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B-114874

January 21, 1977

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The Honorable William L. Armstrong
House of Representatives

Dear Mr. Armstrong:

Pursuant to your May 18, 1976 request, we examined the transfer of Colorado Springs' mail markup functions 1/ to Pueblo. Specifically, you asked us to (1) verify the Postal Service's savings estimates, (2) assess the effect of the transfer on mail delivery performance, and (3) determine whether the Colorado Springs Post Office is under utilized.

The Colorado Springs' mail markup function was transferred to the Pueblo Post Office at about the same time Pueblo was consolidating its markup function. Consolidating both Pueblo's and Colorado Springs' mail markup functions was designed to reduce the cost of mail markup for both cities without adversely affecting service. As of July, 1976--five months after the consolidation--mail markup costs had not been reduced. Although some cost savings might be realized in the future, the consolidation probably will not achieve the savings originally estimated.

For several months following the consolidation, delivery of markup mail suffered greatly. Mail forwarded through the Pueblo markup unit was delivered in Colorado Springs as much as 10 days late. Inexperienced clerks, lack of access to Colorado Springs letter carriers by Pueblo markup clerks, and machine malfunctions caused most of the late deliveries.

1/ Mail markup is the process of redirecting a piece of undeliverable-as-addressed mail by adding a forwarding address of postal patrons who have moved or by indicating some other disposition; such as returning the mail to its sender.

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Service officials in Colorado Springs and Pueblo have taken a number of actions which have considerably reduced the length of delays, but a decision to use existing transportation schedules and a shorter workweek for markup clerks has precluded achieving former levels of service.

According to Colorado Springs' officials sufficient space was available for a consolidated markup operation in Colorado Springs had Service officials decided to consolidate the markup functions there. However, some alterations would have been required before this space could be used. None were required in Pueblo.

NATIONWIDE MOVE TOWARD
CLERICAL MAIL MARKUP

Historically, the mail markup function was performed by letter carriers who wrote the new addresses on forwardable mail. A 1971 Service study concluded that a centralized unit of clerks using stenciled labels could perform markup faster, more legibly, and with better control than the handwritten carrier method.

Estimating that it could save about \$53 million annually, the Service began a nationwide program in February 1973 to transfer the mail markup function from letter carriers to central markup clerks at all delivery stations having five or more city delivery routes. In January 1976, this program was expanded to have centralized markup at all city delivery stations. The program also provided for consolidating the mail markup units of several delivery stations at one location.

Consolidated markup units have the advantage of further massing markup mail which Service officials believe results in higher productivity because markup clerks are only responsible for forwarding mail and are not interrupted to perform other duties as are clerks in central markup units. One disadvantage, however, is that the letter carrier is not readily accessible to resolve problems. To illustrate, if a carrier inadvertently sends a correctly addressed piece of mail to a consolidated unit, the markup clerk will not have a forwarding address on record and will return the piece of mail to its sender. Under the central markup system, however, the unit is located at the delivery station and the carrier is more readily available to help resolve this problem.

CONSOLIDATION OF MAIL MARKUP
FOR COLORADO SPRINGS AND PUEBLO

The Colorado Springs Post Office provides delivery service through seven delivery stations. Several years ago, Colorado Springs began converting its delivery stations to the central markup system and was one of the first in the Western Region to do so. By 1974 all Colorado Springs delivery stations were converted to the central markup system. Markup at all the delivery stations of the Pueblo Post Office was transferred from letter carriers to central markup units in March 1974.

The Colorado Springs District Office manager ^{1/} told us that in January 1976, he and another District official visited the consolidated markup unit in El Paso, Texas to determine if its operation might suggest any methods which could improve the efficiency of the markup operations in his District. He said that El Paso's unit served a similar number of delivery stations and an area slightly smaller than that of Colorado Springs and Pueblo combined. The officials found El Paso's consolidated mail markup method more productive than that of Colorado Springs and Pueblo primarily because markup clerks in El Paso were only responsible for marking up mail and were not interrupted to perform other duties.

In late January 1976, the Colorado Springs District office manager made the decision to consolidate the mail markup function of Colorado Springs and Pueblo in Pueblo. He estimated that as a result of consolidation \$226,107 would be saved the first year and \$194,805 in each subsequent year. He estimated the savings for the first year as follows.

