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REPORT TO THE CONGRESS



More Effective Use Of Manpower And Machines Recommended In Mechanized Post Offices B-114874

Post Office Department

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

MAY 27, 1971

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-114874

To the President of the Senate and the
Speaker of the House of Representatives

This is our report on more effective use of manpower
and machines recommended in mechanized post offices.

Our review was made pursuant to the Budget and Ac-
counting Act, 1921 (31 U.S.C. 53), and the act of September 2,
1960 (39 U.S.C. 2206).

Copies of this report are being sent to the Director,
Office of Management and Budget, and to the Postmaster
General. Copies are also being sent to each member of the
United States Postal Service Board of Governors and the
Postal Rate Commission.

A handwritten signature in cursive script, reading "James B. Aboites".

Comptroller General
of the United States

D I G E S T

WHY THE REVIEW WAS MADE

Because of the cost of operating post offices, the General Accounting Office (GAO) has made a review to ascertain whether the Post Office Department has been making the most effective use of manpower and machines in processing mail.

In fiscal year 1970 the fiscal situation for the Department was:

	<u>Billion</u>
Expenditures	\$8.1
Income	<u>6.5</u>
Result	<u>\$1.6</u> (deficit)

The Department had 722,000 employees in fiscal year 1970.

GAO's review was made at three mechanized post offices--Detroit, Michigan; Los Angeles, California; and Seattle, Washington. These post offices handled about 4 percent of the Nation's 85 billion pieces of mail in fiscal year 1970. (See p. 5.)

Detroit is the most highly mechanized post office in the Nation, having 22 of the Department's total of 278 letter sorting machines, nine parcel sorters, 15 miles of conveyor belts, and other machinery. (See p. 8.)

FINDINGS AND CONCLUSIONS

The Department has not made the best use of its manpower and machinery in processing mail.

Handling of first-class mail

Efforts to expedite processing and delivery of all first-class mail result in costly and inefficient use of manpower and machines.

The Department strives to cancel, postmark, and sort first-class letters within 90 minutes after their arrival at the post offices. Business firms tend to concentrate their mailings, which account for 75 percent

of the mail, at the end of each business day. Therefore the Department processes most of each day's mail between 4 and 9 p.m.

Studies have shown that such expeditious handling is not necessary to meet mailers' needs. Businessmen in Detroit, Los Angeles, and Seattle told GAO that a significant part of their mailings was not urgent.

Two of the results of the expediting follow.

- Costly machines stood idle for long periods after the peak mail volume had been processed.
- Nearly three fourths of the clerks and mail handlers worked at night and received a 10-percent pay differential.

The Department is studying the possibility of giving to mailers of first-class mail a choice between two types of service (1) priority service, at a higher postage rate and (2) nonpriority service, under which mail would be processed--the next day if necessary--on machines that now are idle during the day shift. (See pp. 10 to 15.)

Hand sorting of mail

On a typical day Detroit sorted 4 million letters by hand and only 2 million by machine, although its machines were idle nearly 70 percent of the time. Similar situations were found in Los Angeles and Seattle.

The cost of hand sorting 1,000 letters is \$4.20, and the cost of machine sorting 1,000 letters is about \$3.42.

About 2 million letters are hand sorted daily for neighborhood mailmen in Detroit. GAO estimates that machine sorting could result in savings of \$487,000 a year. (See p. 19.)

Centralizing mail processing

GAO concluded in 1966 that outgoing mail being hand sorted at smaller post offices in the Detroit area could be funneled into Detroit for machine sorting at estimated savings of \$500,000 a year. GAO believes that this potential for savings still exists in the Detroit area and that centralization of mail processing at other locations could produce additional savings. (See p. 25.)

Canceling and postmarking by hand

Much of the mail must be canceled and postmarked by hand because (1) it is too bulky to be machine processed or (2) many post offices do not have postmarking and canceling machines. Canceling stamps and postmarking letters by hand cost \$360,000 a year in Detroit. GAO believes that canceling stamps by hand may not be justified. For example, to offset the savings that would result from discontinuing the hand canceling and

postmarking at Detroit, 6 million stamps would have to be reused. Moreover, means are available to discourage reuse--for example, stronger glue. A possibility for reducing hand cancellation is precanceled stamps. (See pp. 28 and 29.)

Recruiting and retaining manpower

Department studies showed, and GAO's review confirmed, serious difficulty in hiring and retaining employees. Reasons for the difficulty include recruiting weaknesses, slow and burdensome hiring practices, outdated wage and advancement policies, and uncertain work schedules for new employees. A Department study showed that employee turnover in 1966 cost about \$14.5 million, primarily for recruiting and training. (See pp. 31 and 32.)

Cost of management reports

The Department expects to spend about \$59 million and to use about 4,600 man-years in fiscal year 1971 to operate its many management reporting systems. GAO believes that substantial sums could be saved by consolidating or eliminating some management reports. (See pp. 40 to 43.)

RECOMMENDATIONS OR SUGGESTIONS

The Post Office Department should

- expedite its study of a priority classification of first-class mail and initiate appropriate changes to the existing mail-processing system (see p. 18);
- reassess the possibility of using machines to sort letters now being hand sorted (see p. 24);
- expand, where feasible and as rapidly as possible, its program under which mail from smaller post offices is consolidated at mechanized post offices for processing (see p. 26);
- explore alternatives to existing procedures for hand-canceling and postmarking mail (see p. 29); and
- expedite its review of management reports, eliminate unnecessary ones, and simplify reporting requirements (see p. 45).

AGENCY ACTIONS AND UNRESOLVED ISSUES

GAO is aware that the Department is actively seeking to improve postal operations. For example, the Department is studying the possibility

of implementing a priority system for handling first-class mail to spread the processing work load more evenly throughout daylight hours. This system should achieve better use of manpower and machines. GAO believes that the Department should implement the system as expeditiously as feasible. (See p. 11.)

The Postmaster General said that there were problems that might make the present proportion of hand and machine sorting the most efficient way to process the mail. GAO believes that the problems can be overcome and that the volume of mail being hand sorted can be substantially reduced. (See pp. 19 to 24.)

A program to consolidate outgoing mail from associate offices for processing at sectional center facilities had been implemented in only nine of the 554 sectional center facilities by January 1971. GAO believes that the Department should expand the program as rapidly as feasible. (See p. 26.)

The Department is exploring alternatives to existing postmarking and stamp-canceling practices but mailers strongly favor keeping the local community postmark. GAO believes that the Department should continue to seek alternatives to existing practices. (See pp. 29 and 30.)

The Postmaster General said that the Department had improved its personnel policies over the past year and that it could make further substantial improvements under the climate established by the Postal Reorganization Act. (The act, which takes full effect July 1, 1971, will abolish the Post Office Department and create the United States Postal Service, an independent agency in the executive branch of the Federal Government.) (See pp. 9 and 39.)

He said also that the Department had taken many steps recently to reduce the cost of paper work, to improve information systems, and to eliminate duplication and that program managers were continually reviewing reporting requirements to eliminate unneeded reports. GAO believes that further strengthening of the Department's management reporting system is needed and that the Department should expedite its review of reports. (See p. 45.)

MATTERS FOR CONSIDERATION BY THE CONGRESS

The problems in providing efficient postal services, as discussed in this report, are of continuing concern to the Congress.

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ABBREVIATIONS

GAO	General Accounting Office
LSM	Letter sorting machine

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CHAPTER 1

INTRODUCTION

To cope with the Nation's mail volume--about 85 billion pieces in fiscal year 1970--the Post Office Department employed about 722,000 people and operated about 32,000 post offices. Revenue totaled about \$6.5 billion, and expenditures to process and deliver the mail totaled about \$8.1 billion. Almost one fourth of the mail, or about 20 billion pieces, was handled by the 10 largest post offices. About 3.7 billion pieces of mail were collected by the Detroit, Los Angeles, and Seattle Post Offices in fiscal year 1970--about 4 percent of the Nation's total mail volume.

The Department uses machines for processing mail. These machines require concentrations of fairly large volumes of mail for efficient operation and generally are used in only the larger postal installations.

At September 1, 1970, the Department had 278 letter sorting machines (LSMs) in 118 post offices. Besides sorting letters faster than by hand, the LSM reduces the number of handlings because of the greater number of separations made in each sort. By hand, letters are normally sorted into 49 separations at the rate of about 30 letters a minute. (See photograph on p. 6.) Each LSM operator, however, can sort to as many as 300 separations at an average of up to 60 letters a minute. An LSM may require six, eight, or 12 operators. (See photograph on p. 7.)

As of September 1, 1970, the Department had 15 of its LSMs equipped with optical scanners which can electronically sort up to 42,500 letters an hour and which require only two rather than 12 operators. The optical scanners, however, will not sort letters unless addresses have been typewritten in a certain format and are located in a certain position on the envelopes. Generally optical scanners are used to process mail prepared by large-volume mailers.

