



July 18, 2007

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SUBJECT: Audit Report – Bronx, New York Processing and Distribution Center
Consolidation (Report Number EN-AR-07-003)

This report presents our audit results for the Bronx, New York Area Mail Processing (AMP) proposal (Project Number 07XG002EN000). Our objectives were to determine whether the AMP proposal was accurate and supported and whether management evaluated the impacts of the consolidation. The U.S. Postal Service requested the audit and we conducted it in cooperation with Postal Service officials.

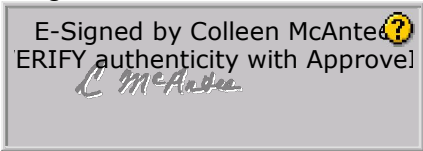
Our analyses provided confirming evidence for the Bronx incoming (destinating) mail consolidation proposal. We concluded the AMP consolidation proposal was generally accurate and supported, and showed evidence of management review. However, we identified some savings calculation issues in the area of workhours and associated costs. These issues resulted in an overall savings overstatement of \$1.4 million, decreasing the projected savings of \$5.9 million to \$4.5 million annually. We also reviewed concerns regarding the impact of the consolidation on trailer volume during peak hours, worker reassignments, and potential mail delivery delays and determined management's planning appeared adequate to minimize any negative impacts. In addition, we identified some potential consolidation risk factors and noted a slight downgrade in Standard Mail® service. We are making two recommendations in this report.

Management agreed with our recommendations and has initiatives in progress, completed, or planned addressing the issues in this report. Management's comments and our evaluation of these comments are included in the report.

The U.S. Postal Service Office of Inspector General (OIG) considers recommendations 1 and 2 significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are

completed. These recommendations should not be closed in the follow-up tracking system until the OIG provides written confirmation the recommendations can be closed.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have any questions or need additional information, please contact Michael A. Magalski, Director, Network Optimization, or me at (703) 248-2100.



Colleen A. McAntee
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TABLE OF CONTENTS

Executive Summary	i
Part I	
Introduction	1
Background	1
Objectives, Scope, and Methodology	3
Prior Audit Coverage	4
Part II	
Audit Results	5
Data Supports the Consolidation	5
Service Performance Indicators	7
Potential Risks	8
Community Concerns	9
Standard Mail Service Standards	11
Postal Service Actions	11
Recommendations	12
Management's Comments	12
Evaluation of Management's Comments	12
Appendix A. Maps of Affected Area	13
Appendix B. Prior Audit Coverage	14
Appendix C. Plant Performance	16
Appendix D. Management's Comments	17

EXECUTIVE SUMMARY

Introduction

At the request of the Postal Service management, the U.S. Postal Service Office of Inspector General (OIG) reviewed the Area Mail Processing (AMP) proposal to consolidate incoming¹ mail processing operations from the Bronx, New York Processing and Distribution Center (P&DC) into the Morgan, New York P&DC. Management projected the consolidation would save approximately \$5.9 million annually.² Our objectives were to determine whether the AMP proposal was accurate and supported and whether management evaluated the impact of the proposed consolidation. In addition, based on community concerns expressed to the Postmaster General, we reviewed the impact of the Bronx consolidation on trailer volume at the Morgan P&DC during peak hours, worker reassignments, and local mail delivery.

Results in Brief

Our analyses provided confirming evidence for the Bronx incoming (destinating) mail consolidation proposal. We concluded management complied with the processes outlined in Handbook PO-408,³ and the AMP consolidation proposal was generally accurate and supported, and showed evidence of management review. In addition, our review of service performance indicators showed support for the consolidation.

However, we identified workhour savings calculation issues including labor rate, volume, and workhour errors. We also noted the absence of an objective method to estimate workhour requirements and an overstatement in equipment relocation costs. These issues resulted in an overall savings overstatement of \$1.4 million, decreasing the projected savings of \$5.9 million to \$4.5 million annually.

While the consolidation is projected to achieve substantial net savings, eliminate excess capacity, and reduce costs, we identified some potential risk factors. These risk factors include the physical layout of the Morgan P&DC, integration of reassigned employees, potential unexpected traffic

¹ Incoming (destinating) mail is received by a postal facility, most commonly for distribution and delivery within that facility's delivery area.

² Bronx AMP package file reference "AMP Narrative July 6, 2006, Revised."

