



April 7, 2009

WALTER O'TORMEY
VICE PRESIDENT, ENGINEERING

DOUGLAS A. TULINO
VICE PRESIDENT, LABOR RELATIONS

WILLIAM J. SCHNAARS
MANAGER, NEW YORK DISTRICT

SUBJECT: Audit Report – Custodial Maintenance: New York District
(Report Number DA-AR-09-007)

This report presents the results of our audit of custodial maintenance operations in the New York District (Project Number 08YG030DA000). The U.S. Postal Service Office of Inspector General (OIG) initiated this audit because the New York District was one of the top three districts consuming overtime for custodial maintenance during fiscal year (FY) 2008. Our objective was to determine whether the U.S. Postal Service uses its custodial maintenance resources in the most effective and efficient way in the New York District. See [Appendix A](#) for additional information about this audit.

The Postal Service Can Reduce Custodial Maintenance Labor Hours

Processing facilities in the New York District perform custodial maintenance tasks an average of nearly 7 days a week, which requires maximum staff resources. This condition is less prevalent for stations in the district. However, many scheduled cleaning tasks overlap a lighter form of cleaning called policing, and the two are largely duplicative.

This occurred because staffing packages were not updated annually as required by Postal Service policy¹ and managers in the New York District scheduled cleaning more than the minimum frequency established by the guidelines. As a result, the New York District consumed more cleaning hours than necessary. If local management reduced the cleaning frequency from 7 to 4 days to allow for cleaning every other day and eliminated the duplication of cleaning activities, the sites we reviewed would save \$38,490,629 over 10 years, while maintaining an acceptable standard of cleanliness and safety.

¹ Maintenance Services (MS-47), *Housekeeping Postal Facilities*, June 1983.

We recommend the Manager, New York District, direct maintenance managers within the New York District to:

1. Update staffing packages to eliminate duplication in cleaning operations, to include an adjustment of cleaning frequencies as determined by local conditions.

The Postal Service Can Reduce Custodial Maintenance Labor Costs

Larger Postal Service facilities in the New York District incur increased costs for custodial services. This occurs because hourly rates for full-time employees in the district are \$10 higher than prevailing contractor rates. This condition exists because the collective bargaining agreement between the Postal Service and the American Postal Workers Union (APWU)² restricts the utilization of contract cleaning services to smaller Postal Service facilities. By continuing to restrict contracted custodial services to small facilities, the New York District will incur an additional \$9,777,316 in costs over the next 10 years for cleaning services. The Postal Service has an opportunity to negotiate the removal of this restriction in the new collective bargaining agreement to realize savings as positions become available through attrition. However, we acknowledge that the cooperation and agreement of the APWU are needed to achieve these savings. See [Appendix B](#) for our detailed analysis of this topic.

Given the change in business conditions, we recommend the Vice President, Labor Relations, in coordination with the Vice President, Engineering:

2. Review the benefits of extending contract eligibility to larger Postal Service facilities for inclusion in the next collective bargaining agreement beginning November 21, 2010, and subsequently utilize contract staffing to fill custodial positions lost through attrition.

² The duration of the current agreement is November 21, 2006, through November 20, 2010. Small Postal Service facilities are defined by a formula that incorporates a calculation of interior and exterior square footage. This formula is a part of the collective bargaining agreement.

Management's Comments

Management agreed with the findings and recommendations. Management did not state whether they concurred with the monetary impact; however, in response to recommendation 1, New York District management reviewed staffing packages and reduced 54 custodial positions and are further evaluating positions at the Morgan Processing and Distribution Center. In response to recommendation 2, the Vice President, Labor Relations, agreed to review the benefits of extending contract eligibility to large Postal Service facilities in the next collective bargaining agreement negotiations. See [Appendix D](#) for management's comments, in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in the report.

The OIG considers both recommendations significant and, therefore, requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when management completes corrective actions. These recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Miguel Castillo, Director, Engineering, or me at (703) 248-2100.

E-Signed by Darrell E. Benjamin, Jr. 
VERIFY authenticity with ApproveIt

Darrell E. Benjamin, Jr.
Deputy Assistant Inspector General
for Support Operations

cc: Edward L. Gamache
Rafael Vias
Howard Huie
Katherine S. Banks

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

The OIG's Maintenance Performance Analyses and Risk Indicator Scans (PARIS) Model for FY 2008, quarter 4, reported the districts consuming the greatest overtime for custodial maintenance. The model identified the New York District as one of the top three districts consuming overtime.