Another time- and money-saving machine used by the Department is the facer-canceler. At the rate of 30,000 letters an hour, this machine automatically locates and cancels the



MANUAL DISTRIBUTION OPERATION

Photo furnished by the Post Office Department

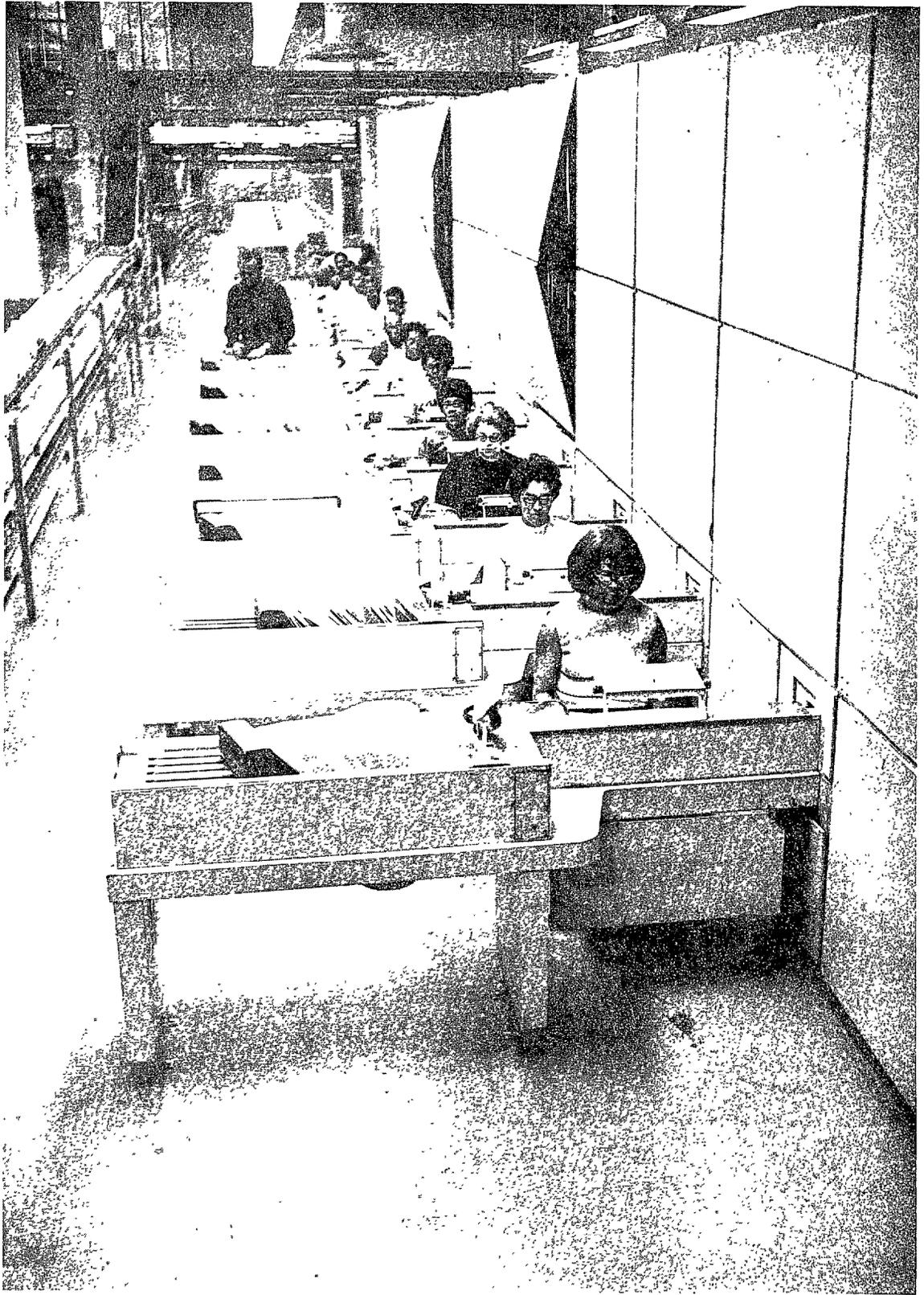


Photo furnished by the Post Office Department

LSM OPERATION

stamp, postmarks the letter, and stacks the letters with all addresses facing the same direction and the stamps in the same position. As of September 1, 1970, the Department had installed 639 of these machines in 243 post offices and had contracted for the purchase of 61 additional machines.

Also, the Department uses other equipment, such as sack sorters, parcel sorters, edger-stackers, and conveyor systems which, like the machines previously described, require concentrations of large volumes of mail for efficient operation.

Following is general information relating to the post offices included in our review.

LOS ANGELES POST OFFICE

The Los Angeles Post Office, one of the Nation's largest, operates out of three terminals. In fiscal year 1970 Los Angeles employed about 14,100 people, collected about 2.1 billion pieces of mail, and had revenues of about \$144 million. Mechanization at Los Angeles consists of 13 LSMs (two equipped with optical scanners), 14 sack sorters, 21 edger-stackers, 17 facer-cancelers, and 6-1/2 miles of conveyor belts. In addition to having three terminals, Los Angeles has 64 stations and branches and four vehicle garages.

DETROIT POST OFFICE

The Detroit Post Office is also one of the Nation's largest. In fiscal year 1970 Detroit employed about 9,000 people, collected 1.1 billion pieces of mail, and had revenues of about \$70 million. Detroit is the Nation's most highly mechanized post office, having 22 LSMs (two equipped with optical scanners), nine parcel sorters, seven sack sorters, 11 edger-stackers, 17 facer-cancelers, and about 15 miles of conveyor belts. In addition to having the main post office, Detroit has 39 stations and branches, one air-mail facility, a warehouse, and three vehicle garages.

SEATTLE POST OFFICE

Somewhat smaller than the Detroit and Los Angeles Post Offices, the Seattle Post Office employed 4,450 employees

and collected 0.5 billion pieces of mail and had revenues of about \$36 million in fiscal year 1970. Seattle has four LSMs, five edger-stackers, six facer-cancelers, and about a mile of conveyor belts. Seattle also has an airmail facility and 34 stations and branches.

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The Detroit, Los Angeles, and Seattle Post Offices serve as sectional center facilities. A sectional center facility is a centralized mail-processing facility for mail originating in, and for delivery by, several post offices within a designated area.

The Postal Reorganization Act (84 Stat. 719; Pub. L. 91-375), approved August 12, 1970, provides for abolishing the Post Office Department and for creating the United States Postal Service--an independent establishment in the executive branch of the Government--to provide postal services throughout the United States. This act provides the Board of Governors of the Postal Service with broad authority to carry out postal operations. In accordance with a resolution by the Board of Governors of the Postal Service (36 F. R. 785), all provisions of the act are to be in effect as of July 1, 1971.

CHAPTER 2

GIVE EXPEDITIOUS PROCESSING TO PRIORITY MAIL ONLY

Striving to expeditiously process and deliver all first-class mail results in costly and inefficient use of manpower and machines. Such expeditious handling, for the most part, is not necessary to meet mailers' needs, as evidenced by studies made in 1968 for the President's Commission on Postal Organization and in 1969 by the Department which revealed that 75 to 80 percent of first-class mail was not urgent and did not require expeditious processing and delivery.

In the three cities where we made our review, we discussed the need for expeditious mail processing and delivery with representatives of 32 large business firms--banks, manufacturers, insurance companies, and retail companies. The representatives of the banks considered that most of the banks' mailings were urgent and required expeditious delivery. The representatives of the other companies considered that a significant part of their mailings was nonurgent.

The Department has a formidable task in achieving its goal of expeditiously processing all first-class mail--striving to complete processing (canceling, postmarking, and sorting) within 90 minutes after arrival at the originating post office. Since businesses, which generate about 75 percent of the total mail volume, tend to deposit most of their mail at the close of each business day, the Department must process most of each day's mail during an evening peak period from about 4 p.m. to about 9 p.m.

At the three post offices included in our review, expeditious processing of first-class mail had the following impact.

- Costly machines stood idle for long periods after the peak mail volume had been processed. (See pp. 12 and 13.)
- Nearly three fourths (8,800) of the clerks and mail handlers worked at night and received a 10-percent night differential wage premium.

- Premium pay of nearly \$600,000 was paid annually to nightworkers for handling second-, third-, and fourth-class mail to keep them busy after first-class mail had been processed. (See p. 14 for man-hours consumed on a typical day at Detroit.)
- Over \$700,000 was paid annually to employees for unproductive time resulting from shifting employees between work locations within the post offices because of the uneven work load.
- Generally the least experienced employees worked at night when the mail volume was heaviest, because employees with more seniority--thus more experience--worked during the day when mail volume was lightest.

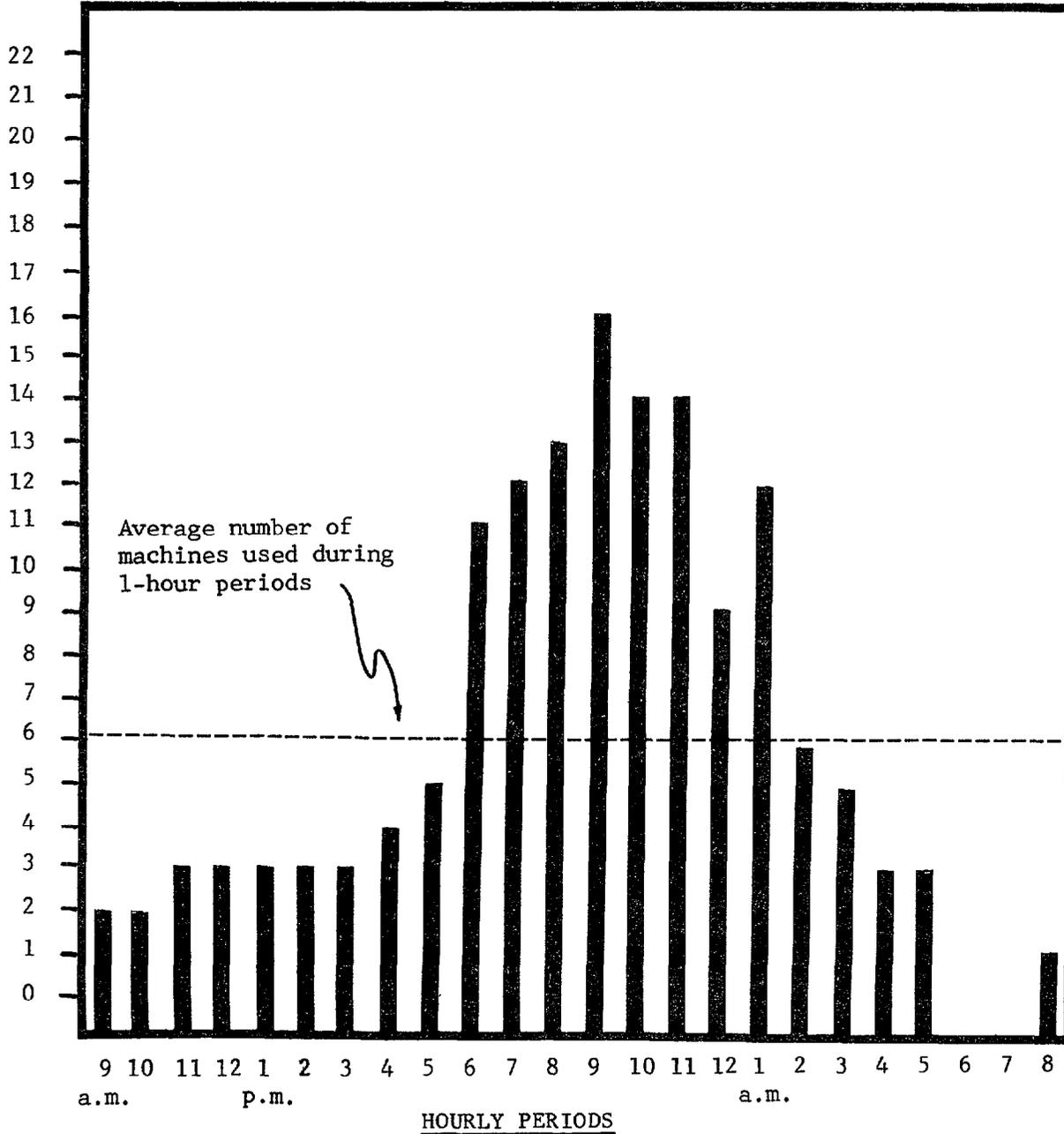
To overcome such problems, the Department is studying a two-tier system for first-class mail which would give to mailers a choice between two postage rates and two types of service--priority and nonpriority. Under such a system, only priority mail would be expeditiously processed and delivered and the processing of nonpriority mail would be spread evenly throughout the daylight hours.