³ Handbook PO-408, *Area Mail Processing Guidelines*, dated April 1995, provides a framework for consolidating operations in the mail processing network.

delays, and reduced flexibility for contingencies. Management should be attentive to these potential issues when implementing the consolidation and adjust plans as necessary to ensure they minimize mail processing and delivery delays.

At the request of management, we reviewed concerns expressed to the Postmaster General regarding the impact of the Bronx consolidation on trailer volume at the Morgan P&DC during peak hours, worker reassignments, and potential mail delivery delays. We noted two of 25 scheduled trips to Bronx stations did not meet the trip-of-value (TOV) times specified in the station's integrated operating plan (IOP). However, our overall review disclosed management's planning in these areas appeared adequate to minimize any negative impact due to the Bronx consolidation.

We also noted in the Service Standard Directory (SSD) a slight downgrade in Standard Mail® from 3 to 4 days. According to area management, the SSD is in error and no downgrade will occur.

Accurate and complete AMP data and a rigorous review process are important for supporting management decisions, ensuring management accountability, and strengthening stakeholder confidence in the consolidation processes.

**Postal Service
Actions**

During our audit, local management corrected the savings issues identified and submitted a revised AMP to headquarters for review.⁴ Headquarters management was revising Handbook PO-408 and planning to improve the process used to determine workhours required to process mail transferred between facilities as part of a consolidation.

**Summary of
Recommendations**

We recommended the Vice President, New York Metro Area Operations, ensure management updates IOPs for the Co-Op City Station and the Mott Haven Station to reflect the correct TOV time. We also recommended the Vice President, Network Operations, revise Handbook PO-408 to include an objective method for determining required operational workhours.

⁴ Revised AMP submitted to headquarters is file reference "AMP_Bronx_731_rev_March 27, 2007."

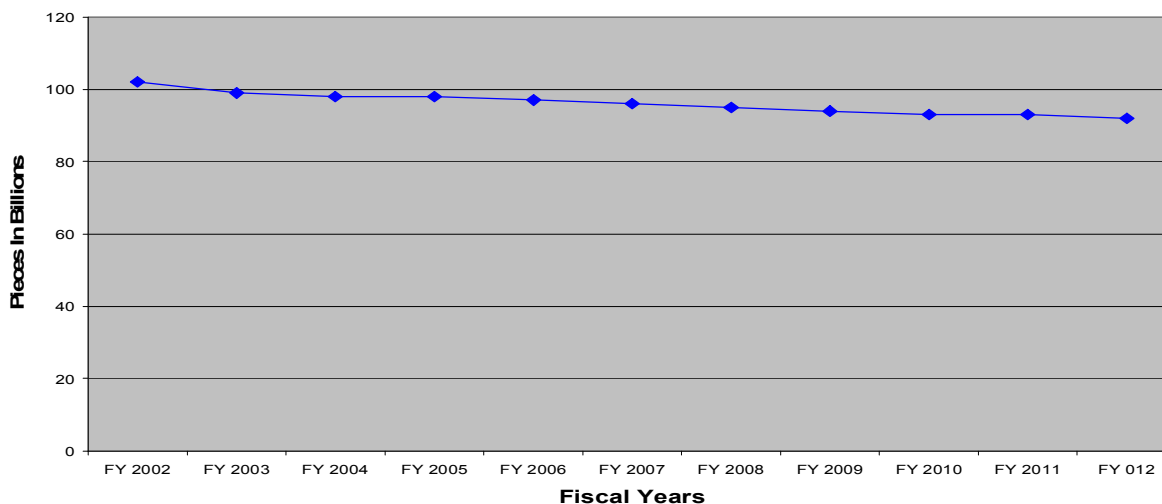
Summary of Management's Comments	Management agreed with the findings and recommendations in this report. Management is developing new AMP worksheets that will be available in the revised Handbook PO-408. Also, management updated the operating plans for Co-Op City Station and Mott Haven Station on June 21, 2007. Management's comments, in their entirety, are included in Appendix D.
Overall Evaluation of Management's Comments	Management's actions taken or planned are responsive to the recommendations and should correct the issues identified in the findings.

INTRODUCTION

Background

The U.S. Postal Service has recognized the need to redesign and optimize its processing and transportation network in response to declining First-Class Mail® (FCM) volume, increasing competition with traditional mail products from the private sector, increasing automation and mail processing by mailers, and shifting population demographics. The goal of these evolving optimization efforts is to create a flexible logistics network that reduces costs, increases operational effectiveness, and improves consistency of service. Despite a recent increase in mail volume, the aggregate volume of FCM declined by 4.79 percent (or 4.9 billion pieces) from fiscal years (FY) 2002 to 2006. In addition, the Postal Service projects FCM volume will continue to decline. Figure 1 shows these trends.