Financial and workhour data for custodial maintenance is tracked under labor distribution code (LDC) 38. A summary of this data showed that custodial salaries and benefits for FY 2008 totaled approximately \$1 billion nationally.

MS-47, *Housekeeping Postal Facilities*, establishes the specific criteria for cleaning and maintaining Postal Service facilities and the methodology for determining the appropriate staffing levels. The handbook details a three-step procedure for determining custodial maintenance staffing. Specifically, each site must:

1. Prepare Postal Service (PS) Form 4869, Building Inventory, which lists the internal and external square footage of the facility.
2. Develop requirements for the frequency of performance using PS Form 4839, Custodial Scheduling Worksheet.
3. Calculate cleaning staff requirements for the building by completing PS Form 4852, Workload Analysis and Summary.

The three-step procedure should be reviewed and recalculated at least annually so that required staffing adjustments can be implemented.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to determine whether the Postal Service uses its custodial maintenance resources in the most effective and efficient way in the New York District. To accomplish our objective, we reviewed and analyzed Postal Service data on overtime, staffing levels, attrition rates, and outsourcing practices at 12 facilities in the New York District. As presented in Table 1, the selected facilities accounted for 82 percent of the custodial maintenance costs in the New York District during FY 2008.

Table 1 – Sites Selected for Review

| <i>New York District Site</i> | <i>LDC 38 Workhours (Full-time – FY 2008)</i> | <i>Percentage of District's LDC 38 Workhours</i> |
|--|---|--|
| Morgan Processing & Distribution Center (P&DC) | 270,119 | 46 |
| James A. Farley P&DC* | | |
| Church Street Station | 50,115 | 9 |
| Madison Square Station | 23,635 | 5 |
| Bronx P&DC | 19,543 | 4 |
| Times Square Station | 19,551 | 4 |
| Grand Central Station | 23,169 | 3 |
| Murray Hill Station | 17,949 | 3 |
| Cathedral Station | 10,407 | 2 |
| Ansonia Station | 11,969 | 2 |
| Peck Slip Station | 9,636 | 2 |
| Lenox Hill Station | 7,990 | 2 |
| Total | 464,083 | 82 |

*LDC 38 workhours for the James A. Farley Building are included in the workhours for Morgan P&DC.

We extracted workhour data from the eFlash and payroll systems and schedule information from the Electronic Maintenance Activity Reporting and Scheduling (eMARS). The data in these systems were sufficiently reliable to answer our objective.

We conducted this performance audit from August 2008 through April 2009 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management officials on February 24, 2009, and included their comments where appropriate.

PRIOR AUDIT COVERAGE

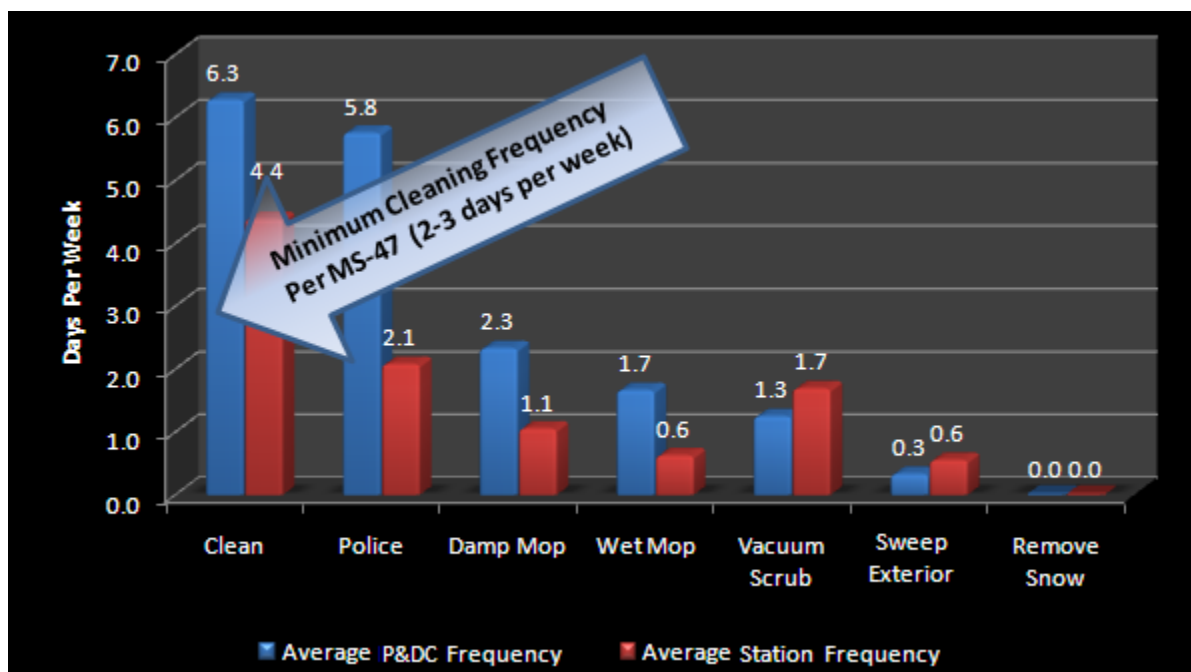
The U.S. Government Accountability Office (GAO) issued a report titled, *U.S. Postal Service: Data Needed to Assess the Effectiveness of Outsourcing*, on July 24, 2008 (GAO-08-787), related to the objective of our review. The GAO reported that although the Postal Service had difficulty measuring outsourcing success, it viewed outsourcing as an important strategy for achieving the cost savings. GAO recommended that the Postmaster General establish a process to track the results of outsourcing activities that are subject to collective bargaining and report these results to Congress. The Postal Service generally agreed with the findings and first recommendation, but not to providing Congress with information about outsourcing results.