We believe that limiting expeditious processing and delivery to priority mail would significantly reduce or eliminate many of the costs and inefficiencies described previously. For example, nonpriority first-class mail which is now being given preferential handling at night would be held over and processed on machines that are idle during the day shift. Also, costs for night differential premium pay would be reduced because fewer employees would be needed to work at night.

We discussed with officials of each of the three post offices the effect that a more even flow of mail under a two-tier system would have on the mail-processing capabilities of the offices. We were informed that a two-tier system would enable Seattle to process more than double its average daily volume, would enable Detroit to process nearly double its average daily volume, and would enable Los Angeles to process about one-third more than its average daily volume.

**NUMBER OF LETTER SORTING MACHINES
USED DURING 1-HOUR PERIODS
AT DETROIT ON A TYPICAL DAY
(PREPARED BY GAO FROM DEPARTMENT DATA)**

Number
of LSMs

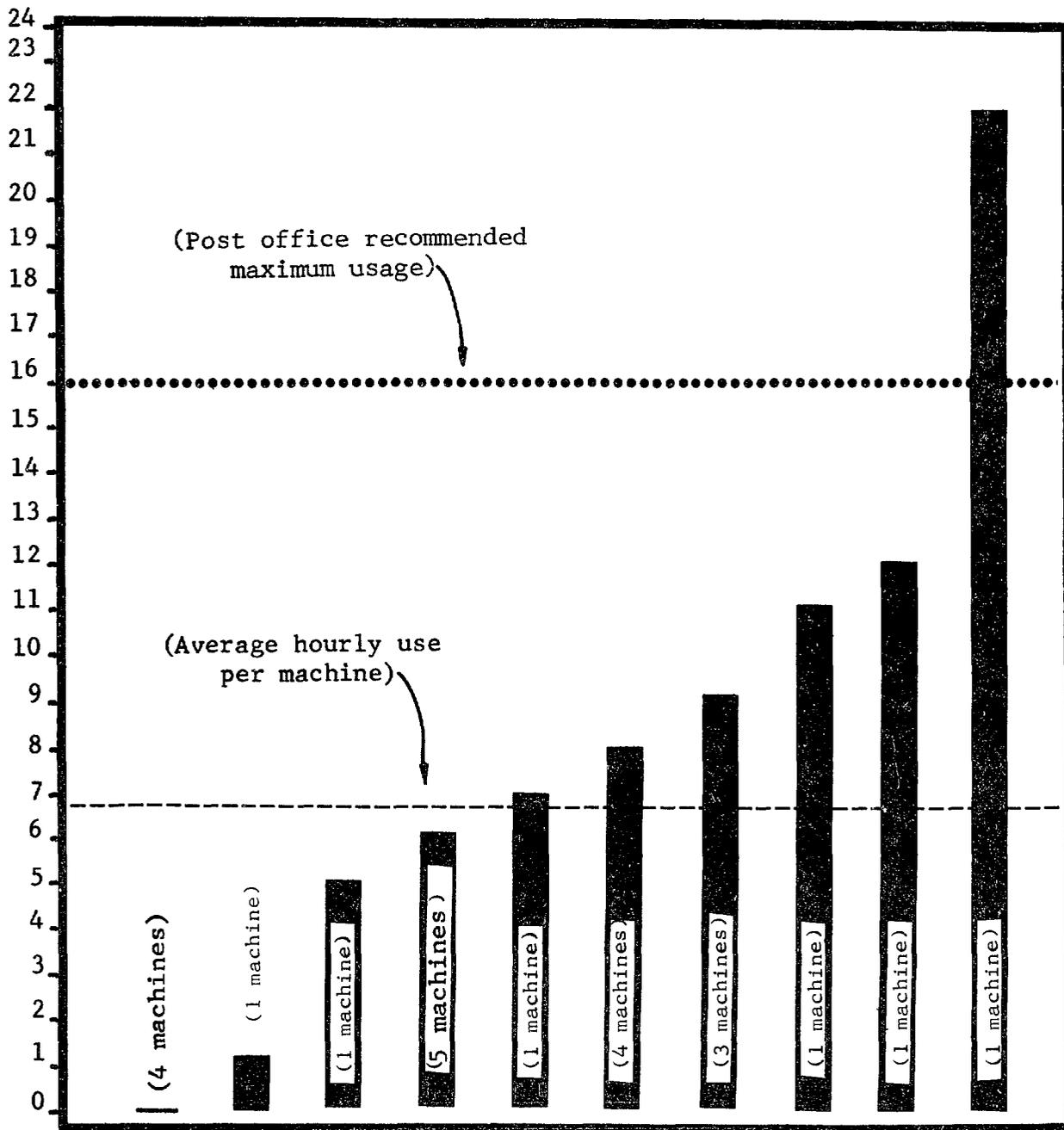


■ NUMBER OF MACHINES USED

**HOURS OF USE OF THE
22 LETTER SORTING MACHINES AT DETROIT
ON A TYPICAL DAY
(PREPARED BY GAO FROM DEPARTMENT DATA)**

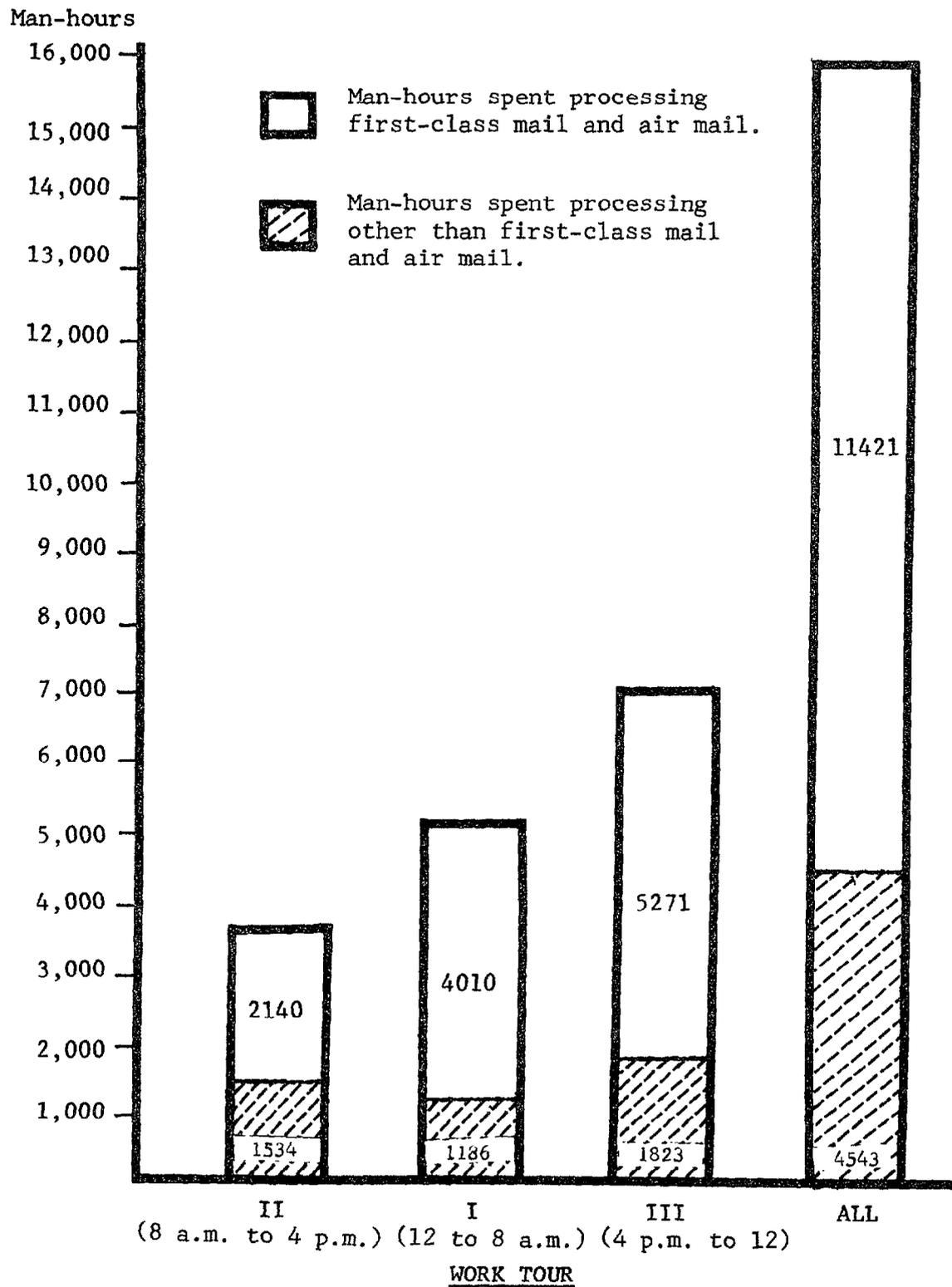
Hours
of
use

HOURS OF USE OF THE
22 LETTER SORTING MACHINES AT DETROIT
ON A TYPICAL DAY
(PREPARED BY GAO FROM DEPARTMENT DATA)



LETTER SORTING MACHINES

**MANPOWER USE AT DETROIT
ON A TYPICAL DAY
(PREPARED BY GAO FROM DEPARTMENT DATA)**



Seattle postal officials stated that they anticipated no significant problems in operating a two-tier system. Officials at Detroit and Los Angeles said that they anticipated a problem in identifying and separating priority mail from nonpriority mail. We noted, however, that the Department had resolved a similar problem of separating airmail from other first-class mail. Airmail is usually identified by a special stamp and is processed separately from other mail and given priority handling. We believe that similar arrangements could be made for processing priority and nonpriority mail under a two-tier system.

