report**

May 17, 2013

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Report Number NO-AR-13-003



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

## HIGHLIGHTS

### Use of Non-Traditional Full-Time and Postal Support Employee Positions in Processing Operations

Report Number NO-AR-13-003

#### **BACKGROUND:**

The U.S. Postal Service ended fiscal year (FY) 2012 with a record net loss of \$15.9 billion. This followed a net loss of \$5.1 billion for the previous year. In an effort to reduce costs and improve staffing flexibility, the Postal Service and the American Postal Workers Union agreed to create two new flexible employee categories: non-traditional full-time and postal support employee positions, effective May 23, 2011. The Postal Service estimates significant cost savings in utilizing these new employee categories. The non-traditional full-time position is a bid position with a regular weekly schedule of 30-48 hours, while the postal support employee position is a part-time non-career position that may be scheduled for as few as 2 hours a day or as many as 40 or more hours in a work week. This position may not exceed 360 calendar days per appointment.

Our objective was to assess the use of non-traditional full-time and postal support employee positions. This report responds to a request from the postmaster general.

#### **WHAT THE OIG FOUND:**

While Postal Service managers showed improvement in increasing the use of both positions, they have not hired to the fullest extent allowed by the contract. For example, of total clerk

positions in FY 2012, non-traditional full-time employees increased from 507 at the beginning of the year to 3,708 at the end of the year. Postal support employees increased from 5,632 to 7,559. The use of flexible positions was hindered by:

- Employees' reluctance to bid on non-traditional full-time positions of less than 40 hours per week.
- Difficulties in staffing and scheduling non-traditional full-time employees. This was largely attributed to lack of supervisor training.
- Lack of available positions in some plants.

Consequently, if the Postal Service hired postal support employees up to contract limits, it could have reduced labor and overtime costs in FY 2012 by more than \$30.6 million.

#### **WHAT THE OIG RECOMMENDED**

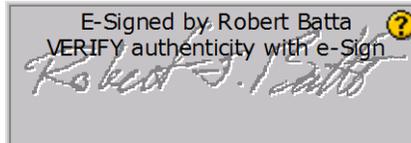
We recommended the vice president, Network Operations, direct managers to provide additional training to improve the utilization and supervision of non-traditional full-time positions and periodically evaluate postal support employee staffing to optimize usage of these employees.

[Link to review the entire report](#)



May 17, 2013

**MEMORANDUM FOR:** DAVID E. WILLIAMS, JR.  
VICE PRESIDENT, NETWORK OPERATIONS



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

**SUBJECT:** Audit Report – Use of Non-Traditional Full-Time and Postal  
Support Employee Positions in Processing Operations  
(Report Number NO-AR-13-003)

This report presents the results of our audit of the Use of Non-Traditional Full-Time and Postal Support Employee Positions in Processing Operations (Project Number 13YG002NO000).

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 and Transportation, or me at 703-248-2100.

Attachments

cc: Megan J. Brennan  
Jeffrey C. Williamson  
Sean M. Lacey  
Corporate Audit and Response Management

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## Introduction

This report presents the results of our audit of the Use of Non-Traditional Full-Time (NTFT) and Postal Support Employee (PSE) Positions in Processing Operations (Project Number 13YG002NO000). Our objective was to assess the use of NTFT and PSE positions. This report responds to a request from the postmaster general and addresses operational risk. See [Appendix A](#) for additional information about this audit.

The 2010-2015 National Agreement between the U.S. Postal Service and the American Postal Workers Union (APWU), effective May 23, 2011, created two new employee categories:

- The NTFT duty assignments, part of the full-time employee complement, are comprised of regular weekly schedules with total hours of between 30-48. Management may change the start times and off days of these employees from week to week. If the NTFT schedule has 3 or more scheduled days off, at least 2 days must be consecutive.
- The PSE is comprised of non-career, bargaining unit employees who replaced casual employees.<sup>1</sup> These employees must pass a test and may not exceed 360 calendar days per appointment. While there is no guarantee of regular hours, a PSE must work a minimum of 2 hours when scheduled.

Management intended these two employee categories to help the Postal Service reduce costs and improve flexibility. The *Joint Contract Interpretation Manual (JCIM)*, effective August 27, 2011, eliminated part-time flexible (PTF), part-time regular (PTR), and casual clerks working in processing and distribution center (P&DC) Function 1 operations.<sup>2</sup>

## Conclusion

While Postal Service managers showed improvement in increasing the use of both positions, they did not hire to the fullest extent allowed by the contract.

The use of flexible positions was hindered by:

- Employees' reluctance to bid on NTFT positions of less than 40 hours per week.