APPENDIX B: DETAILED ANALYSIS

Frequency of Custodial Maintenance Cleaning

Processing facilities in the New York District perform custodial maintenance tasks an average of nearly 7 days a week, which requires maximum staff resources. This condition was less prevalent at stations in the New York District, as shown in Chart 1. More specifically, our review of staffing packages for the 12 selected sites revealed that cleaning tasks were scheduled at processing facilities an average of 6.3 days a week, while policing tasks (lighter cleaning) were scheduled an average of 5.8 days a week. At stations in the New York District, cleaning tasks were scheduled an average of 4.4 days a week, in addition to policing scheduled an average of 2.1 days a week.

Chart 1 – Average Days Scheduled for Custodial Tasks – New York District



Source: eMARS, February 10, 2009

Postal Service policy allows managers to schedule cleaning tasks from 2 or 3 days to 7 days a week, depending on the task. Managers have less discretion in scheduling policing tasks, as the policy generally calls for once per tour per day in facilities with two or more tours. For smaller facilities, policing can be performed on an as needed basis.

Custodial maintenance tasks were scheduled nearly 7 days a week because staffing packages were not updated annually. Analysis of site staffing packages³ showed the supporting justification being relied upon dated back as far as April 5, 1999. While Postal Service officials were able to provide us with more current summaries, they had not recalculated the staffing need based on these more current summaries, nor had

³ The staffing package consists of PS Forms 4869, 4839, and 4852.

they updated supporting schedules to reflect current custodial needs. We noted that despite yearly declines in occupancy and mail volume, building inventories were not conducted to support the level of custodial need.

Although the New York District has some discretion for cleaning frequencies, it operates within a Postal Service policy⁴ in which many cleaning tasks overlap policing tasks and are duplicative. For example, Table 2 illustrates that the current performance standard for custodial services lists duplicative or redundant tasks for cleaning and policing toilets.

Table 2 – Toilet Cleaning Performance Standard

| <i>Cleaning</i> | <i>Policing</i> |
|--|---|
| <i>Sweep floor, picking up loose paper and trash.*</i> Remove gum spots with putty knife. | <i>Pick up all loose paper and trash.</i> |
| Wash mirrors, ledges, chrome, and receptacles. | <i>Refill toilet tissue, paper towel, and soap dispensers.</i> |
| Scrub interior and exterior surfaces, including lips of <i>water closets, urinals, lavatories</i> , and multiple sinks. | <i>Check plumbing and flushing of water closets and urinals.</i> |
| Damp wipe toilet partitions and doors, toilet room doors, shower stalls, and wainscoting. | Damp wipe <i>water closets, lavatories, and urinals.</i> |
| Dust partition tops and high ledges. | <i>Sweep floor damp mop as needed.</i> |
| Dust windowsills and vents. | <i>Empty trash receptacles.</i> |
| <i>Refill toilet tissue, paper towel, and soap dispensers.</i> | |
| <i>Empty trash receptacles.</i> | |
| <i>Wet mop</i> and rinse floor.** | |

*Policing redundancies are shown in ***bold italics***.