The Department is experimenting with adapting facer-canceler machines to separate airmail letters from other first-class letters by means of a special-ink stamp. A facer-canceler machine is used to face letters--turn all letters upright and face them in the same direction--and to postmark the letters and to cancel the stamps. We believe that facer-canceler machines might also be adapted to distinguish priority mail from nonpriority mail through the use of special-ink stamps. Also, existing collection facilities, such as airmail and other first-class mail deposit slots in post offices and at other locations, could be designated priority and nonpriority to assist the Department in making the separation. Moreover, since businesses generate most of the mail volume and often deliver volume mailings directly to post offices, their cooperation in making the separation prior to deposit could help to minimize the problem for post offices.

The Department has attempted to distribute the mail-processing work load more evenly throughout the daylight hours through its Nationwide Improved Mail Service Program. This program provides for obtaining the cooperation of mailers in reducing the volume of mail deposited in post offices after 5 p.m. and thereby reduces the evening processing peak. According to the Department, this program has been successful in reducing the volume of mail deposited after 5 p.m. The Department's efforts, however, have not eliminated the evening processing peak. The implementation of a two-tier system, unlike the Nationwide Improved Mail Service Program, would not be dependent upon changing the public's mailing habits to eliminate the evening processing peak.

AGENCY COMMENTS AND GAO EVALUATION

The Postmaster General stated in his letter to us of October 13, 1970 (see app. I), that the Department's existing system was designed to give priority service to airmail, then to first-class letters, and then to circulars and other classes of mail. He also said that the Department was studying the possible implementation of a priority system for handling first-class mail to assist the Department in spreading the work load evenly throughout the daylight hours instead of processing all first-class mail in a few hours at night. The Postmaster General said also that the Managed Mail Program was producing substantial savings in night differential pay.

Managed Mail Program

In the past, at a typical large city post office, two mail-processing peaks occurred during a 24-hour period. The most significant peak occurred during evening hours--4 to 9 p.m.--when mail originating in an area served by a certain post office (originating mail) was collected and processed. All originating mail for delivery by another post office received a primary sort, during which some of the mail was usually sorted by final destination (city). A part of the remaining mail which has been sorted only by State or general area in the primary sort may be given a secondary sort by final destination. The second, but much smaller, processing peak occurred between 4 and 6 a.m. when mail was received from other cities and States for delivery.

The Managed Mail Program began in February 1970 and, as of September 1970, had been implemented at the 554 sectional center facilities and at about 30 additional post offices which performed secondary distribution of outgoing letters. This program provides that

- first-class letters going beyond normal range of overnight surface delivery be transported by air,
- first-class letters receive only a single, primary sort on LSMs at the originating office, and

--further sorts be made at post offices in the States to which the letters are addressed.

For example, mail originating in Philadelphia, Pennsylvania, for delivery to various cities in Michigan is no longer sorted at Philadelphia to the destination city or sectional center of delivery in Michigan. Instead, this mail is sorted only to Michigan and is sent to Detroit where the mail is further sorted to the cities of delivery.

According to the Department, the Managed Mail Program has the following advantages.

- Since the processing steps at the originating office have been reduced, mail can be processed faster and the mail can be dispatched more quickly to the office which will deliver the mail.
- More mail sorting for out-of-town mail can be performed in originating offices prior to 6 p.m. and thereby reduces the cost for overtime premium manpower usage and makes available more desirable work hours for more employees.
- Because the destination State post office employees are more familiar with distribution patterns than originating post office employees, fewer sorting errors and delivery delays occur.

Also, Detroit Post Office officials told us, and our review confirmed, that the Managed Mail Program had resulted in (1) increased use of LSMs, machines now sorted mail that was previously not available for sorting during the daylight hours, (2) reduced hand sorting of mail going to other States, and (3) reduced night premium pay because of the transfer of over 200 employees from the night shift to the day shift.

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We recognize that the Managed Mail Program should result in reducing the mail-processing work load during peak periods by eliminating the secondary sort of originating mail and in reducing the cost of night differential pay. This program, however, does not distinguish between the mail which

requires expeditious processing and delivery and the mail which does not require such treatment.

RECOMMENDATION TO THE POSTMASTER GENERAL

In view of the significant economies that can result from spreading the mail-processing work load more evenly, we recommend that the Department expedite completion of its study of a priority system of handling first-class mail and initiate appropriate changes to the existing mail-processing system.

CHAPTER 3

REDUCE HAND SORTING

Because of the variety of size, shape, and content of all letter mail, about 15 percent cannot be machine sorted. At the three post offices included in our review, of the mail that could be machine sorted--about 85 percent of the letter mail processed--more letters were sorted by hand than by machine. For example, on a typical day Detroit sorted twice as many letters by hand as by machine--4 million compared to 2 million--although its machines were idle nearly 70 percent of the time. Total time used in hand sorting mail at Detroit was more than three times the amount used in machine sorting. (See p. 20.) In Seattle and Los Angeles we noted similar situations.

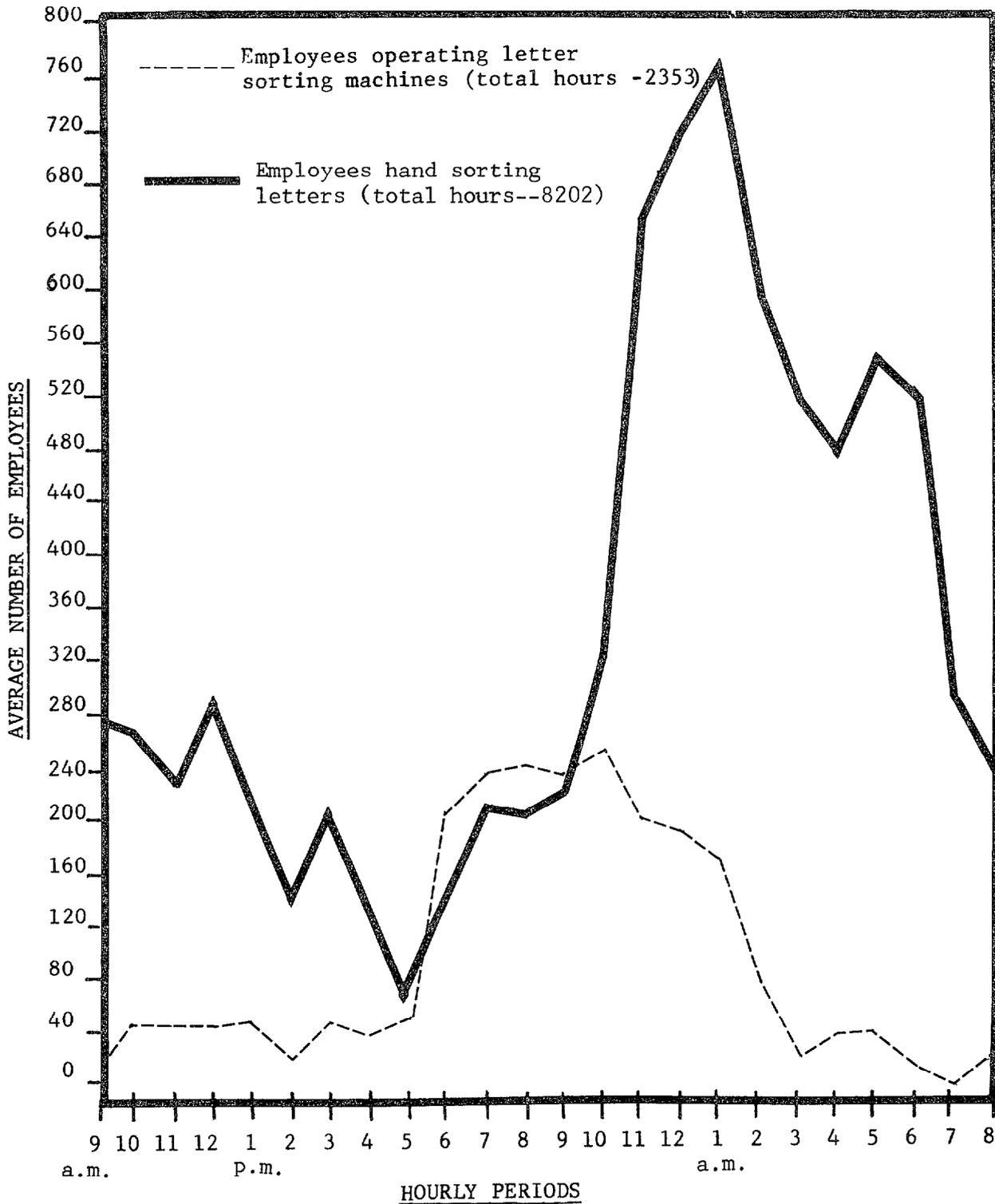
The report of the President's Commission on Postal Organization shows that the cost of hand sorting 1,000 letters is \$4.20 and that the cost of LSM sorting 1,000 letters is about \$3.42, or about 78 cents less than hand sorting. On the basis of this data, we believe that Detroit could realize substantial savings each year by increasing the proportion of letter mail processed by the existing LSMs. Because, at Los Angeles and Seattle, LSMs are idle and because over half their letters are hand sorted, we believe also that these offices could realize significant savings.