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<sup>1</sup> A non-career non-bargaining unit employee with a limited term appointment who performs duties assigned to bargaining unit positions as described in the applicable national agreement or other collective bargaining agreements.

<sup>2</sup> Function 1 is a workhour category used to record mail processing activities.

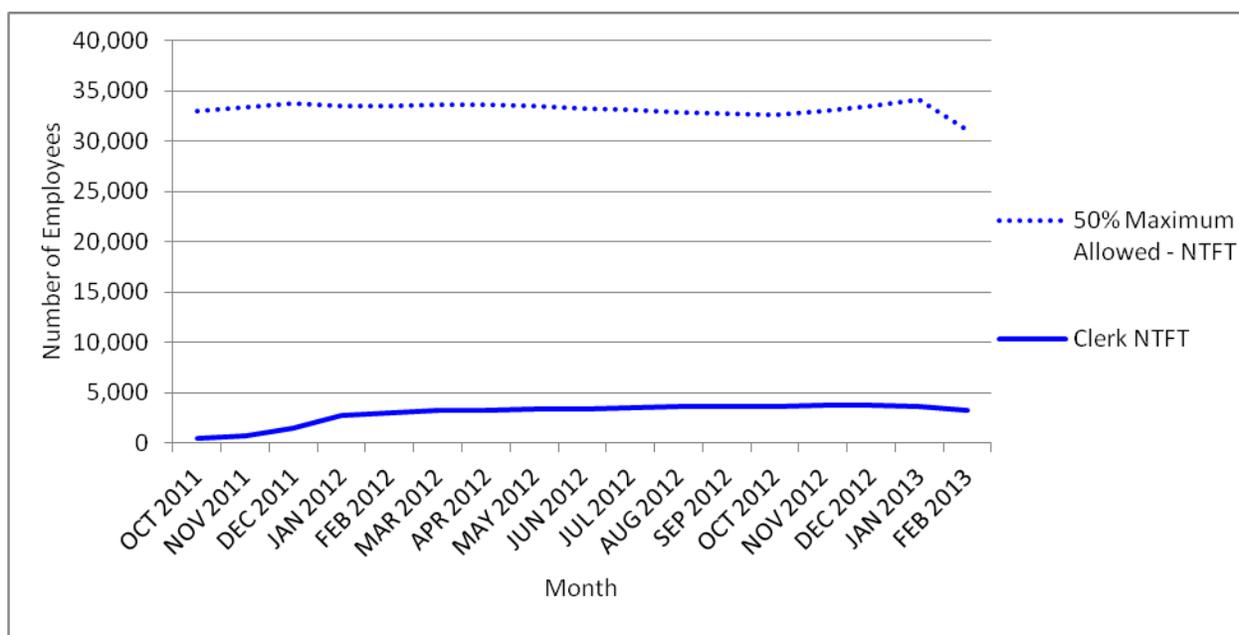
- Difficulties in staffing and scheduling NTFT employees. This was largely attributed to lack of supervisor training.
- Lack of available positions at some plants due to overstaffing.

Consequently, if the Postal Service had hired PSEs up to contract limits, it could have reduced labor and overtime costs, resulting in savings of more than \$30.6 million in fiscal year (FY) 2012.

### Non-Traditional Full-Time and Postal Support Employee Utilization

While Postal Service managers showed improvement in increasing the use of both types of positions in FY 2012, they did not hire to the fullest extent allowed by the contract.<sup>3</sup> For example, in October 2011, there were 507 NTFT positions (.8 percent of total mail processing clerks) and by September 2012, the number of these positions had increased to 3,708 (5.7 percent of clerks). Similarly, the average number of NTFT positions increased from 2,732 in FY 2012 to 3,631 in the first 5 months of FY 2013. However, in spite of this improvement, the use of NTFT employees was still significantly below the amount allowed by the contract, which is 50 percent of total clerks in a district. For FY 2012, the maximum number of allowable NTFT employees averaged 33,335 employees (see Figure1).