Increased productivity savings	\$194,805
Costs avoided by not relocating excess Pueblo employees	21,000
Costs avoided by not placing and training employees previously needed in Colorado Springs	6,102
Costs avoided by not renting space in Colorado Springs	4,200
	<u>\$226,107</u>

^{1/} The Colorado Springs District Office had administered the Colorado Springs and Pueblo Post Offices until the District Office became part of the Colorado District Office in June 1976.

Estimated savings have
not been achieved

Increasing productivity is the key to the cost savings estimate. This increase was based on the premise that fewer combined workhours would be needed to markup the mail of both Colorado Springs and Pueblo. District officials said that fewer hours would be needed since clerks would work on markup full-time rather than performing other duties as well.

Although actual productivity levels before and after the consolidation cannot be compared because adequate volume and workhour data is not available, we believe that productivity generally has not improved above pre-consolidation levels.

As a measure of the Service's success in reducing costs, we compared the number of hours required to markup mail in both cities before and after the consolidation. Because the combined markup mail volume for both cities has remained about the same, an actual reduction in markup hours would be necessary to increase productivity and reduce costs. At the time of our field work, however, markup hours had not been reduced below pre-consolidation levels.

As illustrated in the attachment, for the six-month period after consolidation--ending in mid September 1976--markup employees worked an average of 1162 hours per week, including many hours which are compensated at the higher overtime and nighttime differential rates. For the same period in 1975 when the markup function was not consolidated, markup employees worked an average of 950 hours per week and for the six-month period just prior to consolidation markup employees worked an average of 1115 hours per week.

We estimate that markup hours would have to be reduced to an average of 636 hours per week to achieve the former District manager's savings projections. The hours worked on markup since consolidation in Pueblo have fallen from a high of 1400 hours per week in late March 1976 to 1054 hours per week in September 1976. In light of a headquarters official's statement that most consolidated markup units are operating efficiently within several months of operation, we find it doubtful that the anticipated level of savings will ever be achieved.

Pueblo postal officials are hopeful that with continued productivity increases, Pueblo mail markup hours can be reduced to about 800 hours per week. At this level, along with the 80 hours per week still used in Colorado Springs for incidental markup activities, we estimate the recurring savings attributable to the consolidation would amount to about \$75,000 annually.

The District manager's second item of savings--\$21,000 avoided by not relocating excess Pueblo employees--will probably not be realized. The estimate was premised on the fact that because Pueblo has an excess of employees, the consolidation of the markup function in Pueblo would eliminate the necessity to relocate the excess employees. The District manager recently told us, however, that Pueblo is obligated to pay relocation expenses of excess employees because the employees did not become markup clerks.

The District manager's third item of savings--\$6,102 avoided by not placing and training employees needed in Colorado Springs--will probably not be realized either. The estimate was premised on the need for mailhandlers in Colorado Springs which could be filled by clerks who would be released from the markup function once the function was transferred to Pueblo. Ideally these clerks should not require as much training as newly hired persons. A Colorado Springs postal official said that many former markup clerks were having trouble adjusting to their new positions and that more training is anticipated. In addition, because former mailhandlers in Pueblo did not become markup clerks as anticipated, new markup employees were hired requiring up to 40 hours of training.

The District manager's fourth item of savings--\$4,200 attributed to space--is questionable because it compares the cost of a consolidated markup unit in Colorado Springs with the cost of a similar unit in Pueblo, rather than comparing costs of the former central markup operations in each city with the cost of a consolidated unit in Pueblo. The comparative costs considered should have been the latter because the savings are primarily due to the change in the markup system, not the cost of a unit in either Colorado Springs or Pueblo.

Colorado postal officials said that a formal cost study was planned to begin 60 days after implementation to determine whether the consolidation of mail markup was worthwhile and should be continued. The officials told us that this study was not performed, however, because they felt the system had not had a chance to operate smoothly because of problems in getting trained and experienced markup staff. At the time of our field work, in July 1976, a formal cost study still had not been conducted.

When Colorado Springs Sectional Center officials were informed of the District's decision to consolidate mail markup in Pueblo, they requested that a pre-implementation study be made. The former Colorado Springs District manager

told us that he denied this request because he wanted the consolidated unit to be fully operational before pending budget cuts were made.

Colorado Springs Sectional Center officials said that because this study was not conducted, the availability of space to accommodate consolidated mail markup in Colorado Springs was never fully evaluated. Colorado Springs officials later informally evaluated available space. They concluded that while space was available in the city at the time the decision was made, it would have required alterations costing an estimated \$63,000.