We believe that substantial savings could be achieved if the Department used LSMs to sort mail to carriers. For example, at Detroit about 2 million letters are hand sorted daily to delivery carriers. If these 2 million letters were machine sorted, costs could be reduced by as much as 78 cents a thousand, or \$1,560 daily. On the basis of a 6-day workweek, the annual savings could be about \$487,000.

AGENCY COMMENTS AND GAO EVALUATION

We proposed to the Postmaster General that the Department reduce the hand sorting of mail at highly mechanized post offices. The Postmaster General stated that, for the following reasons, the present proportion of hand sorting and machine sorting might well be the most efficient

COMPARISON OF EMPLOYEES MACHINE SORTING
 TO EMPLOYEES HAND SORTING AT DETROIT ON A
 TYPICAL DAY
 (PREPARED BY GAO FROM DEPARTMENT DATA)



considering the present flow of mail and the need to meet dispatches to other locations.

--Machine sorting to carrier routes was found inefficient because of constantly changing carrier-route schemes. This factor was very important because such distribution represented 70 to 80 percent of all destination mail distribution. He said that the Department was attempting to correct this problem by stabilizing carrier-route designations.

--Effective machine utilization for distribution to carrier routes would still be marginal because of the limited volume of mail available for individual scheme assignments (only about 1,500 letters for each route--50 routes for each scheme).

We noted that carrier routes were adjusted periodically to reflect changes in mailing patterns and the resulting changes in work load on carrier routes. For example, if the work load on carrier route A increased and the work load on carrier route B decreased, an adjustment would be made in the carrier-route schemes to equalize the work load. The changes in carrier-route schemes must be memorized by clerks so that mail will be sorted to the correct carriers or box-delivery sections.

We agree that stabilizing carrier routes would make machine sorting more practicable. We believe, however, that the problem of carrier-route designations might be resolved by use of the module concept, irrespective of whether the Department is able to stabilize carrier-route designations.

Under the module concept, letters would be sorted to carrier routes by the main post office without regard to carrier-route changes. At stations and branches, these letters would be sorted as they are now, to street addresses in order of delivery by carriers responsible for specific geographic areas. Depending on the daily volume of mail for each geographic area, a carrier may not deliver all mail that he sorts, or he may deliver some mail sorted by another carrier. After the mail has been sorted, each carrier would be given enough mail for a normal day's delivery. As illustrated in the diagram that follows, on days when

36,000 letters an hour. Assuming a maximum volume of about 75,000 letters (50 routes times 1,500 letters), an LSM could be operated about 2 hours on a scheme run before being re-programmed for another scheme run. We noted that LSM operators were allowed a 15-minute break every hour as a normal practice. Also, LSMs are normally shut down for 15 minutes every 2 hours to withdraw the sorted mail. It does not appear to us, therefore, that the Department official's implication that LSMs would be inefficient because they would be operated for only a relatively short period is a valid reason for not using LSMs to sort mail to carrier routes.

Moreover, as illustrated on page 13, the 22 LSMs at Detroit were used an average of only about 7 hours a day at the time of our fieldwork. Five LSMs were used an average of less than 2 hours a day. It is apparent, therefore, that there is sufficient unused LSM capacity for other mail-processing uses, such as sorting mail to carrier routes.

The Department official advised us that the Department had recently purchased 24 single-position LSMs and was planning to acquire more of these machines. A single-position LSM is operated by one person and sorts mail to 100 separations, whereas a multiposition LSM may have up to 12 operators and sorts mail up to 300 separations. He also said that it was intended that the single-position LSMs would be used to sort mail to carrier routes.

We believe that, in addition to using single-position LSMs, the Department should reassess the feasibility of using multiposition LSMs to sort mail to carrier routes since the Department has substantial unused capacity on multiposition LSMs.

The Postmaster General stated that efficient machine utilization required a continuing minimum volume sufficient to offset the higher service costs of machine operations and that backlogging mail to accumulate sufficient volume for machine distribution was usually not feasible because of potential missed dispatches and the resultant delay to mail.

As pointed out in chapter 2, most first-class mail is not urgent and does not require expeditious processing and

delivery. We believe that, by limiting expeditious processing and delivery to priority mail, the Department would be able to defer processing nonpriority mail and to accumulate a sufficient volume of nonpriority mail for machine distribution.

The Postmaster General stated that, despite these obstacles, the Department had actively pursued the goal of minimizing hand sorting and had made considerable progress in recent years as exemplified by the Managed Mail Program.

We recognize that this program appears to have certain advantages and should help to reduce hand sorting. (See pp. 16 through 18.) This program, however, does not affect the hand sorting of letter mail to carrier routes, which accounts for a major part of all hand sorting. For example, at Detroit, hand sorting letters to carrier routes accounts for about one half of all hand sorting of letters.

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Because of the extensive hand sorting of mail that exists--even at mechanized post offices--and because of the availability of multiposition LSMs to sort mail, we believe that the Department has an opportunity to realize substantial savings by making greater use of existing LSMs to process mail.

RECOMMENDATION TO THE POSTMASTER GENERAL

We recommend that the Department reassess the potential for using multiposition LSMs to sort letter mail rather than to sort it by hand.

CHAPTER 4

CENTRALIZE MAIL PROCESSING

On the basis of a review conducted during fiscal year 1966, we concluded that letters sorted by hand at post offices within a 20-mile radius of Detroit could be sorted on idle LSMs at Detroit at an estimated savings of \$500,000 a year. We expressed the belief that substantial economies and improvements in service could be realized through consolidation of the mail-processing operations of post offices throughout the country. Our most recent review showed, however, that Detroit still had substantial unused LSM capacity and that nearby associate post offices still sorted letters by hand. We believe that costly hand sorting of letters at many small outlying post offices at other locations could be greatly reduced or eliminated if their machinable mail were funneled into large mechanized post offices.

Detroit's LSMs--which, on the average, were idle nearly 70 percent of the time--were not used to full capacity, even during the Christmas mail rush when Detroit processed up to 10 million pieces daily, nearly double an average day's volume of 5.4 million pieces. Although the Department could not provide us with documentation on the justification for installing the large number of LSMs at Detroit, we were told by Detroit officials that the Department had anticipated centralizing mail from the smaller outlying offices at Detroit for processing.

In fiscal year 1966 the average daily volume of letters at 25 nearby post offices available for centralizing at Detroit was about 887,000. Our test of the mail volume in fiscal year 1969 at six of these offices, which accounted for about half the total volume of the 25 post offices, indicated little increase, if any, from fiscal year 1966. Since that time, however, Detroit's annual mail volume has decreased slightly--from about 1.2 billion pieces in 1966 to about 1.1 billion in 1970. We still believe, therefore, that mail could be centralized at Detroit.

Since 1964, mail from many outlying post offices has been centralized and sorted in Seattle. Seattle officials told us that sorting this mail on machines had enabled more

efficient processing. We believe that the Department should consider centralization (1) for other major mechanized post offices, such as Detroit, and (2) when planning new post offices.

AGENCY COMMENTS AND GAO EVALUATION

We suggested that the Department forward mail from the many smaller outlying post offices--now sorting mail by hand--to large mechanized post offices better equipped for mail processing. The Postmaster General stated that the Department had recognized, in its Area Mail Processing Program, the problem as typified by our comment that at Detroit "machines could be used to sort most of the mail now hand-sorted at nearby nonmechanized post offices." He said that, in line with our suggestion, the Area Mail Processing Program had been designed to consolidate outgoing mail from associate offices for processing in the sectional center facility offices and that this change had resulted in better utilization of the mechanization previously installed and in better service being provided.

Area Mail Processing Program

Under the Area Mail Processing Program, all mail originating within a sectional center area--a designated area normally encompassing several post offices--is consolidated at the sectional center facility--a designated mail-processing facility within the sectional center area--for complete preparation and processing for outgoing transportation. The objectives of the program are to achieve more efficient processing through the use of mechanization, better utilization of existing and planned facilities, and better utilization of manpower.

As of January 1971, however, this program, had been implemented in only nine of the 554 sectional center facilities throughout the United States.

RECOMMENDATION TO THE POSTMASTER GENERAL

In view of the significant potential economies that are available in operations as disclosed in our 1966 review and because our most recent review showed that the same

conditions found in 1966 still existed at Detroit, we recommend that the Department expand the Area Mail Processing Program and similar programs to Detroit, and other locations, where feasible, as rapidly as possible.

CHAPTER 5

PRACTICES OF CANCELING STAMPS

AND POSTMARKING LETTERS

Prior to the use of postage stamps, postmasters indicated payment of postage by marking letters "paid." They also stamped the name of the town and date mailed on the letter--a practice which apparently evolved into the current practice of postmarking. When stamps were introduced in 1847, the practice of canceling was begun to prevent reuse of the stamps. Today, although canceling and postmarking machines are available at most larger post offices, much of the mail must be canceled and postmarked by hand since (1) many post offices do not have canceling and postmarking machines or (2) the mail is of a type that cannot be machine processed because, for example, it is too bulky.

Although we did not make an in-depth study of the need for canceling and postmarking, we believe that the cost of hand canceling postage stamps may not be justified. We found, for example, that:

- Although many of the larger post offices had machines for canceling and postmarking, all letters could not be machine processed. At Detroit, employees spent 250 man-hours a day canceling and postmarking by hand about 74,000 items which could not be machine processed. We estimate that this procedure costs Detroit \$360,000 a year. Using the existing 6-cent postage rate, about 6 million stamps would have to be reused before the loss of revenue would offset the savings that would result from eliminating hand canceling and hand postmarking.
- Many post offices did not have automatic facer-canceler machines because of their low mail volume and therefore canceled and postmarked all their letters by hand.
- Stamped letters which had been bundled and faced by mailers before deposit were unbundled so they could be canceled and postmarked. If this operation were

not performed, this faced mail could be sent directly to a sorting operation. We believe that this could result in significant savings, especially at Christmas when many mailers face and bundle their Christmas cards.

