

DOCUMENT RESUME

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[Survey of the Self-Service Postal Center Program]. GGD-77-75; B-114874. July 18, 1977. 8 pp. + 2 appendices (2 pp.).

Report to Benjamin F. Bailar, Postmaster General, Postal Service; by Victor L. Lowe, Director, General Government Div.

Contact: General Government Div.  
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The U.S. Postal Service has over 1,000 self-service postal centers located throughout the country and 371 additional centers are on order for deployment in fiscal years 1977 and 1978. Revenues received from those centers in operation for at least 1 year indicate that a large percentage are being underutilized. In addition, Postal Service Headquarters does not currently have adequate criteria for use by regional and district management in deploying the 371 centers on order and has no assurance that the sites with the greatest potential for measurable operating cost reductions will be selected by the regions. Findings/Conclusions: The Service does not have effective control over its inventory of self-service centers and could not account for all of the centers. Self-service centers may be showing a more favorable cost/revenue ratio because not all costs are being considered. Technicians routinely visit self-service centers to remove cash, replenish stock, and test the equipment. Many centers are overserviced. Recommendations: The Postal Service should not use existing site selection criteria for deploying the 371 new centers now scheduled for fiscal years 1977 and 1978. The Service should deploy the new centers only to those sites where the regions determine that measurable operating cost reductions or cost avoidance will result or where there is a need to test the new site selection criteria currently being developed. (SC)

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 UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

 03471  
 GENERAL GOVERNMENT  
 DIVISION

JUL 18 1977

B-114874

The Honorable Benjamin F. Bailar  
 Postmaster General  
 United States Postal Service

Dear Mr. Bailar:

The General Accounting Office has been conducting a survey of the Postal Service's retail operations including the self-service postal center program. While we have not completed our survey, there are a few matters relating to the self-service centers which warrant your attention.

The Service has over 1,000 centers located throughout the country and 371 additional centers on order for deployment in fiscal years 1977 and 1978. Based on revenue received from those centers in operation for at least one year, it appears that a large percentage are being underutilized. Moreover, Service Headquarters does not currently have adequate criteria for use by regional and district management in deploying the 371 centers on order and has no assurance that the sites with the greatest potential for measurable operating cost reductions will be selected by the regions.

In addition, we noted that

- inventory records on self-service centers are incomplete,
- center operating costs are understated, and
- some centers are overserviced.

Additional details are provided below.

GGD-77-75

BACKGROUND

The Postal Service implemented the self-service postal center program in October 1964 to provide convenient service for the public and to increase its operating efficiency. A Postal Service official told us public convenience should be enhanced because customers can purchase postal products and mail letters and parcels at self-service centers without going to post offices or without waiting for window clerks to serve them. She also told us operating efficiency should be enhanced because there is less demand for window service at post offices, thereby requiring fewer window clerks or fewer new facilities.

The Service had over 1,000 centers deployed across the nation by the end of fiscal year 1976. While the program's growth has been stagnated in recent years because the Service did not purchase any new centers, it is being rejuvenated with orders for 181 centers to be deployed in fiscal year 1977 and 190 centers for 1978. These centers will cost approximately \$5.10 million and will satisfy requests from the Service's regional offices.

QUESTIONABLE DEPLOYMENT OF  
SELF-SERVICE CENTERS

The Postal Service has criteria for determining the most cost beneficial sites for deploying the self-service centers. The criteria take into account such things as the projected revenue, surrounding communities, pedestrian traffic, and the location of existing postal facilities. However, the criteria were developed about 10 years ago.

One site selection criterion is that each self-service center generate at least \$39,000 of revenue per year. The revenue criterion was based on the Service's estimate of the revenue required to keep self-service centers' costs to about one-half of the cost to provide comparable services by postal clerks. Because the price of a stamp was \$.06 and the cost of retail window services was much less at the time the criterion was developed, the Service's criterion may no longer be valid.

In a September 21, 1972, letter to the Service, we questioned whether the site selection criteria were adequate, and if adequate, whether they were being followed because almost half of the self-service centers were not meeting the profitability criterion. In a response to our

December 4, 1974, inquiry on the 1972 letter, the Service, in February 1975, told us that the site selection criteria were being reviewed and modified. Recently, however, Service officials responsible for the self-service center program told us that no revisions were ever made.

Recent Service statistics covering fiscal years 1975 and 1976 show that 60 percent and 57 percent of the self-service centers, respectively, produced less than \$39,000. Over one-third bring in less than half this amount. (See appendixes I and II.) It appears, therefore, that a large percentage of these centers are being underutilized and possibly they could be of greater benefit in other locations.