**MS-47 also provides time for wet mopping as a separate category.

A review of Occupational Safety and Health Administration standards for toilets showed that reducing the level of cleaning would not affect safety. These requirements focus on bathroom accessibility, minimizing bacterial hazards, and removing trash obstructions. The New York District could still meet these objectives by reducing cleaning to alternate days, because the policing tasks shown above address these standards.

By over allocating staff resources for a cleaning schedule that exceeded the minimum frequency, the New York District incurred unnecessary workhours and costs, including overtime. If local conditions permit, reducing cleaning frequencies from 7 to 4 days (still higher than the minimum requirement) would allow a reduction in labor hours in excess

⁴ MS-47, *Housekeeping Postal Facilities*, Chapter 4.

of 118,000 hours at the 12 sites reviewed. This equals a reduction in complement of approximately 68 positions and a savings of \$38,490,629 over 10 years. Because this expense is avoidable, we will report the amount in our *Semiannual Report to Congress* as funds put to better use. See [Appendix C](#) for our detailed calculations.

Custodial Maintenance Compared to Contractor Costs

Postal Service guidelines restrict eligibility for cleaning service contracts to small Postal Service facilities. Larger Postal Service facilities incur increased costs for custodial services because the hourly rates for full-time employees in the New York District are \$10 higher than prevailing contractor rates. However, the current labor agreement prevents this cost saving from being fully realized. Specifically, Section 131 of MS-47 states, "Cleaning service contracts are governed by the Administrative Support Manual, and must be in accordance with the current National Agreements," which in this case is the collective bargaining agreement between the Postal Service and the APWU. These guidelines specify that contract cleaning services can only be used when a vacancy is the result of an employee's voluntary attrition, and limit contracts to facilities that meet a facility size restriction calculated by the union agreement. Facilities that exceed these parameters are restricted from using contract cleaning services, and must use existing custodial labor.

For comparison purposes, we reviewed cleaning contracts that covered facilities in the New York District. These contracts provided custodial services in the offices that met the labor requirements above. The hourly rate for these contracts ranged from \$22 to \$26 an hour, including supervision costs. In comparison, the fully loaded rate for Postal Service custodians (LDC 38) in the New York District is \$36 per hour, based on FY 2008 data.

Although the Postal Service is bound by the current collective bargaining agreement through November 20, 2010, there is an opportunity to extend cleaning contracts to larger Postal Service facilities in the next agreement. More use of contract cleaning services when vacancies occur as a result of employee attrition in large Postal Service facilities would allow savings of \$9,777,316 over the next 10 years. However, we acknowledge that the cooperation and agreement of the APWU are needed to achieve these savings. Because these costs are avoidable, we will report the amount in our *Semiannual Report to Congress* as funds put to better use. See [Appendix C](#) for our detailed calculations.

APPENDIX C: MONETARY IMPACT CALCULATIONS AND ASSUMPTIONS

| <i>Fiscal Year</i> | <i>2009</i> | <i>2010</i> | <i>2011</i> | <i>2012</i> | <i>2013</i> | <i>2014</i> | <i>2015</i> | <i>2016</i> | <i>2017</i> | <i>2018</i> | <i>2019</i> |
|--|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
| <i>Project Year</i> | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Reduce Cleaning | | | | | | | | | | | |
| <i>3 days per week (118,864 hours, normal attrition)</i> | | \$3,075,357 | \$4,513,106 | \$4,594,342 | \$4,677,040 | \$4,761,227 | \$4,846,929 | \$4,934,173 | \$5,022,989 | \$5,113,402 | \$5,205,444 |
| <i>Discounted at Postal Service cost of borrowing</i> | | 2,971,359 | 4,213,033 | 4,143,833 | 4,075,770 | 4,008,825 | 3,942,980 | 3,878,216 | 3,814,516 | 3,751,862 | 3,690,237 |
| Net Present Value | \$38,490,629 | | | | | | | | | | |
| Convert Postal Service Labor to Contract Labor | | | | | | | | | | | |
| <i>Saved cost at Postal Service fully-loaded labor rates</i> | | | \$597,323 | \$1,824,224 | \$3,095,100 | \$4,411,136 | \$5,773,547 | \$7,183,576 | \$8,642,495 | \$10,151,608 | \$11,712,248 |
| <i>Expended at contract labor costs</i> | | | (432,258) | (1,333,085) | (2,284,019) | (3,287,160) | (4,344,687) | (5,458,858) | (6,632,016) | (7,866,591) | (9,165,103) |
| <i>Net savings</i> | | | 165,064 | 491,139 | 811,081 | 1,123,976 | 1,428,861 | 1,724,718 | 2,010,479 | 2,285,017 | 2,547,145 |
| <i>Discounted at Postal Service cost of borrowing</i> | | | \$154,089 | \$442,979 | \$706,810 | \$946,358 | \$1,162,379 | \$1,355,613 | \$1,526,781 | \$1,676,587 | \$1,805,719 |
| Net Present Value | \$9,777,316 | | | | | | | | | | |
| Total | \$48,267,945 | | | | | | | | | | |