FIGURE 1: FIRST-CLASS ACTUAL (2002 - 2006) AND PROJECTED (2007-2012) MAIL VOLUME



The Postal Service's strategic objectives are defined in its *Transformation Plan*,⁵ which states the Postal Service is committed to improving its operational efficiency by consolidating mail processing operations when feasible. In addition, the President's Commission⁶ found the Postal Service had more facilities than needed and

⁵ *Strategic Transformation Plan, 2006-2010 – 2006 Annual Progress Report*, December 2006.

⁶ The President's Commission on the U.S. Postal Service reported its findings on July 31, 2003.

recommended optimizing the facility network by closing and consolidating unneeded processing centers. The Postal Accountability and Enhancement Act, signed into law on December 20, 2006, further encourages the Postal Service to continue streamlining its processing and distribution network to eliminate excess costs.

Handbook PO-408, *Area Mail Processing Guidelines*, provides a framework for consolidating operations in the mail processing network and performing post-implementation reviews (PIR). Issued in April 1995, these guidelines state consolidations should improve operational efficiency and/or service, make optimum use of available resources, and ensure management's accountability for consolidating operations.

The Postal Service uses the Area Mail Processing (AMP) process to consolidate mail processing functions and to eliminate excess capacity, increase efficiency, and better use resources. The Postal Service defines AMP as:

. . . the consolidation of all originating and/or destinating distribution operations from one or more post offices into another automated or mechanized facility to improve operational efficiency and/or service.

The Bronx and Morgan Processing and Distribution Centers (P&DC) are in the New York Metro Area. Management proposes to consolidate the Bronx incoming (destinating) mail processing operations and incoming processing operations at the detached mail unit (DMU) into the Morgan P&DC. The AMP proposal's total annual savings included a 30 percent workhour reduction at the East Side Parcel Post Annex (ESPPA) DMU⁷ and contributed almost \$900,000 to the total savings. The AMP proposal is for incoming mail⁸ for the 3-digit ZIP Code 104. (See Appendix A for a map of the affected areas.)

⁷ The official definition of a DMU is an area in a mailer's facility where postal employees perform mail verification, acceptance, dispatch, and other postal functions. However, the Bronx ESPPA is listed as a DMU where postal employees perform incoming mail processing operations for ZIP Code 104.

⁸ Incoming mail is received by a postal facility, most commonly for distribution and delivery within that facility's delivery area.

The Postal Service transferred outgoing⁹ (originating) mail processing operations from the Bronx P&DC to the Morgan P&DC in 2002. The Bronx P&DC will not close. The Postal Service will use the vacated space for consolidation of 10451 ZIP Code carrier operations and other Postal Service functions still to be determined.

**Objectives, Scope, and
Methodology**

Our objectives were to determine whether the AMP proposal was accurate and supported and whether management evaluated the impact of the consolidation. In addition, based on community concerns expressed to the Postmaster General, we reviewed the impact of the Bronx consolidation on trailer volume at the Morgan P&DC during peak hours, worker reassignments, and local mail delivery. We reviewed applicable guidelines, including Handbook PO-408 and the *Area Mail Processing Communications Plan*. We performed trend and cost analyses of mail volume, workhours, transportation, and productivity for each facility; and conducted other analytical procedures to determine the potential impacts of the consolidation.

We relied on Postal Service data systems, including the Breakthrough Productivity Initiative website, the Management Operating Data System, the Web Enterprise Information System, and the Enterprise Data Warehouse to analyze mail volumes, service performance, service indicators, and workhours.¹⁰ We reviewed Postal Regulatory Commission filings related to network realignment initiatives. We also used information from the Vehicle Information Transportation and Analysis and the Transportation Contract Support System to review, verify, and validate transportation data; used the Web Complement Information System to review employee complement issues; and used the Service Standard Directory (SSD) to review service implications of the AMP.

We verified key AMP data against Postal Service records and reports — including planned workhour reductions, transportation costs, and number and types of employee positions affected — and projected service implications to customers. Completing the consolidation may result in differences from initial projections for workhour reductions,

⁹ Outgoing mail is sorted within a mail processing facility and dispatched to another facility for additional processing or delivery.