**Figure 1. NTFT Employee Usage by Month (National)  
October 2011 Through February 2013**

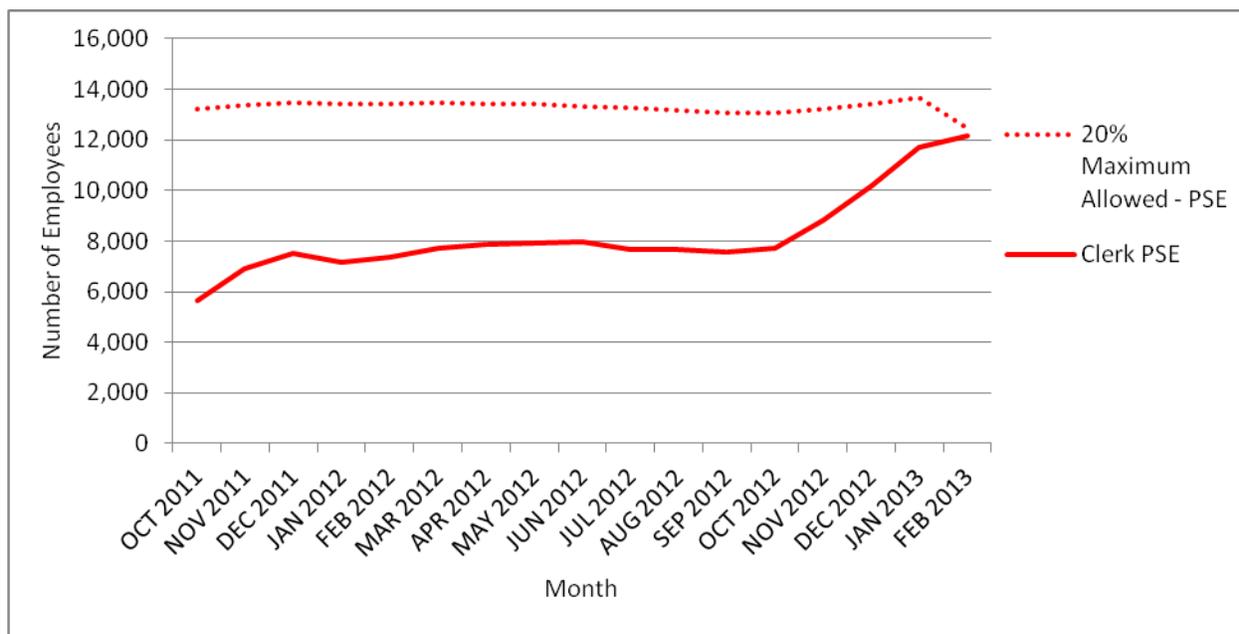


Source: Enterprise Data Warehouse (EDW), February 2013.

<sup>3</sup> The APWU contract states that the PSE Function 1 clerk workforce may not exceed 20 percent of Function 1 clerk employees within a particular district, except in accounting periods 3 and 4.

In October 2011, there were 5,632 PSE positions (8.5 percent of the mail processing clerks) and, by September 2012, these positions had increased to 7,559 (11.6 percent of the clerks). Beginning in October 2012, hiring of PSEs accelerated and for the first 5 months of FY 2013, the average number of PSEs rose to 10,114 (or 15.4 percent of the clerks). By February 2013, accelerated hiring combined with the reduction in staff resulting from retirement incentives helped the Postal Service reach 12,170 PSE positions, or 19.5 percent of the clerk workforce (see Figure 2).

**Figure 2. PSE Usage by Month (National)  
October 2011 Through February 2013**



Source: EDW, February 2013.

The Postal Service did not use these positions to the extent allowed by the contract.

- Plant managers had difficulty hiring NTFT employees in some cases because employees did not want to bid on positions that would reduce their workhours to less than 40 per week. For example, at one facility, 13 NTFT positions were posted, but only one person applied for a position. At another facility, 20 positions were posted, but only one employee applied. While interviewing plant managers, we learned they had difficulty filling NTFT positions of less than 40 hours per week.
- Furthermore, some supervisors were not properly trained on the contractual requirements regarding the scheduling of NTFT employees. For example, 137 separate grievances were filed largely in association with the roll out and the scheduling issues associated with the NTFT positions. These grievances totaled about \$118,000 in settlements to the union. In addition, the APWU also filed a

national grievance<sup>4</sup> concerning the improper scheduling of consecutive days off for NTFT employees.

- Finally, some P&DCs did not have available positions they could fill with PSEs. For example, based on our assessment of overall plant efficiency in FY 2011,<sup>5</sup> we identified about 14 million excessive workhours, indicating that some facilities had too many employees. These facilities cannot hire PSEs until positions become available through employee attrition. The Postal Service, in order to promote employee attrition, offered retirement incentives totaling \$15,000 per employee. As a result, in January 2013, the Postal Service accepted the early retirement of about 26,500 APWU employees, which will allow management to hire PSEs.

## Impacts

As a result of not using flexible employee positions to the fullest extent possible in FY 2012, the Postal Service did not fully realize labor cost savings and overtime reduction.