Delays in forwarding mail

The Postal Service's policy on forwarding mail states that:

"All preferential undeliverable as addressed mail must be processed and forwarded on a daily basis. Other classes of markup mail are also to be processed daily with exception made where an unusual situation necessitates holding mail over until the next service day for processing."

Service officials disagree about the timeframe for forwarding mail. Headquarters officials told us that mail should normally be forwarded on the day it is received in the markup unit. The former Colorado Springs District manager told us that if mail is forwarded in two or three days, the Service is doing a good job.

He also told us that markup mail should receive less expeditious handling than correctly addressed first-class mail because the current postage rates are designed to compensate the Service for only the first attempted delivery, and because customers receiving forwarded mail have not cooperated fully with the Service by adequately notifying persons of their change of address.

The field officials' view of markup mail has prevailed in the Colorado Springs District area. As a result, in addition to having normal startup problems, mail forwarding has been delayed because officials have not committed themselves to forwarding mail to overnight areas in 1 day and because there is no mail markup being performed on Saturdays.

Startup problems

Pueblo officials told us that during the early weeks of consolidation, delays in forwarding mail were common and cited

numerous problems which initially affected service to customers, including: high turnover of markup employees; inexperienced employees needing training; equipment breakdowns; poor cooperation from, and the inability to resolve problems with Colorado Springs' letter carriers; poor coordination with Colorado Springs management; and coincidental carrier route adjustments. Colorado Springs officials told us that soon after consolidation, forwarded first-class mail was delayed as much as 10 days.

Postal customer complaints have increased greatly since consolidation. Prior to implementation, Colorado Springs reported an average of five consumer complaints per month concerning mail forwarding. In comparison, during the first four months of consolidation in Pueblo, Colorado Springs received an average of 39 mail forwarding complaints per month. The number of complaints has been decreasing since the initial months, however, and during the month of June 1976, 21 complaints were received.

Transportation schedules result in mail delays

The decision to consolidate the markup function in Pueblo included a provision that transportation schedules between the cities would not be changed. With minor exceptions, the schedules have not been altered. This has resulted in delaying some markup mail daily.

Under the present transportation schedules, markup mail originally addressed to Colorado Springs cannot be forwarded to most overnight areas within Colorado in 1 day. By the time mail has been transported to Pueblo for markup and sent back to Colorado Springs for sorting and distribution, transportation to overnight areas has been missed. Transportation schedules do exist, however, to provide timely forwarding of overnight area mail if markup were consolidated in each city or if markup for both cities is consolidated in Colorado Springs.

Although Colorado Springs officials could not estimate how much forwardable mail is delayed daily because of transportation schedules, we believe the volume could be considerable because about 40 percent of Colorado Springs' change of address orders are to out of town locations and much of this out of town mail falls within overnight areas.

Service officials said that currently there is less of a problem providing timely mail forwarding to 2- or 3-day delivery areas from Colorado Springs.

Saturday's mail is being delayed

Several cities in the Service's Western Region have implemented five-day workweeks for markup to reduce the costs. Using the shorter workweek, Saturday's and Monday's mail are both marked up on Mondays, generating larger volumes on Monday. Unfortunately, this results in an additional day's delay for mail originally to be delivered on Saturday.

The Service's current policy is to perform the markup function six days a week. We have been told, however, that the Service is considering relaxing this policy to allow a five-day workweek. At the time of our review the Western Region had not received approval to reduce mail forwarding to five days. Until approval has been made, the Region has been instructed not to convert any more markup units to the shorter workweek.

The manager of the former Colorado Springs District told us that a five-day workweek was implemented in the Pueblo consolidated markup unit because it is less costly than a six-day workweek and because markup mail has a lower priority than other first-class mail. The conversion to a five-day week has resulted in a direct reduction in existing levels of service and may create a continued high level of complaints concerning mail forwarding in Colorado Springs.

CONCLUSIONS

We have concluded that

- the Service has not achieved the anticipated savings by consolidating mail markup for Colorado Springs and Pueblo,
- mail forwarding has deteriorated since the function was consolidated in Pueblo because a five-day workweek (Saturday and Monday markup mail is marked up on Monday) has created an additional one day delay for mail originally scheduled for Saturday delivery and existing transportation schedules prevent some forwarded mail from reaching overnight areas promptly.

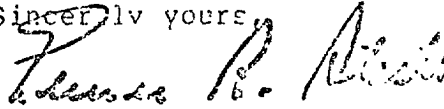
SCOPE OF REVIEW

During our review of mail markup in the Colorado Springs/Pueblo area we observed the Pueblo consolidated markup unit in operation, examined pertinent records and held interviews with officials in Service headquarters, the Colorado District Office, and in the Colorado Springs and Pueblo Sectional Center Facilities.