During the 1969 Christmas season, the Department conducted an experiment designed to reduce processing costs through the use of precanceled stamps. In four cities, mailers used precanceled stamps and faced and bundled their mail so that it could bypass the canceling and postmarking operation. Although the final results were not available at the time of our review, preliminary reports indicated that the program succeeded in gaining mailer cooperation, in reducing manpower costs, and in speeding mail processing.

A Detroit official stated that, in his opinion, probable losses through improper reuse of stamps would be more than offset by savings resulting from elimination of the postmarking and canceling operations. We believe that the problem of reusing stamps might be overcome by designing stamps in such a way that they would probably be mutilated or destroyed if attempts were made to improperly reuse them, for example, better adhesive and mass perforation when printed.

In addition, the Department eliminated the postmark of some smaller offices when it consolidated mail processing for those offices, with few complaints from mailers. The hour and date of cancellation also has been eliminated from postmarks. In those instances in which a record of the time of mailing is essential, for example, important business transactions, certified or registered mail can be used.

RECOMMENDATION TO THE POSTMASTER GENERAL

We recommend that the Department explore alternatives, such as the use of precanceled stamps, to existing hand-canceling and postmarking practices to reduce mail-processing costs.

AGENCY COMMENTS AND GAO EVALUATION

The Postmaster General stated that precanceled stamps would be used again during the 1970 Christmas season and that the precanceled stamp program would be expanded to 875 million stamps to be used in the entire Boston Postal Region and in selected cities in the other postal regions. He said that the Department concurred with us in the belief that the precanceled stamp program could result in significant savings, especially at Christmas when many mailers face and bundle Christmas cards.

The Postmaster General stated also that, in the large cities, facing and canceling were performed in one process. He said that, concerning the elimination of postmarks, mailers had strongly opposed an identification of other than their local community. He added, however, that the Department was continuing to explore alternatives to existing postmarking practices.

Because of the significant cost of hand canceling and postmarking letters, we believe that the Department should continue to seek alternatives to the existing practices of hand canceling and postmarking.

CHAPTER 6

IMPROVE PERSONNEL POLICIES

In fiscal year 1970 the Department had over 722,000 employees, which made it the largest single nonmilitary Government employer. Personnel costs were about \$6 billion for fiscal year 1970--the equivalent of about 92 percent of postal revenues. Problems with this vital and costly resource obviously can have a major impact on operations.

Studies by the Department showed, and our review confirmed, that the Department was somewhat handicapped by the basic personnel problems of hiring and retaining qualified people.

--Of the 63,000 persons applying for clerk, carrier, or mail handler jobs in fiscal year 1969 at the three post offices included in our review, only 3,960 (6 percent) were hired. (An additional 1,860 persons were hired, but they had applied before fiscal year 1969.) Conversely, during fiscal year 1969, 7,000 clerks, carriers, and mail handlers--including 1,300 persons hired only for the summer or Christmas period--terminated their employment.

--Of the total persons hired (5,820), our analysis of the records of a sample of 300, exclusive of seasonal help, showed that 164 (55 percent) had terminated employment by February 1970. Of these, 124 persons worked less than 6 months.

The employee turnover problem is of even greater significance nationwide. In 1966, 132,000 persons left the postal service, and during fiscal year 1969 the number who left increased to 155,000. The report on a study made by the Department's Internal Audit Division, Bureau of the Chief Postal Inspector, of the employee turnover problem contained various recommendations to reduce the high rate of employee turnover. The study showed that turnover in 1966 had cost about \$14.5 million, or about \$110 a person (primarily recruiting and training costs). Using \$110 a person, we estimated that turnover in fiscal year 1969 had cost the Department about \$17 million.

Also using \$110 a person, we estimated that the turnover of 5,700 employees who left the three offices (7,000 less the 1,300 seasonal help) had cost the Department about \$627,000. This cost would be increased to the extent that lower productivity resulted from hiring new employees to replace some of the more experienced employees who left. In our computations of turnover costs, we excluded the cost of the turnovers resulting from deaths and retirements.

According to the Assistant Postmaster General, Bureau of Personnel, the Department-wide separation rate is 23.2 percent a year of the total number of employees. We found, however, as discussed on page 35, that turnover was much higher among new employees--those with less than 2 years seniority. Thus the Department

- spent millions of dollars recruiting and training employees who left after a short time and

- operated at less than desired productivity because of the continual influx of new employees, many of whom worked during the heavy mail volume evening periods.

We believe that the high turnover rate could be significantly reduced by certain corrective actions relating to recruiting weaknesses, slow and burdensome hiring practices, outdated wage and advancement policies, and uncertain work schedules for new employees.

RECRUITING AND HIRING

The Civil Service Commission and the Department have had joint responsibility for recruiting qualified employees. Following is a brief description of the complex recruiting and hiring procedures.

- In Detroit and Seattle the recruiting effort is limited primarily to posting announcements of Civil Service Commission examinations in various public buildings. In Los Angeles the major recruiting effort is the distribution of similar announcements to homes by letter carriers. The announcements include such information as the job title and brief description, the salary, and where to apply. No other orientation is

given until a person is hired. A Civil Service Commission official told us that, as a result, many persons did not fully comprehend the nature of the job before applying and became dissatisfied soon after employment.

--A person must first apply to the Civil Service Commission where he is told to return, usually in about 8 days, to take a test. At the three post offices included in our review, however, we found that 60 percent of the 63,000 applicants in fiscal year 1969 did not return.

--Those persons who return and take the test must then wait until (1) their tests are graded, (2) their scores--if passing--are ranked with others who have taken the test, and (3) those with higher scores have been offered a job. Data at the three post offices included in our review showed that this waiting period ranged from several weeks to several months, the length of time depending on the number of applicants, the number of job openings, and the applicant's test score. Although the lack of job openings for successful applicants may account for some time lapse, a considerable portion of such time can be attributed to the system itself. Our review showed that it usually took about 8 days to schedule the test, about 28 days to grade the test, and about 10 days to hire the successful applicants who were still available for work--a total of 46 days.

For more than one third of the 300 persons included in our sample, more than 3 months elapsed from the date that they took the test until the date that they were hired. Of the 16,500 persons who passed the test at the three post offices included in our review, only 3,960--or 24 percent--accepted a job with the Department. We believe that this time lag contributes to the Department's problem of recruiting qualified employees.

Only 3,960 (6 percent) of the 63,000 applicants were hired at the three post offices, while during the same period 5,700 employees left, excluding those hired for summer or Christmas work.

To help minimize the Department's difficulty in recruiting and hiring qualified people, we believe that the Department should:

- Expand the orientation given to applicants before they are tested and hired to include a detailed explanation of what they may expect from the jobs. We believe that such orientation would tend to screen out beforehand those prospective employees who might later become disenchanted and resign from the postal service because of such factors as the requirements for working at night and on weekends.

- Implement a direct hire program to help reduce the long time lapse from application to job offer. Under such a program, the Department could administer and grade its own tests for employment in the postal service. We believe that this change could reduce the 8-day waiting period between application and the test and could reduce the longer time lapse between the test and the job offer.

TURNOVER

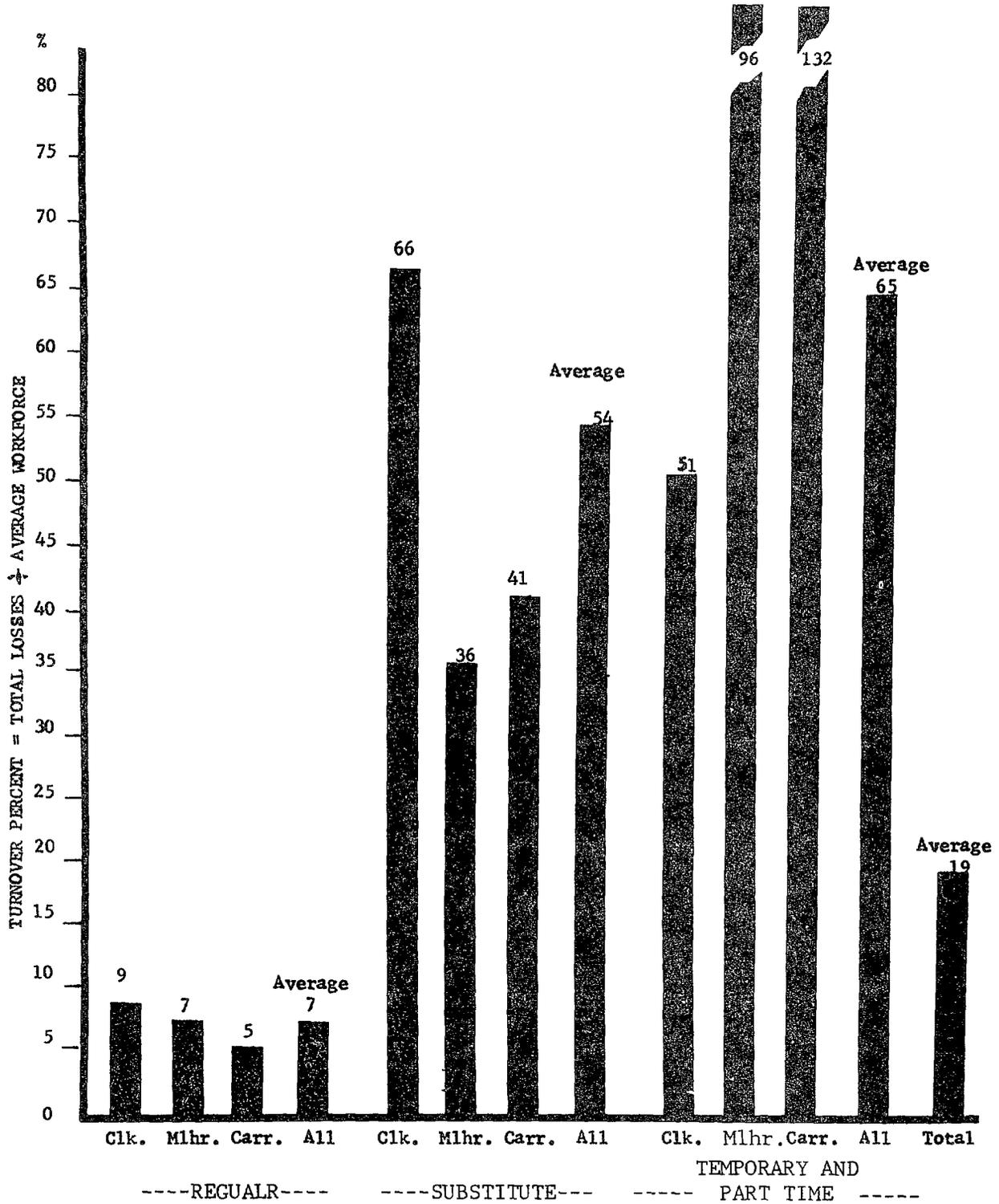
Why do so many people leave the postal service? To find the answer, we first had to find out to which employee category--new (less than 2 years seniority) or senior employees--most of the turnover was attributable. Because over 80 percent of postal employees are clerks, carriers, or mail handlers, we limited our analysis to these categories. At the three post offices included in our review, we found that only 21 percent of the employees in these categories were new; however, 72 percent of the 5,700 clerks, carriers, and mail handlers that left were new, which illustrated the high rate of turnover among new employees.