## Labor Costs Savings

A comparison of labor rates between PSE and Function 1 full-time and NTFT employees showed a significant labor cost savings associated with PSEs. For example, Function 1 full-time and NTFT employees earned about \$44.51 and \$43.88 per hour, respectively, while PSEs earned just \$17.59 per hour, or about 40 percent of their counterparts (see Table 1).

**Table 1. Labor Rates for Function 1 Full-Time, NTFT, and PSE Clerks**

Type of Employee	FY 2012 Cost Per Workhour
Function 1 Full-Time	\$44.51
NTFT	\$43.88
PSE	\$17.59

Source: EDW, February 2013.

The Postal Service did achieve a slight reduction in overall hourly labor costs in FY 2012. For example, the average hourly labor cost for all employees nationwide declined modestly, from \$41.54 in FY 2010 to \$41.27 in 2012 although health care and cost of living increased. However, in spite of this reduction, further opportunities through increased use of PSEs exist. For example, P&DCs that used a larger percentage of PSE workhours generally had lower hourly labor costs. For instance, the Louisville P&DC had the lowest hourly labor cost of \$38, with 23 percent of its clerk workhours filled by PSEs. However, the Minneapolis P&DC had the highest hourly labor cost of

<sup>4</sup> National grievance filed August 11, 2011.

<sup>5</sup> *Assessment of Overall Plant Efficiency 2012* (Report Number NO-MA-12-001, dated April 27, 2012).

\$45, with no PSE workhours. Furthermore, the five P&DCs with the lowest labor rates all used PSEs to the fullest extent allowed. Conversely, the five P&DCs with the highest labor rates had either no or little (less than 5 percent) PSE workhour usage in FY 2012 (see [Appendix B](#), Table 2).

### Overtime Cost Savings

The Postal Service could reduce overtime costs through increased use of PSEs in place of career employees earning overtime. For example, for the 26 pay periods encompassing most of FY 2012,<sup>6</sup> the Postal Service could have saved about \$30.6 million<sup>7</sup> in overtime costs had they realized a 1.5 percent<sup>8</sup> reduction in overtime through the use of PSEs (see [Appendix C](#)).

### Recommendations

We recommend the vice president, Network Operations, direct managers to:

1. Provide additional training to improve the utilization and supervision of non-traditional full-time positions.
2. Periodically evaluate postal support employee staffing to optimize usage of these employees.

### Management's Comments

Management agreed with the recommendations in the report but disagreed with the monetary impact. Specifically, in response to recommendation 1, management stated they will develop training for field supervisors and managers, with field managers required to complete the training by the end of 2013, effective January 2014.

Regarding recommendation 2, management will continue to monitor the usage of the PSEs to ensure optimized coverage, effective June 2013.

Management did not agree with our conclusion that they could have reduced labor and overtime costs had they hired PSEs up to the contractual limits, stating that their ability was limited by the contract's restrictions on PSE usage. Specifically, Postal Service cited contract provisions 12.4.D and 12.5B2. Article 12.4.D, which states that the Postal Service, in excessing situations, must first separate (terminate) PSEs. Article 12.5B2 states the Postal Service must withhold sufficient full-time and PTF positions within the area for possible reassignment and that the Postal Service must also identify

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<sup>6</sup> We looked at 26 pay periods, including data from pay period 21 in calendar year (CY) 2011 through pay period 20 in CY 2012.

<sup>7</sup> We calculated overtime savings using the Postal Service's clerk PSE (Function 1) *District Opportunity Report* for each pay period in FY 2012. To be conservative, we assumed that PSEs would work 30 hours per week (or 1,560 hours per year) consistent with the FY 2013 final field budget.

<sup>8</sup> The 1.5 percent overtime reduction is a goal in the FY 2013 Postal Service budget.

employee positions and make them available as necessary for reassigning excess employees. 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 in the report and corrective actions should resolve the issues identified in the report.

While we recognize that management faces certain constraints set forth in the labor agreement regarding the use of PSE positions, we believe our calculations are reasonable and would not have required a significant increase in the number of PSEs. We based our calculation of \$30.6 million in questioned costs on reducing the FY 2012 Function 1 clerk workhour overtime rate from 4.7 percent to 3.2 percent. To achieve this overtime rate reduction, PSE use would have only increased from 11.1 percent to 12.3 percent of Function 1 workhours in FY 2012. In addition, reduction in the overtime rate would be at processing and distribution facilities without sufficient staff, not those in need of excessing staff and, therefore, would not be significantly affected by the restriction in Article 12.4.D.