¹⁰ In order to be consistent with data in the AMP proposal, we focused on the same data scope.

service standards, transportation costs, and other projected costs.

We conducted this audit from November 2006 through July 2007 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. We discussed our observations and conclusions with management officials and included their comments where appropriate.

Prior Audit Coverage

The U.S. Postal Service Office of Inspector General (OIG) has issued eight reports related to AMP guidelines and consolidation initiatives. (See Appendix B.)

AUDIT RESULTS

Data Supports the Consolidation

The Bronx AMP consolidation proposal was generally accurate and supported and management complied with the processes outlined in Handbook PO-408. The AMP proposal and supporting documentation indicate management evaluated the impact of the consolidation in seeking opportunities to achieve savings and eliminate excess capacity.

Also, our analyses noted:

- Workhour and associated cost misstatements resulting in an overstatement of \$1.4 million, decreasing the projected savings of \$5.9 million to \$4.5 million annually.
- Service performance indicators supporting the consolidation.
- Several potential risk factors requiring management's attention.

In addition, we determined management's planning appeared adequate in the areas of concern expressed by the community.

Finally, we noted a slight downgrade in the SSD for Standard Mail®, which area management indicated was a database error.

Accurate and complete AMP data and a rigorous review process are important for supporting management decisions, ensuring management accountability, and strengthening stakeholder confidence in the consolidation processes.

Workhours

As part of the AMP process, management analyzed the workhours used to process mail at the Bronx P&DC. Our review validated the potential for significant workhour savings. However, we identified workhour savings calculation issues including labor rate, volume, and workhour errors. The errors identified totaled \$1.9 million, however, since most of these errors were included in the current (before consolidation) and estimated (after consolidation) costs, the net impact of the errors on reported savings was minimal. Also, we noted the AMP guidelines do not provide an objective method to estimate the operational workhours required to process incoming mail volume from a consolidated facility.

In the absence of clear guidance, local officials used what they referred to as the “table of experience” to determine workhour requirements. This method included a group of experienced plant officials judgmentally estimating the efficiency gains the Postal Service would achieve with the consolidation.

However, our analysis indicated some operations at the Morgan P&DC were less efficient than those at the Bronx P&DC, requiring additional hours to process the incoming volume. Therefore, we applied a more objective method for determining operational workhour requirements. We used Morgan P&DC productivity ratios to calculate the estimated workhour requirements for the incoming volume and determined both efficiency gains and losses will occur as a result of the consolidation. Specifically:

- Seven operations required more workhours to process the additional volume than original AMP estimates.
- Conversely, five operations required less workhours than originally estimated.

Based on our analysis, we estimate workhour savings may be overstated by approximately \$1.4 million. Management reported potential savings of \$4.6 million. Our analysis indicated potential savings of \$3.2 million. See Figure 2 for a workhour savings summary analysis.

FIGURE 2: WORKHOUR SAVINGS SUMMARY ANALYSIS

	Current Annual Costs	Proposed Annual Costs	Estimated Savings
Postal Service	\$109,219,714	\$104,600,833	\$4,618,882
OIG	111,154,891	107,929,383	3,225,508
Difference			\$1,393,374

During our discussions with area management, they agreed they may need more workhours to process the additional volume than the original AMP estimated. They revised the workhour savings estimate and resubmitted the AMP proposal to headquarters for review and approval.

Associated Costs The AMP proposal contained a \$50,000 overstatement for equipment relocation costs for two Upgraded Flat Sorter Machines. This condition occurred because management has submitted several versions of the AMP to headquarters for approval and the equipment relocation requirements changed during the revision process. During the revision, the equipment relocation narrative was removed; however, the cost was inadvertently left in the proposal. Management agreed and stated they will revise the AMP proposal to reflect the corrected relocation equipment costs.

Service Performance Indicators We reviewed the External First-Class Measurement (EXFC)¹¹ and Origin-Destination Information System (ODIS)¹² scores for the Bronx and Morgan P&DCs. Our review disclosed service performance at the Morgan P&DC generally exceeded national averages and met or exceeded most of the Bronx P&DC scores, indicating the potential for improvement as a result of the Bronx consolidation.