MONETARY IMPACT CALCULATIONS AND ASSUMPTIONS (Continued)

The above calculation of monetary impact is based on specific facts, as well as some high-probability assumptions derived from the data. These facts and assumptions are as follows.

| <i>Assumption</i> | <i>Factor</i> |
|--|----------------------|
| Fully-loaded rate, LDC 38, New York District, FY 2008 | \$35.99 |
| Contract custodial labor rate, FY 2009 | \$26.00 |
| Postal Service labor escalation rate | 1.80% |
| Contract labor escalation rate | 2.80% |
| Postal Service cost of borrowing | 3.50% |
| Estimated annual LDC 38 attrition hours in New York Metro Area | 194,028 |
| Estimated annual LDC 38 attrition hours in 12 subject sites | 31,464 |
| Beginning total annual workhours | 536,175 |
| Annual hours saved due to workload reduction, year 1 | 118,864 |

APPENDIX D: MANAGEMENT'S COMMENTS

PLANT MANAGER (MAJOR)
NEW YORK DISTRICT
MORGAN PROCESSING & DISTRIBUTION CENTER



March 16, 2009

LUCINE M. WILLIS
Director Audit Operations

Re: OIG Custodial Maintenance Audit
DA-AR-09-DRAFT

Recommendation that the Manager, New York District update staffing packages to eliminate duplication in cleaning operations, to include an adjustment of cleaning frequencies as determined by local conditions.

The New York District has completed all Custodial staffing packages and have been approved by the Area Office. The reductions were approximately 54 positions. The Area Office is reviewing the staffing at the Morgan P&DC in light of four compressions in mail processing. They will make recommendations for facility review. The New York District will continue to contract out all offices meeting the guidelines, once the positions go vacant.

We will make adjustments to staffing should there be changes to the labor contract.

Re: OIG Building Equipment Maintenance Audit
DA-AR-09-DRAFT

Recommendation that the Manager, New York District update building equipment maintenance staffing requirements and subsequently conduct a cost benefit analysis to reassess the need for labor distribution code 37 positions.

Staffing packages for LDC 37 have been completed and reviewed by the Area Office. The latest staffing guidelines were done. Central Maintenance Services package was approved in May, 2004, with a staff reduction of 37 positions. The LDC 37 positions, while in JAF, are not for JAF. The function covers all Station operations for the District. The Morgan P&DC package was completed and reviewed by the Area Office in March, 2009. There was a staff reduction of approximately 15 positions.

The District is also evaluating all trade positions to determine if a maintenance mechanic position can handle the work. It will allow more versatility in the work performed.

We will work with the other functions noted in the review, in providing input. We are also open to new technologies which they may devise, in equipment monitoring.

Sincerely,

A handwritten signature in cursive script that reads "Victor J. Pacheco".

Victor J. Pacheco
cc: Katherine S. Banks

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DOUG A. TULINO
VICE PRESIDENT, LABOR RELATIONS



April 2, 2009

Lucine Willis
Director, Audit Operations
1735 North Lynn Street
Arlington, VA 22209-2020

SUBJECT: Draft Audit Report-Custodial Maintenance: New York District
(Report Number DR-AR-09-DRAFT)

Thank you for the opportunity to review and comment on the subject draft audit report. Below is the response to recommendation #2 of the report, as requested.

Recommendation #2:

Labor Relations, in coordination with the Vice President Engineering, review the benefits of extending contract eligibility to larger Postal Service facilities for inclusion in the next collective bargaining agreement beginning November 21, 2010, and subsequently utilize contract staffing to fill custodial positions lost through attrition.

Response:

Labor Relations, in coordination with Engineering and Maintenance Policies and Programs, will review the benefits of including larger facilities for custodial subcontracting in the next collective bargaining agreement negotiations.



Doug A. Tulino

cc: Katherine S. Banks
Miguel A. Castillo
Darrell E. Benjamin, Jr.