

PREPARING *for* CONSOLIDATION

In May 2005, the Philadelphia Fed announced that the Federal Reserve System’s Conference of Presidents had approved the recommendation of the Retail Payments Office (RPO) to move check processing from New York to Philadelphia.

Although the final consolidation of the New York Fed’s East Rutherford Operations Center (EROCC) took place in mid-2006, the story actually began a year earlier. What happened between the announcement of the decision to merge and the final consolidation date — August 18, 2006 — demonstrates that an undertaking of this size involves the cooperation of many people and departments.

The department and employees most directly affected by the consolidation were, of course, those in the Bank’s Retail Payments Department. While changes to the physical plant were underway (see story on page 16), the department hired and trained new staff, installed new equipment, dealt with software issues, and tested the Bank’s ability to handle the in-

creased volume of checks. Employees did whatever was necessary to make the transition a success: putting in extra hours, working weekends, and learning new skills. Also, throughout this transition, Retail Payments staff still had to process the Bank’s normal daily check volume.

In short, for employees in this area, 2006 was a year of changes and challenges. Below we highlight some of the key staff and components of this multifaceted undertaking.

Hiring New Staff

Lisa Irwin, manager, HR Support, Retail Payments, notes that to handle the increased workload, the department needed many different types of expertise: sorter operators, data prep staff, and shipping clerks. Management decided to start the hiring process early — in March 2006 — so employees would be up to speed by August.

Originally, Retail Payments planned to hire about 60 new employees; however, the department hired almost 100 new workers, both temporary and permanent. The Bank also made offers of employment

May 2005

Philadelphia Fed announces merger of East Rutherford Operations Center’s (EROCC) check processing with Philadelphia’s

August 2005

Facilities Management starts renovations on fifth-floor checks area

November 2005

Work begins on reconfiguring loading dock area

December 2005

Retail Payments starts to relocate sorters and other equipment

January 2006

Fifth-floor renovations completed

to displaced EROC workers, 10 of whom accepted positions and moved to Philadelphia.

Moving and Installing Equipment

Mike Penhollow, check operations coordinator, oversaw the installation of new medium- and high-speed sorters and the relocation of existing ones. To accommodate the consolidation, the Philadelphia Fed increased the number of high-speed sorters from 15 to 21 and the number of medium-speed sorters from eight to 10.

Penhollow and his crew started moving equipment in December 2005. It took approximately four months to get new and existing sorters in place. All of the machines needed for Check 21 processing had to be relocated as well.

Dealing with Software Concerns

Less obvious to the casual observer was the behind-the-scenes work of the data migration team, under manager Pete Milkovits. This group reviewed EROC’s file structures to see how they fit into the Philadelphia environment and created new sort patterns for EROC checks. Moreover, they had to determine how EROC’s deadlines fit in with Philadelphia’s.



Wanda Preston (left), Check Adjustments Officer, and Lisa Irwin, Manager, HR Support, Retail Payments

Over the course of many visits to northern New Jersey, Philadelphia’s data migration team worked closely with EROC’s operations and technical staff to iron out problems and discuss issues concerning customer databases and services. In fact, the Philadelphia Fed created test files that mirrored formats used by East Rutherford. Over a three-month period, the banks served by EROC tested these files to ensure their systems were compatible before the final cutover.

May 2006

Loading dock reconfiguration completed. Retail Payments receives first “live” EROC weekend deposits

May 2006 (cont.)

Retail Payments starts testing ability to handle increased checks volume (25% of anticipated increase)

June 2006

Retail Payments conducts two more tests at 50% and 100% of anticipated increase

July 2006

Retail Payments conducts final test at 100% of anticipated increase

August 2006

Consolidation becomes final on August 18th

Transporting Checks

Another logistical problem that had to be addressed was: How would EROC checks get from the New York area to Philadelphia (inbound checks) and back again (outbound checks)? In particular, Philadelphia needed two transit points for inbound and outbound checks: one for New York City banks and one for EROC's banks outside the city. Charlie McCormack, check operations manager, and Donna Strigari, senior transportation planner, explain that for various reasons, the Retail Payments Office had to find two new transit sites in the New York area. The locations chosen were one site in lower Manhattan, about two miles from the New York Fed, and another in South Hackensack, New Jersey, about five miles from the operations center at East Rutherford.

McCormack points out that consolidation wouldn't change how EROC checks were transported: "All the same runs would be in place, only now they'd leave from Hackensack."