Local post offices, in accordance with Department policy, hire new employees--including college graduates--on a substitute basis only, either as career or temporary substitutes. Career substitutes are converted to regular full-time employees after 1 to 2 years; temporary substitutes are converted after longer periods. The workday of substitutes may vary from 2 to 12 hours. Substitutes are not paid overtime until they have worked 40 hours in a week. They are not guaranteed 40 hours of work a week. They are called in as needed and they often work the night shift and weekends. Thus it is not surprising that in fiscal year 1969 the turnover rate for new employees hired at Detroit ranged from a low of 36 percent for career substitute mail handlers to a high of 132 percent for temporary substitute carriers, whereas senior (regular) employee turnover ranged from only 5 percent for carriers to 9 percent for clerks. (See p. 36.)

Although some of the 5,700 employees who left were dismissed, separated, or transferred, 73 percent simply quit. We found that generally they quit because of:

- Low wages. For example, data furnished by the Department showed that starting salaries in 1969 were 20 to 25 percent below comparable industrial jobs in Detroit. (This gap was lessened by the recent 6 and 8 percent wage increases given to postal employees.)
- Lack of advancement. Eighty percent of postal employees retired from the postal service at the same grade level they were hired. Employees, including

TURNOVER RATE AS A PERCENTAGE OF EMPLOYEES
 AT DETROIT FOR FISCAL YEAR 1969
 (PREPARED BY GAO FROM DEPARTMENT DATA)



college graduates, are not eligible to take a test for a supervisory position until they accumulate 2 or 3 years of service. Detroit officials told us that, of those who passed this test, seniority rather than the test score usually was the overriding factor influencing promotion. Moreover, transfers between installations to advance to a higher level supervisory or management position were extremely rare, because of a traditional rule of appointment from within a given installation.

- Uncertain work schedules. Because new employees were not guaranteed steady employment, their work hours were erratic and take-home pay varied.
- Returning to school. Many temporary employees were college students who resigned when schools reopened in September. (See p. 38.) Detroit officials stated that, because of the 2- or 3-year prerequisite for the supervisory test and because of the influence of seniority on promotion, college students seldom returned to postal service after graduation.
- Domestic problems, such as lack of babysitters, pregnancy, and family illness. Nationally, the Department employed 117,427 female clerks, carriers, drivers, and mail handlers in June 1970.
- Inability to meet job requirements. Many employees could not memorize the extensive and complex list of information needed to sort mail at an acceptable speed. This required considerable study at home.

We believe that, without corrective action, the high employee turnover will continue to hinder the postal service. We suggested to the Postmaster General that the following actions might contribute toward reducing employee turnover and helping to maintain the present level of expertise.

- Develop area wage scales for high income areas and thus make Department wages more competitive with industry and postal service more attractive. (Recent action by the Congress to raise wages and to reduce

the time necessary to reach the top pay rate in each grade should also make postal employment more attractive.)

- Expand the Department's management intern program at headquarters and at the regions to include local post offices. The management intern program is designed to train selected college graduate employees to assume responsible positions in Department headquarters and regional offices. This would give college graduates more incentive for pursuing a postal career by offering more opportunity for faster advancement.
- Extend the all-regular hiring policy, which would give dependable full-time employment to new employees rather than hire new employees as substitute or temporary employees. (Temporary and substitute employees are not guaranteed full-time employment.) We believe that, since many new employees leave within 6 months, hiring them as regular employees would significantly reduce turnover during this critical period. Also, leveling of the mail-processing work load resulting from a two-tier system--priority and nonpriority mail--as previously discussed in chapter 2, should greatly reduce the need to hire temporary help (except perhaps at Christmas) and thus facilitate an all-regular hiring program.

AGENCY COMMENTS AND GAO EVALUATION

The Postmaster General stated that the Department was aware of the personnel needs which we identified and that improvements had been undertaken during the past year. He stated also that the new legislation would give the Department the climate to make further substantial improvements in hiring methods, to initiate career development programs, to minimize fluctuating work schedules, and to reduce employee turnover.

In view of the provisions of the Postal Reorganization Act which give the Department authority over certain personnel matters which should help the Postal Service to make needed improvements in its personnel program, we are not making any recommendations on this matter. We will review the Postal Service's measures after they have been implemented.

CHAPTER 7

REVAMP THE UNWIELDY MANAGEMENT INFORMATION SYSTEM

Managing an annual budget of about \$8 billion, supervising 722,000 employees, and operating 32,000 post offices obviously require many decisions which must be based on timely and reasonably accurate information. To provide this information the Department has many different reporting systems, each generating reports used by management to formulate policy, to control and evaluate performance, and to improve operations. The Department estimates that operation of these systems during fiscal year 1971 will require about 4,600 man-years and will cost \$59 million.

At each of the three post offices included in our review, we found that the finance, personnel, and maintenance offices together prepared over 200 different reports under four information systems. In fiscal year 1969 these post offices used a total of more than 105 man-years and spent \$1 million in preparing these reports.

Our review of 200 Department reports prepared at the three post offices showed instances of overlapping and unneeded reports as discussed below.

--The Operation Analysis Report (POD Form 3499)--prepared on a daily, weekly, and an accounting period (4-week) bases--contains such information as hours worked and volume of mail processed by each operation and is distributed locally, regionally, and to Department headquarters. At each of the three post offices, at least four other major reports (POD forms 2312, 3970, 227-x, and 4829) are prepared from the information on POD form 3499 and, in some instances, are distributed to those receiving POD form 3499. For example, at Detroit, POD form 3970 is prepared daily and is distributed to many local officials receiving POD form 3499, the information is telephoned into the Chicago Regional Controller's Office, and a copy is forwarded to the Controller's Office the next day. We estimate that Detroit's

preparation of POD form 3970, which Detroit officials agreed could be eliminated by consolidation with other reports, costs over \$4,600 a year.

--The Personnel Analysis Report, prepared biweekly at Detroit, is distributed to 17 local officials only. At least four other reports--two prepared biweekly, one every 4 weeks and one annually--contain essentially the same information as the Personnel Analysis Report. These reports receive generally the same distribution locally; however, each report is also forwarded to the regional office. We believe that, with minor format modification, the Personnel Analysis Report could serve the purposes of the other four reports, both locally and regionally. Detroit officials generally agreed.

--Both Detroit and Los Angeles prepare two reports--the Minority Status Report and the Equal Employment Opportunity Report--which contain basically the same information. At Los Angeles both reports are prepared quarterly. At Detroit one is prepared quarterly and the other is prepared semiannually. At both locations the two reports receive the same local distribution and one is also forwarded to the regional office. It appears that these two reports could be consolidated.

The following table, based on the frequency¹ and distribution of 87 of the reports examined at Detroit, shows the number of reports that selected management officials at Detroit receive each year.

¹Excludes semiannual and annual reports.

	<u>Daily</u>	<u>Weekly</u>	<u>Biweekly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Total for year</u>
Postmaster	2	4	7	14	4	1,094
Director, Management Procedures Division	2	4	5	9	1	970
Director, Operations Division	5	5	6	12	3	1,872
Director, Installa- tions Services Division	2	3	5	13	3	974
Director, Office of Finance	6	5	7	14	4	2,186
Assistant Director, Distribution	3	5	6	9	3	1,316
Budget and Cost Of- ficer	4	6	3	11	3	1,574
Analysis and Allow- ances Assistant	4	6	3	12	3	1,586

Many of these and other reports are also distributed to various persons at the region and headquarters levels.

Various Department officials at the local and headquarters levels made the following comments to us concerning the lack of control over the management information system.

- Two reports often contained the same information in different forms simply because of personal preference.
- A mass of material was being provided that probably was not as functional as it ought to have been.
- Many reports were not understood.
- "Black market" forms which were not authorized were circulating in the system and were prepared because somebody at some level wanted them.
- Forms made obsolete by system changes were often continued because no one reviewed them to determine if they were still needed.
- Persons were on report distribution lists although they did not really need the report.

An official of the Department's Reports and Records Management Division acknowledged that there were many problems in the reporting system including:

- little coordination between headquarters and the field and
- overlapping duties at headquarters which tend to cause overlapping reporting.

In July 1969 the Internal Audit Division, Bureau of the Chief Postal Inspector, recommended that the Department's Bureau of Research and Engineering make a detailed study of its management information system to ensure that the system provides management with timely, accurate, and essential information.

Also, the National Archives and Records Service, General Services Administration, in a March 1970 report issued to the Post Office Department, commented that the history of reports management within the Department had been highly unsatisfactory. The report stated that, because Department officials resented centralized controls as an infringement on their operating prerogatives, a formal reports management program was discontinued several years ago. The report concluded that, as a result, the Department's reports management had been fragmented and ineffectual.

