



March 30, 2011

SYLVESTER BLACK  
VICE PRESIDENT, WESTERN AREA OPERATIONS

SUBJECT: Audit Report – Retail Customer Service Operations Realignment  
in the Hawkeye District (Report Number MS-AR-11-002)

This report presents the results of our self-initiated audit of the U. S. Postal Service's delivery and retail customer service operations<sup>1</sup> (Project Number 10RG031MS000). Our objective was to determine whether the Postal Service can reduce retail customer service costs by realigning delivery operations in the Hawkeye District. This audit addresses operational risk. See [Appendix A](#) for additional information about this audit.

The combination of electronic diversion and the recent recession has led to an unprecedented decline in mail volume and associated revenue.<sup>2</sup> As a way to reduce costs, management has initiated action to improve the efficiency of delivery and retail customer service operations. For example, in 2008, the Lakeland District initiated the Delivery Unit Optimization (DUO) Program.<sup>3</sup> This program involves relocating carriers from small delivery offices (fewer than 10 carrier routes) to nearby delivery offices that have sufficient excess floor space to absorb these operations without changing existing services. This allows certain units to eliminate unnecessary clerk positions from the transferring locations. While implementation of the DUO Program is ongoing, Lakeland District officials stated they have realized approximately \$5.5 million in cost savings as of September 2010.

Some offices have replicated the DUO initiative implemented in the Lakeland District. To assure consistent implementation of the DUO Program nationwide, Headquarters Delivery and Post Office Operations issued DUO Guidelines, Version 1.1, in December 2010. These guidelines establish standardized procedures to help administer the activities of the program without changing existing services.

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<sup>1</sup> Retail customer service operations (also referred to as Function 4) include customer service activities at post offices, stations, and branches for automated, mechanized, manual, and post office box distribution of mail, post office window, and vending equipment services and miscellaneous administrative and Computerized Forwarding System operations.

<sup>2</sup> U.S. Postal Service, *Assessment of U.S. Postal Service Future Business Model*, page 2, November 2009.

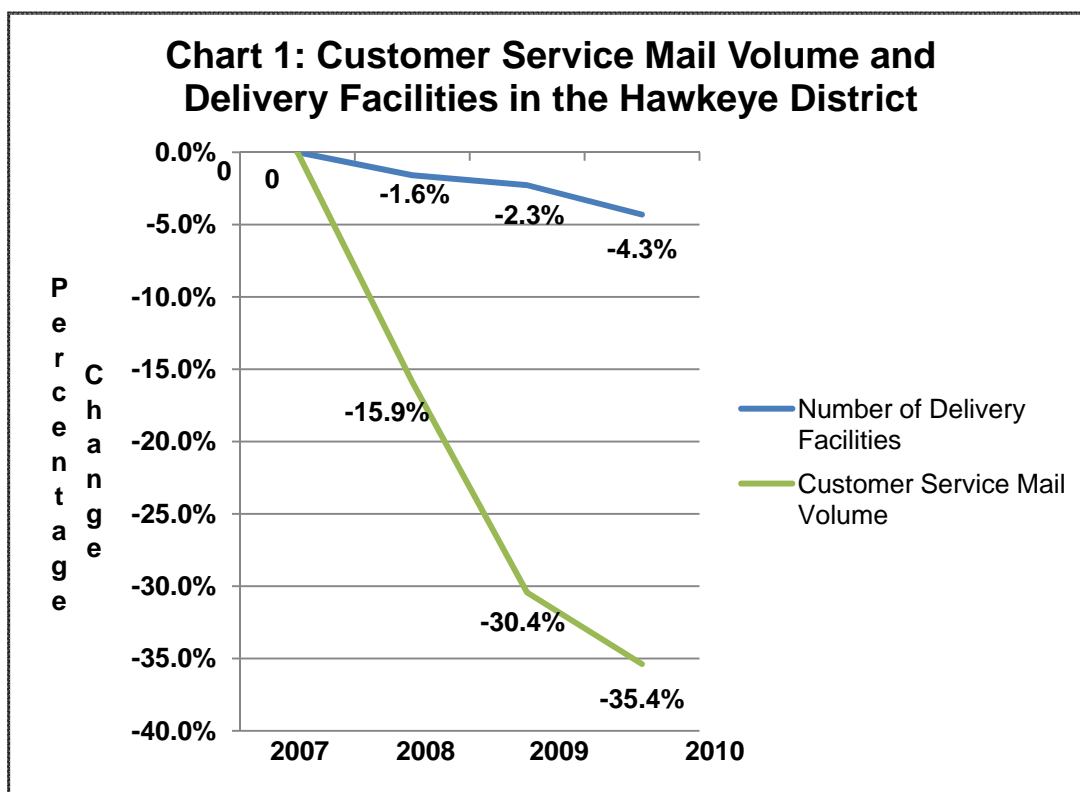
<sup>3</sup> Previously referred to as the Delivery Unit Relocation (DUR) Program.

## Conclusion

Opportunities exist for the Hawkeye District to improve operational efficiency and reduce retail customer service costs by realigning delivery operations. We identified 65 small delivery offices that management can relocate to nearby delivery offices with sufficient excess floor space to absorb their operations. We estimate that the proposed realignment would allow the Hawkeye District to reduce retail customer service costs by between \$1.7 million and \$3.2 million a year over the next 10 years. We classify this monetary impact as funds put to better use.<sup>4</sup> See [Appendix D](#) for our monetary impact calculation.

## Opportunities Exist to Reduce Retail Customer Service Costs by Realigning Delivery Operations

The Hawkeye District has not fully realigned delivery and retail customer service operations in response to reductions in the workload caused by declining mail volume. As shown in Chart 1, the district's customer service mail volumes have declined by approximately 35.4 percent since 2007; however, its network of delivery facilities has declined only 4.3 percent.