Figure 3: FY 2006 Comparison for Bronx and Morgan P&DCs

EXFC Scores	National	Bronx	Morgan
Overnight Composite	95	93	95
2-Day Composite	90	92	92
3-Day Composite	88	89	89

ODIS Scores	National	Bronx	Morgan
Overnight Composite	88	79	83
2-Day Composite	83	89	84
3-Day Composite	81	83	81

Note: Service data average for FY 2006

¹¹ The EXFC system measures FCM service performance for approximately 80 percent of the nation's destinating FCM volume. It measures FCM performance from the time mail enters the mailstream until it is delivered to a household, small business, or Post Office Box™. EXFC measures service performance from a customer perspective and produces accurate, independent, externally generated results.

¹² ODIS is a continuous probability sample of all mail exiting the postal system and a continuous probability sample of Registered Mail, insured mail, collect on delivery, and certificates of mailing mailpieces entering the postal system.

39 U.S.C. § 403 (a) states, “The Postal Service shall plan, develop, promote, and provide adequate and efficient postal services” Further, Handbook PO-408 sets forth guidelines for consolidating mail processing operations.¹³

Our analyses indicated the consolidation would have minimal impact on the 24-hour clock indicators and performance achievement scores.

- A comparison of two main 24-hour clock indicators affecting destinating mail (Delivery Point Sequence 2nd pass cleared by 7 a.m. and Trips-on-Time 4 a.m. – 9 a.m.) revealed the Morgan and Bronx P&DCs are at or above the national averages (see Figure 4). No change is anticipated due to the consolidation.

Figure 4: 24-Hour Clock Indicators

24-Hour Clock Indicator	Morgan	Bronx	National
Cleared by 7 a.m.	99%	97%	97%
Trips-on-Time 4 a.m. - 9 a.m.	93%	93%	86%

- The Bronx and Morgan P&DCs historically rank low on their performance achievement scores. (See Appendix C.) Our projection of future performance based on historical data indicates the Morgan P&DC may remain approximately the same, experiencing less than a 1 percent change (42.2 percent before to 41.3 percent after the consolidation).

Potential Risks

While the consolidation is projected to achieve significant savings, eliminate excess capacity, and reduce costs, we identified some potential risks.

- **Morgan’s Facility Configuration** – The physical layout of the Morgan P&DC is a major factor in processing the mail. The Morgan P&DC is a multi-storied plant with a small "h" configuration. There are six stories on the high side, three stories on the low side, with a walkway that spans a city block located on the third floor. The Morgan P&DC does not have an automated system to move the

¹³ Handbook PO-408 provides a framework for consolidating operations in the mail processing network. It states that consolidations should improve operational efficiency and/or service, make optimum use of available resources, and ensure management’s accountability for the consolidation of operations.

mail between the different floors and must use 15 elevators. Consequently, according to Morgan P&DC managers, employees use more workhours to move and prepare the mail for operations than they would use in a single-floor plant.

- **Transitioning Employee Integration** – Employee attrition and the process for moving employees to the Morgan P&DC may result in the loss of skilled plant employees. This transition may require increased time for employee training and orientation, which would call for management’s attention. Management should also provide an effective communication mechanism for transitioning employees that allows them to address questions and concerns timely.
- **Transportation Delays** – Management has prepared a comprehensive transportation plan intended to minimize congestion around the Morgan P&DC and achieve on-time delivery. However, transportation delays remain a possible risk because Manhattan, like other large metropolitan areas, experiences frequent and unexpected traffic delays.
- **Reduced Flexibility for Contingencies** – The consolidation of large mail processing facilities in New York City may reduce the Postal Service’s ability to provide continued services in the nation’s largest metropolitan area during a natural or man-made disruption. To minimize potential disruptions in these situations, management maintains and periodically updates a comprehensive contingency plan for processing and network support from neighboring plants and districts.

Management should be attentive to these potential risks as they implement the consolidation and adjust plans as necessary.

**Community
Concerns**

At the request of management, we reviewed concerns expressed to the Postmaster General on the impact of the Bronx consolidation on trailer volume at the Morgan P&DC during peak hours, worker reassignments, and potential mail delivery delays.¹⁴

¹⁴ *New York Daily News*, March 14, 2007, “Serrano Halts Plans to Shut 3 Mail Centers.”

Trailer Analysis Our analysis indicated management plans to increase trips in and out of the Morgan P&DC during the critical hours of 5 a.m. to 10 a.m. by 117 arrival/dispatches (see Figure 5).¹⁵ Management has dedicated 10 dock doors at the Morgan P&DC to the Bronx consolidation initiative. We determined, on average, the 10 dedicated dock doors could accommodate 40 arrivals/dispatches per hour. This should adequately accommodate the increased vehicles and maintain a continuous movement of trailers during critical hours without significant increased congestion or delays. Figure 5 shows management designed the number of projected arrivals/dispatches scheduled by hour not to exceed the 40 arrivals/dispatches per hour average.