With regard to the other restrictions in Article 12.5B2, even though the Postal Service must withhold positions, there is no restriction preventing them from temporarily using PSEs to reduce overtime until these positions are filled from reassignments. We do acknowledge that the restriction that PSE duty assignments must be available for excess employee reassignments would hinder the Postal Service's ability to maximize the use of these employees. However, the modest increase in the use of PSEs necessary to achieve our \$30.6 million overtime cost reduction would not require maximizing the use of PSEs and, therefore, would have been attainable in spite of this contractual restriction.

## Appendix A: Additional Information

### Background

The Postal Service ended FY 2012 with a record net loss of \$15.9 billion, compared to a net loss of \$5.1 billion for the same period last year. The postmaster general stated that "Postal Service network costs are fixed and – as the network exists now – are too high for today's reduced mail volumes."<sup>9</sup> He also stated that "the Postal Service projects a further reduction of the equivalent of 155,000 full-time career employees by 2016, which we plan to achieve largely through attrition as half of our career employees are eligible for optional or early retirement."

On October 1, 2012, the Postal Service offered early retirement to APWU employees (clerks, mechanics, and drivers), effective January 31, 2013. The Postal Service estimates that about 26,500 APWU employees will accept the early-out retirement offer.

Title 39 U.S.C. states that "the Postal Service shall plan, develop, promote, and provide adequate and efficient postal services at fair and reasonable rates and fees."<sup>10</sup> In addition, the Postal Reorganization Act requires the Postal Service to engage in the collective bargaining process.<sup>11</sup> The national union agreements include provisions that address the way the Postal Service compensates and deploys its employees.

Effective May 23, 2011, the Postal Service and the APWU adopted the 2010-2015 National Agreement. The postmaster general stated that "We sought and were able to achieve greater workforce flexibility, immediate cost relief, and long term structural changes."<sup>12</sup> This agreement added language creating two new flexible employee categories:<sup>13</sup> PSE<sup>14</sup> and NTFT positions.<sup>15</sup> In July 2012, the Postal Service and the APWU issued the JCIM detailing work rules and conditions for these employees.

### Objective, Scope, and Methodology

Our objective was to assess the use of NTFT and PSE positions. To meet our objective, we performed analyses of the mail volume, workhours, and trends for FYs 2010, 2011, and 2012 at the 50 largest P&DCs. We also performed a correlation analysis between

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<sup>9</sup> March 27, 2012 statement before the Subcommittee on Federal Workforce, U.S. Postal Service and Labor Policy, U.S. House of Representatives.

<sup>10</sup> 39 U.S.C. §403, Part 1, Chapter 4.

<sup>11</sup> 39 U.S.C. §1201(a).

<sup>12</sup> April 5, 2011 statement before the Committee on Oversight and Government Reform, U.S. House of Representatives.

<sup>13</sup> Effective August 27, 2011, there will no longer be Function 1 PTF, PTR, or casual employees working at processing and distribution operations.

<sup>14</sup> PSE positions replacing casual employees may not exceed 360 calendar days per appointment, and must remain at 20 percent of the workforce in the district.

<sup>15</sup> NTFT duty assignment employees may have a weekly schedule with a total of between 30-48 hours. The workforce of employees in NTFT duty assignments may not exceed 50 percent of the full-time staffing at the facility.

the use of flexible employees and first-handling piece productivity. The results proved inconclusive and indicated that a longer time span is needed to better evaluate the possible effects using flexible employees would have on productivity. We may address this issue in a future audit. We also reviewed policies, procedures, contracts, and grievances with regard to PSE and NTFT positions at the Postal Service. In addition, we conducted a survey of the 50 largest P&DC plant managers and telephone interviews of 20 of the selected 50 P&DC plant managers.

We relied on computer-processed data maintained by Postal Service operational systems, which includes the Management Operating Data System and EDW. 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 managers and other data sources. In addition, we relied on prior OIG reviews of Postal Service systems.