We believe that, because of the problems and the time and money involved in reporting, the Department should review and evaluate its management information systems, should consolidate reports where possible, and should eliminate duplicate or unneeded reports. Because a recent Department study indicated that elimination of one report saved more than \$2 million a year, we believe that the potential for savings through further elimination of unnecessary reports might be significant.

RECENT ACTIONS TAKEN TO IMPROVE
THE MANAGEMENT INFORMATION SYSTEM

Recognizing the need for significant improvement in its control and coordination of information, the Department has

initiated or has planned a number of corrective actions. These actions, according to an official of the Reports and Records Management Division, include:

- A planned nationwide study of existing reports prepared at local post offices. This study, however, has not been initiated.
- Revision of the Postal Manual to delete the overlapping responsibilities for records and reports management. The addition of a new section to the manual will provide for coordination of all records and reporting responsibilities in the Reports and Records Management Division. A target date of July 1970 had been set for completion of this revision. As of February 1971, however, the proposed revision had not occurred.
- Preparation of a reports inventory, including the related cost of preparing each report. Since this inventory will be used as a basis for assigning costs to organizational units requesting that management information reports be prepared, the Department believes that it could discourage duplicative or unnecessary reporting.
- Establishment of coordination responsibility for various reports and forms at each of the six postal data centers. A postal data center is a facility which uses automated data processing equipment to process various Department data, such as payroll and other cost data, for postal facilities within a designated area. About October 1969 the Reports and Records Management Division began this effort and anticipated that eventually there would be a Reports Management Officer in each data center, in each of the 15 postal regional offices, and in each of the 750 largest post offices.

It appears that these steps, if effectively implemented, will improve the management reporting systems. We believe, however, that, to permanently correct acknowledged reporting system deficiencies, the Department must assess its management information needs and must evaluate existing reports in light of those needs.

RECOMMENDATION TO THE POSTMASTER GENERAL

We recommend that the Department expedite its efforts to review existing reports with the objective of eliminating unnecessary reports and of consolidating and simplifying reporting requirements where feasible.

AGENCY COMMENTS AND GAO EVALUATION

The Postmaster General stated that the reports management program was not concerned with preparation of reports but was concerned with furnishing information on the availability of data and providing assistance in determining data requirements. He stated that, by screening proposed reports against the inventory of existing reports, the Department could prevent duplication.

The Postmaster General stated also that recently the Department had taken many steps to reduce the cost of paper work, to improve information systems, and to eliminate duplication and that the Department's program managers were continually reviewing reporting requirements in their areas of responsibility to identify redundancy and obsolescence of forms or reports.

We agree that screening proposed reports can result in detecting the duplication of existing reports, and we recognize that the Department has made efforts to improve its reports management program. A Department official advised us, however, that as of February 1971 the Department had not completed its inventory of reports and had not initiated a planned study of the reports used by post offices. We believe that our review shows a need for the Department to expedite its efforts to further strengthen the Department's management reporting system and that our views are supported by the comments of local and headquarters officials of the Department and the National Archives and Records Service report of March 1970.

CHAPTER 8

SCOPE OF REVIEW

During the period July 1969 to July 1970, we made a review of operations at major mechanized post Offices in Detroit, Michigan; Los Angeles, California; and Seattle, Washington. Our review principally covered postal activities during fiscal year 1969. Also, we reviewed pertinent records and discussed postal activities with officials at Department headquarters in Washington, D.C.

We did not make in-depth studies of the matters presented in this report. We believe, however, that our scope was sufficient to make recommendations for the correction of the problems reported, subject to further study by the Department.

We discussed problems associated with mail processing, recruiting and hiring, and management reporting with officials at each of the three post offices included in our review and solicited ideas as to how the problems might be resolved. We observed mail-processing operations and analyzed mail volume statistics and other pertinent records furnished by postal officials. We also interviewed officials of 32 selected local businesses generating significant volumes of first-class mail and, by use of questionnaires, accumulated pertinent statistical data on the type and quantity of mail prepared by these firms.

In addition, at the Detroit Post Office we observed mail-processing activities during peak volume periods, flow-charted operations, and evaluated detailed mail-processing statistics for a typical day.

We considered the nature and scope of prior reports on postal activities issued by our Office, the report of the President's Commission on Postal Organization, the March 1970 report of the National Archives and Records Service, and Post Office internal audit reports.

APPENDIXES



The Postmaster General
Washington, D.C. 20260

October 13, 1970

Dear Mr. Neuwirth:

We are pleased to have the opportunity to review your proposed report to the Congress on "Summary Results of Survey of Use of Resources in Mechanized Post Offices."

Many of your recommendations reflect the results of our own studies on which we have already taken corrective action by initiating new programs. For example, the Managed Mail Program, under which more first-class mail is being sorted during daylight hours at destination offices, is already producing substantial savings in night differential hours and is reducing hand sorting. Further, our Area Mail Processing Program is being expanded, resulting in more intensive use of mechanized equipment. A priority mail system has also been proposed and is being studied. Additionally, our test program for using precanceled stamps will be expanded this Christmas.

More specific comments follow regarding the recommendations on pages 4 and 5 of your draft report.

REDUCE HAND SORTING

We have taken particular note of your comments (transmittal letter and page 3) that at the three offices surveyed, Detroit, Seattle, and Los Angeles, over 50 percent of the letter volume is sorted by hand even though letter sorting machines are idle much of the time. For several reasons, however, this proration of hand and machine sorting may well be the most efficient considering the present flow of mail and our need to meet dispatches of value.

First, about 15 percent of all letter mail is nonmachinable because of content. Second, and more important, we have found that efficient machine utilization requires a continuing minimum volume sufficient to offset the higher service costs of machine operations. Backlogging mail to accumulate sufficient volume for machine distribution is usually not feasible due to potential missed dispatches and the resultant delay to mail. Third, machine sortation to carrier routes has been found to be inefficient because of constantly changing schemes. This factor is very important because such distribution represents 70 to 80 percent of all destination mail distribution. We are attempting to correct this problem

APPENDIX I

by stabilizing carrier route designations. However, effective machine utilization for distribution to carrier routes would still be marginal due to the limited volume available for individual scheme assignments (only about 15,000 letters per route--50 routes per scheme).

[See GAO note 1, p. 51]

Despite these obstacles, we have actively pursued the goal of minimizing hand sorting to the maximum extent possible, and have made considerable progress in recent years as exemplified by our Managed Mail Program and Area Mail Processing Program mentioned above.

GIVE EXPEDITIOUS MAIL PROCESSING ONLY TO PRIORITY MAIL

Our present system is designed to give priority service to (1) airmail, then (2) first-class letters, and then (3) circulars and other mail classes. We are also considering a priority system designed to handle regular mail, as recognized in the comments on page 7 of your draft report.

CENTRALIZE MAIL PROCESSING

We had already recognized, in our Area Mail Processing Program, the problem typified by your comments (transmittal letter and page 4) that at Detroit, "machines could be used to sort most of the mail now hand-sorted at nearby nonmechanized post offices." This Program is designed to consolidate outgoing mail from associate offices for processing in the Sectional Center Facility offices, as you suggested. With this change, mechanization previously installed is being better utilized, and we are achieving better service.

CHANGE PRACTICE OF CANCELING STAMPS AND POSTMARKING LETTERS

Precanceled stamps will be used again this Christmas, and this program will be expanded to 875 million stamps to be used in the entire Boston Region and in selected cities in our 14 other regions. We, too, believe that this could result in significant savings, especially at Christmas when many mailers face and bundle their Christmas cards.

[See GAO note 2, p. 51.]

In the large cities, where the bulk of letter mail is processed, machines face and cancel letters as one process. Under the Area Mail Processing Program, automatic facing and canceling machines will face and cancel letters for all the small post offices within designated areas.

As to the elimination of postmarks, mailers have strongly opposed an identification of other than the local community. However, we are continuing to explore alternatives to present postmarking procedures.

IMPROVE PERSONNEL POLICIES

We are aware of the personnel needs identified (pages 19-27) and have undertaken improvements over the past year. The new legislation will give us the climate to make further substantial improvements in hiring methods, initiating career development programs, minimizing fluctuating work schedules, and reducing employment turnover.

REVAMP MANAGEMENT INFORMATION SYSTEM

As to our management reports, we must take exception to your comment (page 28) that there is "little or no control over their preparation." All Postal Service reports are prepared by responsible officials, with generally stringent controls. The Reports Management Program is not concerned with preparation of reports but with furnishing information on the availability of data and providing assistance in determining data requirements. By screening newly proposed reports against the inventory of existing reports, we can prevent duplication. Our program managers continually review reporting requirements within their areas of responsibility to identify redundancy and obsolescence of forms or reports. We have taken many steps recently to reduce the cost of paperwork, improve our information systems, and eliminate duplication.

[See GAO note 2.]

We are pleased to note your conclusion (page 4) that "The Post Office is actively seeking to improve postal operations." We believe the record shows that we have taken action to make more efficient use of existing resources, and we shall continue to do so in the future.

Sincerely,



Winton M. Blount

Mr. Max A. Neuwirth
Associate Director, Civil Division
U. S. General Accounting Office
Washington, D. C. 20548

GAO notes:

1. A Department official advised us that the number of letters per route should have been 1,500 rather than 15,000.
2. The deleted comments related to matters which are not discussed in this final report.

APPENDIX II

PRINCIPAL MANAGEMENT OFFICIALS OF
THE POST OFFICE DEPARTMENT
RESPONSIBLE FOR ADMINISTRATION OF ACTIVITIES
DISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
POSTMASTER GENERAL:		
Winton M. Blount	Jan. 1969	Present
W. Marvin Watson	Apr. 1968	Jan. 1969
DEPUTY POSTMASTER GENERAL:		
Vacant	Jan. 1971	Present
Elmer T. Klassen	Feb. 1969	Jan. 1971
Frederick C. Belen	Feb. 1964	Jan. 1969