Figure 5: Arrivals and Dispatches

Time Frame	Arrivals	Dispatches	Total
5 a.m. - 5:59 a.m.	8	14	22
6 a.m. - 6:59 a.m.	8	19	27
7 a.m. - 7:59 a.m.	19	11	30
8 a.m. - 8:59 a.m.	19	4	23
9 a.m. - 10 a.m.	15	0	15
Total	69	48	117

Worker Reassignments Management’s worker reassignment process appears reasonable. The AMP identified reassignment of 337 positions to the Morgan P&DC and reduction of 78 craft positions. According to management, they would eliminate the positions through attrition or out-placement. The Morgan P&DC’s current attrition rate is 15 to 20 employees per month. Management will reassign the employees remaining at the Bronx P&DC in accordance with Article 12 of the appropriate collective bargaining agreement for each craft involved. Management will reassign these excess employees to residual positions within the Bronx installation (includes stations), other New York District installations, or a 50-mile radius of the Bronx P&DC in the New York Metro Area. Management stated they will consider individual preferences and accommodate them, if possible, while avoiding crossing crafts (for example, clerk to carrier). Management provided a list of residual positions in the district that included 20 clerk and 102 mail handler

¹⁵ Number of trips is based on the proposed Monday schedule. We selected Monday because it has the most trips of any day during the week.

positions.

Mail Delivery

We determined most of the Morgan P&DC's proposed scheduled trips to the 25 Bronx stations were designed to meet the trip-of-value (TOV) times¹⁶ specified in the station's integrated operating plan (IOP) and avoid carrier delays. However, we noted two exceptions:

1. Co-Op City Station: TOV scheduled to arrive at 7:50 a.m. per the schedule versus 7:30 a.m. per the IOP.
2. Mott Haven Station: TOV scheduled to arrive at 8:40 a.m. per the schedule versus 8:15 a.m. per the IOP.

We contacted the Manager, Transportation and Networks, Morgan P&DC, to discuss the TOV times scheduled for the Co-Op City Station and the Mott Haven Station. Management stated the current IOPs show the incorrect TOV times and will be corrected to reflect the schedules for these stations.

Standard Mail Service Standards

We noted in the SSD a slight downgrade in Standard Mail from 3 to 4 days. According to area management, the SSD is in error and no downgrade will occur. External stakeholders are concerned about the effects of consolidations on service to customers, and accurate analysis and complete disclosure of service standards are critical to building positive stakeholder relations.

Postal Service Actions

During our review, management was revising the AMP guidelines. They expect to complete an initial draft by the summer of FY 2007. They plan to improve the process used to determine workhours required to process mail transferred between facilities as part of a consolidation. Additionally, local management revised the AMP proposal to address errors identified during this review. Area management submitted the revised AMP proposal to headquarters on March 27, 2007, for review and approval. Therefore, we are making no recommendations regarding these issues.

¹⁶ The TOV is the last scheduled time mail arriving from the P&DC should enter the station in time for processing for delivery by the carriers.

Recommendations

We recommend the Vice President, Network Operations, update Handbook PO-408, *Area Mail Processing Guidelines*, to:

1. Include a more objective and supportable method for determining workhours required to process mail volume transferred between mail processing facilities.

We recommend the Vice President, New York Metro Area Operations:

2. Ensure management updates the integrated operating plans for the Co-Op City Station and the Mott Haven Station to reflect the correct trip-of-value.

**Management's
Comments**

Management agreed with the finding and recommendations. Management is developing new worksheets that will be available in the revised Handbook PO-408. They will release the handbook for internal postal review and clearance at least 30 days after publication of the Government Accountability Office report, *Mail Processing Realignment Efforts Underway Need Better Integration and Explanation*.

In addition, management updated the IOPs for the Co-Op City Station and the Mott Haven Station to reflect the correct TOV on June 21, 2007.