We conducted this performance audit from October 2012 through May 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 finding and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective. We discussed our observations and conclusions with management on March 1, 2013, and included their comments where appropriate.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Efficiency of the Los Angeles International</i>	<a href="#">NO-AR-12-009</a>	9/21/2012	\$4,318,829
<p><b>Report Results:</b>            Although management at the Los Angeles International Service Center (ISC) has made progress in improving productivity in FY 2012, further opportunities exist for improvement. Los Angeles ISC management did not fully evaluate operational efficiency and staffing based on workload, establish realistic productivity goals or targets, or always properly supervise employees. In addition, management did not maximize the use of automated and mechanized equipment. Consequently, the Los Angeles ISC used more workhours than necessary to process its mail volume. We estimate that management at the Los Angeles ISC could further improve productivity by reducing 63,170 workhours. If they avoid these workhours, the Postal Service could save almost \$2.2 million annually. Management agreed with the recommendations in the report. Specifically, management agreed to increase mail volume by 15.6 million pieces per year and save 63,170 workhours by 2014; periodically evaluate efficiencies and integrate the ISCs into their baseline staffing model; perform process studies to analyze underutilized mechanization; establish productivity goals; monitor operations to ensure that all employees are gainfully employed; and create a supervisor training curriculum and conduct training as necessary.</p>			
<i>Efficiency of the Los Angeles Network</i>	<a href="#">NO-AR-12-007</a>	8/3/2012	\$13,036,879
<p><b>Report Results:</b>            While the Los Angeles Network Distribution Center (NDC) made progress in reducing workhours over the past several years, further opportunities exist for improvement. Specifically, the Los Angeles NDC did not attain the average productivity of all NDCs above the median productivity or take full advantage of existing automation. Consequently, the Los Angeles NDC used 200,019 more workhours than necessary. If the Postal Service eliminated these workhours, there would be an annual avoidance of about \$6.5 million in labor costs. Additionally, the Los Angeles NDC damaged a daily average of 3,700 of the 175,000 pieces of mail handled daily. This could adversely impact service and result in about \$500,000 in revenue at risk annually. Management agreed with the recommendations in the report. Although management disagreed with the cost savings, they agreed with the workhour savings. The Pacific Area agreed to monitor efficiency, conduct business reviews, and provide additional training in accountability, labor relations, union contracts, communications, and employee oversight.</p>			

<i>Efficiency Review of the Cleveland Processing and Distribution Center</i>	NO-AR-12-005	6/5/2012	\$22,747,745
<p><b>Report Results:</b> While the Cleveland P&amp;DC made significant progress in increasing productivity during the past several years, further opportunities exist for improvement. Specifically, the Cleveland P&amp;DC did not attain the efficiency achieved by other P&amp;DCs or take full advantage of existing automation. These conditions occurred, because Cleveland P&amp;DC management did not fully evaluate operational efficiency by benchmarking operations against other Group 1 P&amp;DCs, analyze workhour trends, and supervise their employees. In addition, the P&amp;DC did not fully assess its potential automation options. Consequently, the P&amp;DC was using more workhours than necessary to process its mail volume. Management agreed with the recommendations and plan to consolidate other plants into the Cleveland P&amp;DC, increasing both efficiency and equipment utilization. In addition, management will continue to monitor efficiency and realign supervisors. Management has completed color-code training and are conducting daily reviews.</p>			
<i>Assessment of Overall Plant Efficiency 2012</i>	NO-MA-12-001	4/27/2012	\$664,997,872
<p><b>Report Results:</b> The Postal Service made substantial progress by reducing workhours in the network from the previous year. Plants that were the least productive in FY 2010 reduced more than 5.9 million workhours and improved productivity by 6.95 percent. Regarding efficiency for FY 2011, productivity for all plants improved by more than 5.9 percent over the prior fiscal year and overtime decreased by almost 4.2 percent compared with FY 2010. The Postal Service made these workhour reductions with only slight declines in service from FYs 2010 to 2011. However, we found the Postal Service had not yet fully adjusted workhours in response to declining mail volume due to poor economic conditions nor achieved all possible efficiencies in mail processing operations. Therefore, the Postal Service is using more workhours than necessary to process mail volume. Management agreed with our two recommendations: (1) to reduce 14,268,171 workhours with an associated economic impact of \$664,997,872 by FY 2014 and improving operational efficiency in overtime, mail handlings, stand-by time, automated and mechanized equipment, manual operations, allied operations and indirected/related operations; and (2) to periodically evaluate operating efficiency. Management will evaluate efficiency at the operational level by using the Breakthrough Productivity Initiative model.</p>			
<i>Postal Vehicle Service – Nationwide Analysis</i>	NL-AR-12-005	4/25/2012	\$94,268,786
<p><b>Report Results:</b> Postal Service Headquarters needs to strengthen nationwide processes, guidance, and monitoring of fleet management procedures for conducting Postal Vehicle Service (PVS)</p>			

schedule and vehicle utilization reviews. In addition, Postal Service officials could further increase efficiency nationwide by maximizing the use of NTFT employees and altering schedules to include the use of split days off where practical. Finally, we determined that, at some facilities previously audited drivers were not consistently following prescribed safety procedures when conducting PVS operations. Management generally agreed with our recommendations but not our monetary impact. Management stated they will monitor compliance with vehicle utilization reviews; continue to pursue the use of NTFT employees and PSEs to reduce overall workhours and control costs and will work with area staff to hire the maximum compliment of PSEs in PVS operations. Finally, management plans to reissue safety procedures.