The Service is developing new site selection criteria, but they will not be effective until fiscal year 1979. The new criteria are expected to interface with the existing Retail Analysis Program--an operations research tool designed to assist managers in selecting sites for postal facilities and in staffing post office retail counters. In the meantime, we were told that Service officials will use the existing site selection criteria to locate the new self-service centers costing \$2.08 million in fiscal year 1977 and \$3.02 million in fiscal year 1978.

We discussed site selections with regional and district officials who were to deploy 30 new centers in the second-quarter of fiscal year 1977. From these discussions, we learned that

- district officials were not required to submit any written justification for any of the 30 centers being deployed,
- the regional offices were not establishing priorities for determining 30 sites with the greatest need and potential,
- four sites were selected simply because the new post offices were designed to accommodate self-service centers, and
- one site was selected in a shopping center that is not scheduled to be opened to the public for at least a year.

On January 31, 1977, we discussed these four points with a headquarters official. We were told that the headquarters staff would talk with regional officials about the sites which we believe have little apparent justification.

The Assistant Postmaster General, Customer Services Department, issued a memorandum dated March 7, 1977, to the Regional Directors of Customer Services Departments, restating the program's objectives and instructing the regions to be guided by the Retail Analysis Program's customer demand data in deploying self-service centers. A Service official said that two additional memorandums were being drafted to require the regions to (1) submit written site selection justification to headquarters for the fiscal year 1977 equipment deployment and (2) encourage better utilization of low-revenue self-service centers.

#### Conclusion and Recommendation

The Postal Service should not use existing site selection criteria for deploying the 371 new centers now scheduled for fiscal years 1977 and 1978. Ideally, the Service should develop the new criteria and use these to select suitable sites for the 371 new centers. However, we realize that, if properly located, deploying the centers as soon as possible could enable the Service to effect cost reductions in its retail operations and thus contribute to reducing its financial pressures. We endorse the actions already begun by the Service and recommend that the Service deploy the new centers only to those sites where the regions determine that measurable operating cost reductions or cost avoidance will result or where there is a need to test the new site selection criteria currently being developed.

#### MISCELLANEOUS MATTERS FOR YOUR CONSIDERATION

During our survey of the self-service center program a few matters came to our attention which we thought you should be aware of. While some of our work was limited in scope, we believe the matters may have national implications.

Specifically, we noted that

- inventory records are inaccurate,
- some costs are not charged to the program, and
- some centers are over-serviced.

### Inaccurate Inventory Records

On September 21, 1972, we reported to the Service that it did not have effective control over its inventory of self-service centers and could not account for all of the centers. We said that to manage this large quantity of equipment properly, accurate records of self-service equipment purchased and on hand, and its ultimate disposition, are essential.

According to Service officials responsible for the self-service center program, an inventory system was developed about two years ago but it is not complete because it does not reflect the actual location of all equipment. The officials explained that district officials do not always report equipment that has been removed or relocated and the Headquarter's staff does not always promptly submit the forms received from districts for computer processing.

We continue to believe that it is essential for the Service to keep an accurate account of all self-service centers.

### Some Costs Are Not Charged To The Program

Self-service centers may be showing a more favorable cost/revenue ratio because not all costs are being considered. For example, operating costs at the Northern Virginia Sectional Center Facility were understated by about 245 percent.

Service officials at the Northern Virginia Sectional Center Facility, told us that four technicians spent 100 percent of their time on the self-service program. We determined that only 31 percent of their labor hours were so reported in fiscal year 1976. A technician explained that the time he spends counting money, completing and filing forms, and repairing equipment in the office was not charged to the program because he believed that only the time spent at the centers was to be charged. In addition to the understatement of labor used, we found that utility costs were not charged to the program because of an apparent oversight by the program and finance officials.

The following table shows the costs reported and the actual costs for the Northern Virginia facilities. It also shows the effect of the increased costs on the cost/revenue ratio.

Northern Virginia Sectional Center Facility  
Self-Service Postal Center Costs  
(Fiscal Year 1976)

<u>Cost Category</u>	<u>Costs Reported</u>	<u>Costs Not Reported</u>	<u>Actual Costs</u>
Technician's labor	\$ 11,906	\$25,616	\$ 38,522
Utilities	--	2,558	2,558
Total	<u>11,906</u>	<u>29,174</u>	<u>41,080</u>
Revenue	\$344,844	--	\$344,844
Cost/revenue ratio	3%		12%

While labor costs in the Washington Sectional Center Facility area apparently were properly charged to the self-service center program, utility costs were not. We could not determine the impact of this on the cost/revenue ratio for those centers because officials could not identify or estimate the costs.

We also noticed that other problems exist at centers we visited with respect to cost attribution. Overtime hours reported by technicians were charged to the program at the standard straight-time hourly rate. Also, the cost of operating Government- and employee-owned vehicles was not charged to the program as required by headquarters procedures. Equipment depreciation is not included as a program operating cost.