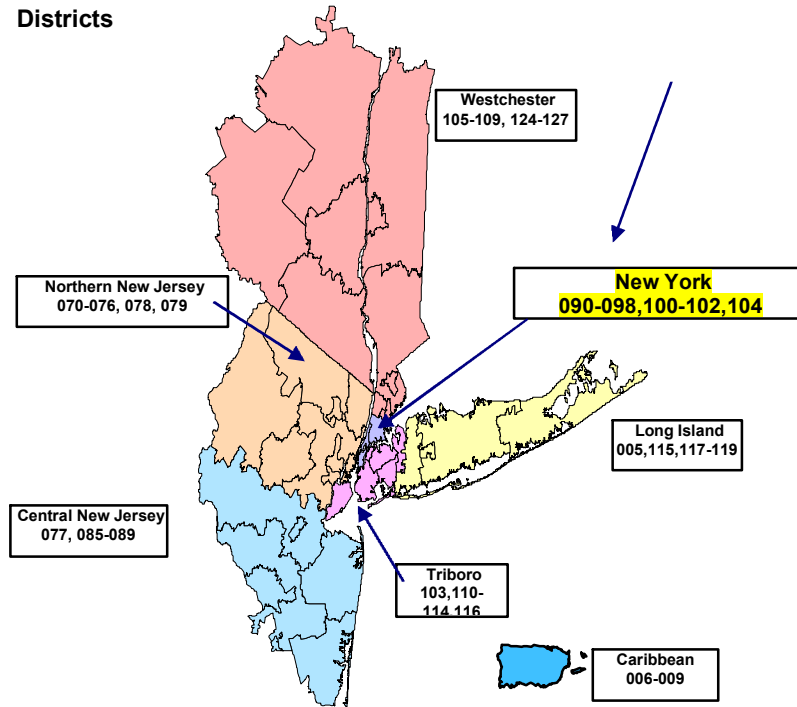
**Evaluation of
Management's
Comments**

Management's comments are responsive to the recommendations. Management's actions, taken or planned, should correct the issues identified in the findings.

APPENDIX A. MAPS OF AFFECTED AREA

NEW YORK METRO AREA

Customer Service
Districts



Bronx P&DC
558 Grand Concourse
Bronx NY 10451

8 miles apart

Morgan P&DC
341 Ninth Ave
New York NY 10199

APPENDIX B. PRIOR AUDIT COVERAGE

Efficiency Review of the Mansfield, Ohio, Main Post Office (Report Number NO-AR-05-004, dated December 8, 2004) concluded there is a favorable business case for moving outgoing mail operations from the Mansfield MPO to the Akron P&DC. This consolidation would save 28,000 workhours at the Mansfield MPO, improve network efficiencies, and potentially upgrade delivery service. This workhour reduction could produce a cost avoidance of over \$9.6 million based on labor savings over 10 years. The Postal Service would accomplish the additional 28,000 workhour reduction in mail processing by consolidating the Mansfield MPO outgoing operation into the Akron P&DC by the end of FY 2005.

Efficiency Review of the Canton, Ohio, Processing and Distribution Facility (Report Number NO-AR-05-013, dated September 22, 2005) concluded there is a favorable business case for moving outgoing mail operations from the Canton P&DF to the Akron P&DC. Specifically, consolidation would reduce labor and distribution costs, increase processing efficiency, potentially improve delivery service, and reduce workroom floor congestion. Improving the Canton P&DF efficiency and consolidating the network would reduce workhours by 202,000 and potentially upgrade service. This workhour reduction could produce a cost avoidance of approximately \$64 million in labor savings over 10 years.

Area Mail Processing Guidelines (Report Number NO-AR-06-001, dated December 21, 2005) found the AMP process is fundamentally sound and appears credible. It also provides a PIR to assess results from mail processing consolidations. However, management of the AMP process and guidance could be improved. Without clear guidance, the ability to implement AMPs with minimal disruption is impacted and inconsistencies in the process may result. We recommended the Postal Service develop a process for addressing resistance to network changes, ensure AMPs are approved or disapproved in a timely manner, ensure PIRs are conducted, and update AMP guidelines or supporting policies.

Status Report on the Evolutionary Network Development Initiative (Report Number NO-MA-06-001, dated March 20, 2006) stated the Postal Service is making some progress in their ongoing effort to streamline the mail processing and transportation networks. Given the size and complexity of this effort, it appears that taking an incremental approach to network changes represents an acceptable method for reducing inefficiencies and standardizing best operational practices. As identified in this report, the Postal Service needs to address the major challenges that remain.