<i>Postal Service Work Rules and Compensation Systems</i>	<a href="#">HR-AR-11-002</a>	9/19/2011	\$2,591,971,598
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**Report Results:**

Certain contract provisions and compensation arrangements limit the Postal Service's ability to manage its human resources effectively and efficiently. In addition, limitations on the use of part-time employees reduce workforce flexibility and increase workhours. Furthermore, certain contract provisions contribute to grievances filed by Postal Service unions. Management did not agree or disagree with recommendation 1, stating that the issue of cross-craft flexibility is an old one that has substantial legal implications that have not been discussed in the report. However, despite contractual and legal constraints, management has negotiated flexibility on cross-craft utilization and stated that they continue their efforts to improve their ability to enhance their flexibility within legal and contractual constraints. Management did not agree or disagree with recommendation 2; however, they stated that a part-time workforce in various postal operations has been a major issue in the Postal Service's collective bargaining process. However, the new APWU national agreement provides for substantial increases in highly flexible, non-career assignments of varying hours per week. Management stated that these changes should fully satisfy the flexibility concerns raised in the report with regard to both mail processing and retail clerks, and they have already achieved much of the workforce flexibility that the report recommends they pursue. Management disagreed with recommendation 3, stating there is no rational basis for the savings estimate in the report.

**Appendix B: Labor Cost Savings**

**Table 2. FY 2012 Comparison of Labor Costs  
to PSE Workhours for the Top 50 P&DCs**

<b>Rank</b>	<b>P&amp;DC</b>	<b>Hourly Labor Cost</b>	<b>PSE Workhours as a Percentage of Function 1 Workhours</b>
1	Louisville	\$38	23%
2	Pittsburgh	\$39	19%
3	Columbus	\$39	20%
4	South Suburban	\$39	22%
5	Birmingham	\$40	19%
6	Kansas City, MO	\$40	18%
7	Des Moines	\$40	16%
8	Nashville	\$40	16%
9	Michigan Metroplex	\$40	15%
10	San Antonio	\$40	14%
11	St. Louis	\$40	15%
12	Salt Lake City	\$41	14%
13	Indianapolis	\$41	14%
14	Baltimore	\$41	12%
15	Margaret Sellers	\$41	12%
16	Richmond	\$41	13%
17	San Jose	\$41	8%
18	Sacramento	\$41	11%
19	Philadelphia	\$42	9%
20	Charlotte	\$42	12%
21	Tampa	\$42	11%
22	Carol Stream	\$42	9%
23	Los Angeles	\$42	9%
24	Atlanta	\$42	12%
25	Phoenix	\$42	7%

Rank	P&DC	Labor Cost	PSE Workhours as a Percentage of Function 1 Workhours
26	Santa Clarita	\$42	6%
27	Cincinnati	\$42	11%
28	Dominic V. Daniels	\$42	7%
29	Mid-Island	\$42	9%
30	Milwaukee	\$42	9%
31	Denver	\$43	8%
32	New York Morgan	\$43	3%
33	Fort Worth	\$43	8%
34	Cleveland	\$43	6%
35	Houston	\$43	1%
36	Saint Paul	\$43	4%
37	North Metro	\$43	8%
38	Santa Ana	\$43	6%
39	Chicago	\$43	2%
40	North Houston	\$43	6%
41	Palatine	\$43	1%
42	North Texas	\$44	8%
43	Dallas	\$44	3%
44	Brooklyn	\$44	4%
45	San Francisco	\$44	1%
46	Seattle	\$44	0%
47	Jacksonville	\$44	4%
48	Detroit	\$45	3%
49	Oakland	\$45	0%
50	Minneapolis	\$45	0%

Source: EDW, February 2013.

**Appendix C: Monetary Impact**

Recommendation	Impact Category	Amount (in Millions)
1	Questioned Costs <sup>16</sup>	\$30,656,031

- We calculated potential savings of \$30.6 million in clerk overtime for FY 2012.<sup>17</sup>
- We calculated overtime savings using the Postal Service’s clerk PSE *District Opportunity Report* for each pay period reviewed in FY 2012. The report calculates how many additional PSE clerks could be hired to replace overtime hours of career clerks that exceed the base overtime rate of 3 percent.
- We multiplied the applicable hourly savings<sup>18</sup> in each pay period by the workhours of possible Function 1 PSE hires, based on the PSE contractual agreement limit of 20 percent per district.
- We determined overtime percentage by subtracting the Postal Service’s national Function 1 career clerk overtime percentage minus 1.5 percent, using a 60-hour pay period.<sup>19</sup>

The OIG classifies these savings as questioned costs.