While we did not attempt to determine how widespread these practices are, they may not be isolated instances. In 1974, the Postal Inspection Service reported that all costs were not being charged in the Western Region.

Revising the cost report forms and clarifying instructions could remedy these problems and provide accurate cost/revenue data which is essential in evaluating the program as well as the profitability of individual self-service centers.

Some Centers Are Overserviced

Technicians routinely visit self-service centers to remove cash, replenish stock, and test the equipment. Postal Service procedures state that the frequency of this routine servicing should be related to the unit's sales volume--a unit earning about \$39,000 per year should not require servicing more than once or twice a week.

Although the centers were designed to hold substantial amounts of stock to preclude frequent servicing, centers in the Northern Virginia Sectional Center Facility area and the Prince George's Management Sectional Center area were being serviced daily. While a few of the centers may warrant daily servicing, 67 percent of the centers in the Northern Virginia area and 71 percent of the centers in the Prince Georges area earned less than \$39,000 in fiscal year 1976. Technicians in Washington, D.C., serviced centers two or three times a week even though 67 percent of the centers earned less than the \$39,000 revenue criterion in fiscal year 1976.

We discussed this matter with headquarter's officials who told us that the servicing criteria were valid. They agreed that daily servicing of centers earning less than \$39,000 per year was excessive and unnecessary. They also agreed that daily servicing resulted in non-productive work and, thus, increased operating costs:

While our review was limited to areas around Washington, D.C., we believe our findings have nationwide impact. In March 1974, the Postal Inspection Service reported a similar situation existing in the Service's Western Region.

The cost effectiveness of self-service centers could be enhanced by the elimination of unnecessary servicing, therefore, the Postal Service should ensure that its procedures for the frequency of routine servicing are adhered to by local management.

#### Scope of Review

Our survey is being conducted at headquarters and selected postal facilities in the Washington, D.C. metropolitan area. Selected aspects of the program were tested by a review of operational records and through discussions with headquarters and sectional center facility officials. Site selection procedures used to locate new centers were discussed with officials in all regions scheduled for new equipment in the second quarter of fiscal year 1977.

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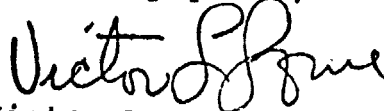
Copies of this report are being sent to the Chairman, House Committee on Post Office and Civil Service; Chairman, the Subcommittee on Nuclear Proliferation, Science Planning and Federal Services of the Senate Governmental Affairs Committee; and to the Chairmen of the appropriate subcommittees of the House and Senate Committees on Appropriations.



We want to invite your attention to the fact that this report contains recommendations to the Service. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committees on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We would appreciate being advised of actions you plan to take on the recommendations contained in this report and will be glad to discuss them in greater detail with you or your staff if you desire.

Sincerely yours,



Victor L. Lowe  
Director

SELF-SERVICE POSTAL CENTERS THAT  
EARNED LESS THAN THE MINIMUM REVENUE OBJECTIVE 1/  
(FISCAL YEARS 1975 AND 1976)

<u>Region</u>	<u>1975</u>		<u>1976</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Northeastern	63	75.0	72	77.4
Eastern	85	68.5	82	65.6
Southern	217	3.6	191	56.3
Central	122	61.3	120	58.3
Western	<u>113</u>	45.7	<u>111</u>	44.0
Total	<u>600</u>	60.3	<u>576</u>	56.7

1/Includes all self-service centers in operation for at least one year.

REVENUE STRATIFICATION FOR SELF-SERVICECENTERS THAT EARNED LESS THANTHE MINIMUM REVENUE OBJECTIVE 1/(FISCAL YEAR 1976)

<u>Revenue</u>	<u>N. East Region</u>	<u>Eastern Region</u>	<u>Southern Region</u>	<u>Central Region</u>	<u>Western Region</u>	<u>Total</u>	<u>Cumulative Total</u>
\$0 - 4,000	3	-	-	3	-	6	6
\$4,001 - 9,000	9	1	13	8	5	36	42
\$9,001 - 14,000	19	16	28	10	11	84	126
\$14,001 - 19,000	9	10	34	17	14	84	210
\$19,001 - 24,000	10	18	23	21	14	86	296
\$24,001 - 29,000	8	13	31	20	26	98	394
\$29,001 - 34,000	10	13	42	20	26	111	505
\$34,001 - 39,000	4	11	20	21	15	71	576
TOTAL	<u>72</u>	<u>82</u>	<u>191</u>	<u>120</u>	<u>111</u>	<u>576</u>	<u>576</u>

1/Includes all self-service centers in operation for at least one year.