Pasadena, California Processing and Distribution Center Consolidation (Report Number EN-AR-06-001, dated September 26, 2006) concluded the workhour cost analysis included in the AMP proposal was supported and additional OIG analyses provided

APPENDIX B. PRIOR AUDIT COVERAGE (continued)

confirming evidence for the consolidation. However, in the development, approval, and implementation of the Pasadena AMP proposal, management did not always comply with the processes outlined in policy and some AMP proposal data was inaccurate, incomplete, or unsupported.

Bridgeport, Connecticut, Processing and Distribution Facility Outgoing Mail Consolidation (Report Number NO-AR-06-010, dated September 30, 2006) concluded the Postal Service was justified in moving outgoing mail processing operations from the Bridgeport P&DF to the Stamford, Connecticut Processing and Distribution Center. The consolidation should have minimal impact on employees, make use of excess mail processing capacity, reduce labor costs, increase processing efficiency, and improve delivery service. Transportation costs may increase slightly but the consolidation will allow expansion of Bridgeport P&DF carrier operations. The Postal Service implemented this consolidation during our audit. Consequently, we did not make recommendations pertaining to the consolidation itself, since our assessment supported management's actions. We arrived at the same conclusion the Postal Service did in its AMP proposal, although there were some methodology differences. In addition, we identified some weaknesses in management controls over the processing and approval of the AMP proposal.

Sioux City, Iowa, Processing and Distribution Facility Consolidation (Report Number EN-AR-07-001, dated November 9, 2006) concluded the Postal Service provided adequate support for its analyses of workhours, transportation, and facility costs in the AMP proposal and our additional analyses provided confirming evidence for the consolidation. Management generally complied with AMP guidance and maintained supporting documentation. However, we identified some inconsistencies in AMP proposal data and inaccurate information may have been shared with stakeholders.

Service Implications of Area Mail Processing Consolidations (Report Number EN-AR-07-002, dated December 5, 2006) concluded the Postal Service could improve the way it documents service impacts in AMP proposals and PIRs. Management did not fully document changes to service standards (both upgrades and downgrades) in the AMP proposals. Management also did not include an analysis of service performance data in the AMP proposals for the affected facilities or require an analysis of actual service performance after a consolidation for PIRs. Lastly, the consolidation proposals did not consistently address other potential changes affecting customer service such as collection box pick-up times, access to business mail entry units, and changes to retail services that may be associated with AMP consolidations.

APPENDIX C. PLANT PERFORMANCE

Redacted

APPENDIX D. MANAGEMENT'S COMMENTS



July 5, 2007

Ms. Colleen A. McAntee
Deputy Assistant Inspector General for Mission Operations
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Arlington, VA 22209-2020

SUBJECT: Draft Audit Report – Bronx, New York, Processing and Distribution Center
Consolidation (Report Number EN-AR-07-DRAFT)

Dear Ms. McAntee:

This is in response to the draft audit report, Bronx, New York, Processing and Distribution Center Consolidation (Project Number 07XG002EN000). The objective was to determine if management properly evaluated the impact of the Area Mail Processing (AMP) proposal consolidation.

Recommendation #1:

Include a more objective and supportable method for determining workhours required to process mail volume transferred between mail processing facilities.

Response:

We agree with this recommendation. New worksheets for post implementation reviews have been developed and will be available in the revised Handbook PO-408, *Area Mail Processing Guidelines*. Handbook PO-408 will be released for internal postal review and clearance at least 30 days after publication of the General Accounting Office report, *Mail Processing Realignment Efforts Underway Need Better Integration and Explanation*.

Recommendation #2:

Ensure management updates the integrated operating plans for the Co-Op City Station and the Mott Haven Station to reflect the correct trip-of-value.


Response:

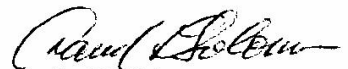
We agree with this recommendation. The integrated operating plans for the two stations were updated on June 21.

Appendix C, *Plant Performance*, should be exempt from disclosure under the Freedom of Information Act. Legal counsel advises plant rankings should not be made part of the public record and are not consistent with good business practice under 39 USC 410 (c) (2).

- 2 -

If you have any questions or require additional information regarding the response to the first recommendation, please contact David Williams, Manager, Processing Operations, at (202) 268-4305. For information regarding the response to the second recommendation, please contact Steve Forte, Manager, Operations Support, New York Metro Area at (718) 321-5750.


Tony Palinas
Vice President
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David L. Solomon
Vice President
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cc: Mr. Galligan
Mr. Williams
Mr. Field
Mr. Forte