Talking to Customers

Another area involved in the consolidation was Retail Payments' customer service unit. These representatives, along with coordinator Larry O'Toole, deal with day-to-day questions from Philadelphia's financial-institution clients. To prepare for the EROC consolidation, the unit expanded from three to five employees and prepared to field questions from the Bank's new customers in New York. Preparation involved, among other things, dealing with differences in terminology. O'Toole notes that "we had to educate ourselves



(Left to right): Mike Penhollow, Check Operations Coordinator; Pete Milkovits, Check Automation Support Manager; Donna Strigari, Senior Transportation Planner; and Charlie McCormack, Manager, Check Operations

about EROC's terminology, and EROC customers had to become familiar with ours."

Of course, consolidation has meant an increased workload for this group. Since August, calls handled by customer service reps have almost doubled: they've gone from approximately 160 calls a day to 300 — and even more at peak times.



Retail Payments customer service operators (left to right): Sharon Howard, Shelby Coleman, Wylene Bullard, and Joann New. Not shown: Karen McDuffie

Ensuring Quality

Ed McCloskey, senior quality analyst, along with other Check staff, went to East Rutherford fairly early in the consolidation process to review its operations. One purpose of these trips was to spot potential pitfalls before they became major problems.

Of special concern to McCloskey was the quality of the deposits — for example, reject rates and the number of errors per 100,000 items processed. Once Philadelphia had an early opportunity to process EROC's weekend deposits, McCloskey put together a presentation on quality and, with others from Philadelphia, held a series of seminars with EROC customers. As McCloskey puts it, "We gave the Philly perspective on quality to our new customers and told them what types of changes they should expect after the consolidation."

McCloskey also created and distributed job aids, which included signage in the fifth-floor produc-

tion area, handouts for staff members, and workflow charts to help reduce confusion that can lead to mistakes.

Testing Increased Check Volume

Meanwhile, Check staff had to prepare for testing their ability to handle the increased workload. First, though, Retail Payments had to find a large number of test documents. Bill Barker, night-shift manager, explains that the check operations area had to produce enough test documents to simulate a peak processing day — close to 7 million items. To meet its testing needs, the department purchased test checks, borrowed from other Fed offices that had undergone consolidation, and used its Check 21 capabilities to manufacture test checks.

Once the test documents were in hand, Retail Payments scheduled a series of weekend tests. Employees across two shifts staged events just as they



Ed McCloskey (left), Senior Quality Analyst, and Bill Barker, Night-Shift Manager, Retail Payments

would occur in a work situation. Barker notes that the department had to ensure sufficient staffing levels to carry out the tests and process the normal check volume on each shift.

Finally, in May, Check staff tested workload at 25 percent of the anticipated increased volume. In early June, they tested at 50 percent and, in late June, 100 percent. Finally, in July Check staff ran a second 100 percent test, using what they had learned in the late-June test.

After each test was completed, the documents were prepared for the next round. Tight turnarounds — the last two tests were only two weeks apart — made this task a particularly challenging one for employees. But, as was the case all along, Retail Payments staff proved equal to the job. In particular, Barker praises Supervisors Bob Brown, John Hampton, and Dolores McDevitt for managing night-shift

operations while he moved temporarily to days, and Gerri Killebrew and Tracey Hambeau-Fakolujo for all of the effort they put into preparing and testing return items.

Although a third test at 100 percent had been planned for the end of July, management, with the approval of the RPO representatives who were here throughout the transition, decided this test wasn't necessary. The Federal Reserve Bank of Philadelphia was ready to take on the largest consolidation to date in the Federal Reserve System.

Going Live

Although the Philadelphia Fed had started to process "live" weekend deposits from EROC in May, the final consolidation took place on August 18.

How did it go? In general, the consolidation was extremely successful. Retail Payments staff were well prepared, and the department had drawn on the expertise of many employees from around the Bank and at EROC. But like any project of this magnitude, the EROC/Philadelphia consolidation was not without its share of unanticipated problems to be solved and new questions to be answered.

As Executive Vice President Blake Prichard summed it up shortly after the final consolidation: "We have been successful thus far because of the expertise, dedication, and attention to detail of our employees and of staff members from other Feds who have assisted us. We've also received help from the Retail Payments Office. We continue to learn from experience as we process the increased volume of checks and provide a wider scope of services to our new customers. The operation gets better and stronger every day, thanks to the dedication of our people."