<sup>16</sup> A cost the OIG believes is unnecessary, unreasonable, unsupported, or an alleged violation of law, regulation, or contract.

<sup>17</sup> We looked at 26 pay periods, including data from pay period 21 in CY 2011 through pay period 20 in CY 2012.

<sup>18</sup> The hourly savings were calculated in the Postal Service’s report by subtracting the PSE composite rate minus the career clerk overtime rate in each pay period. The rates were different in each pay period.

<sup>19</sup> We used 60 hours per pay period, because PSE clerks may work less than 80 hours per pay period.

## Appendix D: Management's Comments

DAVID E. WILLIAMS  
VICE PRESIDENT, NETWORK OPERATIONS



May 9, 2013

JUDITH LEONHARDT  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Use of Non-Traditional Full-Time and Postal  
Support Employee Positions in Processing Operations (Report  
Number NO-AR-13-DRAFT)

Management agrees with the findings as outlined in the audit. Management does not agree with the monetary impact as described in Appendix C. The calculations as presented assume that management had full latitude to hire Postal Support Employees (PSEs) in FY 2012 to achieve the computed savings. One of the biggest barriers to achieving full utilization of the PSE complement is Article 12 of the National Agreement.

#### Article 12.4.D

In order to minimize the impact on employees in the regular workforce, the Employer agrees to separate, to the extent possible, **PSEs** working in the affected craft and installation prior to excessing any regular employee in that craft outside the installation. The junior full-time employee who is being excessed has the option of reverting to part-time flexible status in his/her craft, or of being reassigned to the gaining installation.

#### Article 12.5B2

The Vice President, Area Operations shall give full consideration to withholding sufficient full time and part-time flexible positions within the area for full-time and part-time employees who may be involuntarily reassigned. **Management will identify duty assignments within the appropriate radius held by PSEs which shall be made available for reassignment of excess career employees.**

We were in an excessing situation throughout 2012 (every 3 months). Therefore the Article 12 provisions would most certainly impact our ability to maximize PSEs. We cannot maximize PSEs in installations where we are excessing career employees, to do so would be a violation of the Article 12 provisions cited above.

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As noted in this audit, it was found that in many situations the Postal Service was suffering from an excess of workhours that prevented the hiring of PSE. Hiring additional employees at this point would have resulted in even more excess hours than noted and an overall increase in expenses. Management instead hired PSE clerks to the extent possible while not incurring unnecessary hours.

Management has actively been working to achieve increased flexibility in mail processing operations. The most recent APWU contract provides a potential improvement to this flexibility with the creation of non-traditional full-time (NTFT) positions. Upon ratification of the contract, management actively worked to implement as many NTFT positions as possible.

The contract does have language which limits management's ability to immediately achieve full usage of this flexibility. The contract provides a ceiling on the percentage of duty assignments that can be created. In addition, the contract prevents the reassignment of the majority of current APWU employees (those hired prior to the contract award date) to NTFT assignments with less than 40 hours per week. While management can create and post the assignments, unless employees voluntarily bid on such assignments, it is extremely difficult to involuntarily assign employees into those NTFT positions. This has greatly limited management's ability to utilize the new, flexible NTFT assignments to the maximum potential.

Management is currently working on the development of new scheduling and staffing tool to improve our flexibility regarding scheduling and staffing in mail processing facilities. This new tool is being designed to provide optimized complement requirements as well as bid assignments needed to better match employees to the variable workload. This tool will create appropriate NTFT assignments, within contractual limitations, to improve the utilization of our employees.

Recommendation 1:

Provide additional training to improve the utilization and supervision of non-traditional full-time positions.

Management Response/Action Plan:

Management agrees with this recommendation. Management will develop appropriate training materials for field supervisors and managers regarding the proper usage and supervision of non-traditional full-time positions. Field managers will be required to complete this training by the end of 2013.

Target Implementation Date:

January, 2014

Responsible Official:  
Manager, Processing Operations

Recommendation 2:  
Periodically evaluate postal support employee staffing to optimize usage of these employees.

Management Response/Action Plan:  
Management agrees with this recommendation. Management currently monitors usage of the postal support employees on a weekly basis to ensure optimized coverage.

Target Implementation Date:  
June, 2013

Responsible Official:  
Manager, Processing Operations

This report and management's response do not contain information that may be exempt from disclosure under the FOIA.



David E. Williams