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As you requested, we did not obtain formal agency comments.

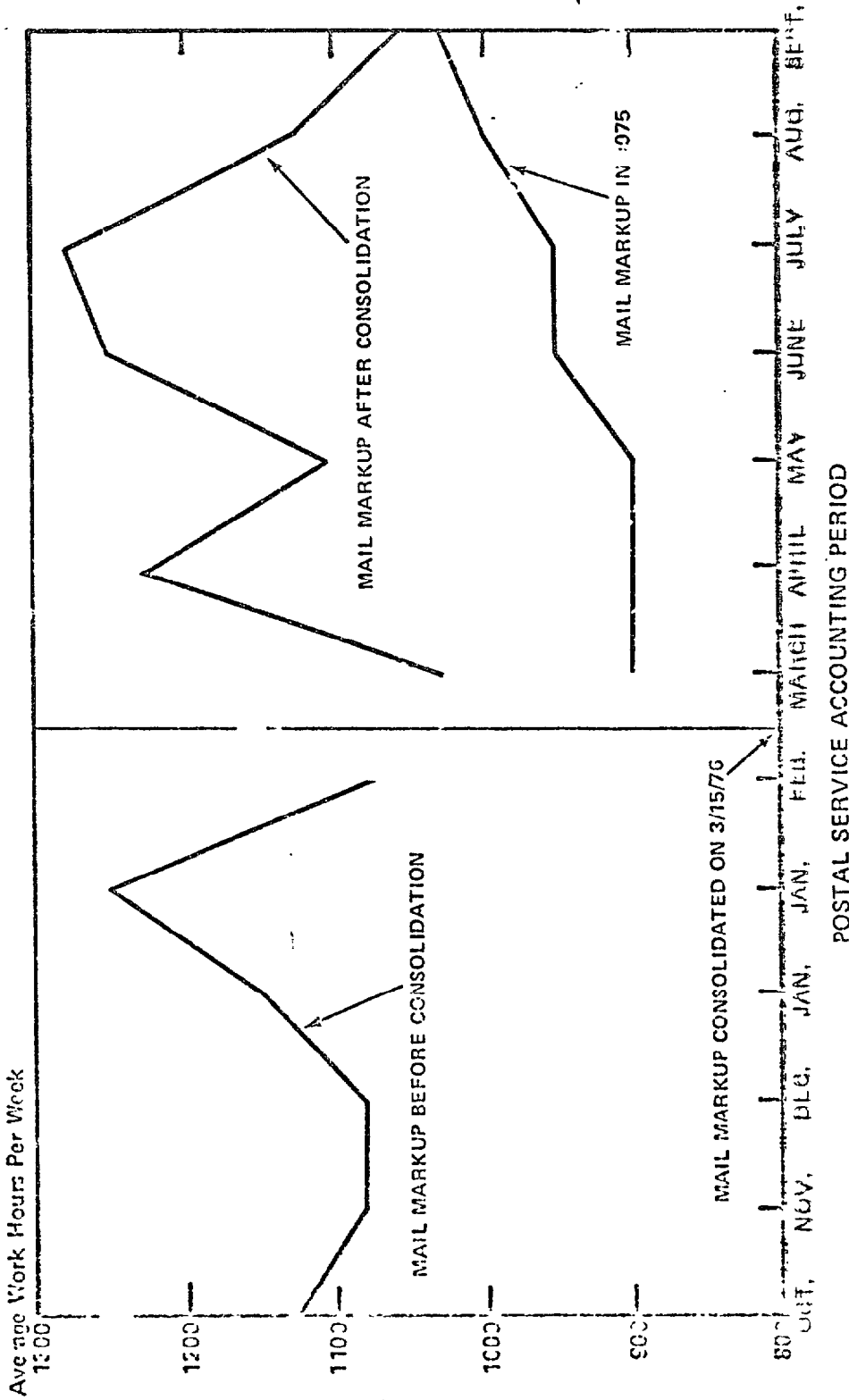
Sincerely yours,

A handwritten signature in cursive script, appearing to read "Thomas R. Acosta".

Comptroller General
of the United States

Attachment

AVERAGE WORKHOURS PER WEEK USED TO PERFORM MAIL MARKUP FOR COLORADO SPRINGS AND PUEBLO



POSTAL SERVICE ACCOUNTING PERIOD