Management has consolidated some facilities to improve operational efficiency and reduce retail customer service costs. However, they have not conducted a

<sup>4</sup> Funds the Postal Service could use efficiently by implementing recommended actions.

comprehensive district-wide review to evaluate opportunities to reduce retail customer service costs by realigning delivery operations.

There are 843 delivery offices in the Hawkeye District, 486 of which support small delivery offices with fewer than 10 carrier routes each. We analyzed information in Postal Service databases and identified 65 small delivery offices that management can relocate to nearby delivery offices with sufficient excess floor space to absorb their operations. See [Appendix C](#) for a list of these 65 offices.

This proposed realignment would relocate 215 carrier routes and provide management the opportunity to eliminate 94 clerk positions that support carriers at the relocated facilities. Management could eliminate the clerk positions through attrition or the affected employees could fill job vacancies at other facilities. See [Appendix B](#) for our detailed analysis of this topic.

We recommend the vice president, Western Area Operations, require the manager, Hawkeye District, to:

1. Explore opportunities to reduce retail customer service costs by realigning delivery operations district-wide.


### **Management's Comments**

Management agreed with our findings, recommendation, and \$25.8 million of monetary impact in funds put to better use. The district's Change, Discontinuance, and Suspension coordinator will work to realign Customer Service operations identified on the U.S. Postal Service Office of Inspector General (OIG) suggested list throughout fiscal years (FY) 2011 and 2012. Management plans to explore opportunities to realign 75 percent of the Customer Service operations identified on the OIG suggested list by December 2012. See [Appendix E](#) for management's comments, in their entirety.

### **Evaluation of Management's Comments**

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

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Janet Sorensen, director, Sales and Service, 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  
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#### Attachments

cc: Megan J. Brennan  
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Corporate Audit and Response Management

## APPENDIX A: ADDITIONAL INFORMATION

### BACKGROUND

The U.S. Postal Service is facing significant financial challenges as mail volume has declined by 12.8 percent in FY 2009 and 3.5 percent in FY 2010. The Postal Service reported losses of \$3.8 billion and \$8.5 billion in FYs 2009 and 2010, respectively. As a way to reduce costs, management has initiated action to improve the efficiency of retail customer service operations, which accounted for \$9 billion<sup>5</sup> of the Postal Service's \$75.4 billion in operating expenses in FY 2010.

The Lakeland District initiated the DUO Program in 2008. The objective of the program is to determine whether carriers from small delivery offices (less than 10 carrier routes) can be relocated to nearby delivery offices that have sufficient excess floor space to absorb these operations without changing existing services. The benefits derived from the DUO Program include reduced labor and transportation costs resulting from improved efficiency at fewer delivery offices. The DUO Program also provides managers the opportunity to increase the use of part-time flexible employees. While the Lakeland District's DUO Program is ongoing, management stated they have eliminated 93 delivery offices and 133 clerk positions and realized approximately \$5.5 million in cost savings as of September 2010.

The Lakeland District manager has briefed headquarters and field executives regarding the district's DUO Program results. Lakeland District officials have also shared information about the DUO Program with operations officials from other area and district offices. Some field offices have replicated this initiative. For example, in FY 2010, the Appalachian District consolidated operations at two delivery offices into one and achieved \$141,000 in cost savings.

From September through December 2010, Headquarters Delivery and Post Office Operations imposed a moratorium on DUO implementations. They instructed field officials not to initiate any new studies and to discontinue both the ongoing studies and implementation of completed studies. The moratorium was issued to provide headquarters officials the opportunity to consult stakeholders and develop guidelines for standardized DUO implementation nationwide.

Headquarters issued DUO Guidelines, Version 1.1, in December 2010. The guidelines establish standardized procedures to help administer the activities of the optimization program without changing existing services. In a letter dated December 17, 2010, the vice president, Labor Relations, provided the president, National Association of Postmasters of the United States, with a copy of the approved guidelines and communicated the Postal Service's decision to proceed with nationwide implementation of the DUO Program effective January 3, 2011. In December 2010, the Postal Service and the American Postal Workers Union (APWU) agreed to a temporary moratorium on

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<sup>5</sup> This amount includes \$2.5 billion salary and benefits for labor distribution code (LDC) 80-Postmaster/Installation Manager.

reassigning union members while negotiations on a new collective bargaining agreement continue. The previous agreement expired in November 2010.

## OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to determine whether the Postal Service can reduce retail customer service costs by realigning delivery operations in the Hawkeye District.

To accomplish our objective we:

- Interviewed finance and operations programs support managers in the Lakeland District to obtain an understanding of their DUO Program (best practice location);
- Surveyed operations support programs managers nationwide to identify the districts that have implemented or plan to implement the DUO Program;
- Judgmentally selected the Hawkeye District to determine whether the DUO Program can be implemented there. We selected the Hawkeye District because it has over 400 delivery offices with less than 10 carrier routes per facility and officials have not implemented the DUO Program;
- Obtained data for all delivery and retail customer service operations facilities in the Hawkeye District from the manager of operations programs support. The manager generated the data from several sources including the local delivery offices data base, the web-based Complement Information System (webCOINS)<sup>6</sup> and Intelligent Mail and Address Quality (IMAQ) website;
- Analyzed delivery and retail customer service operations data to identify small delivery offices (less than 10 carrier routes) management can relocate to nearby delivery offices and identified nearby delivery offices that have sufficient excess floor space to absorb the small delivery offices;
- Judgmentally selected and visited three small delivery offices management can relocate and three delivery offices with sufficient excess floor space to absorb these operations to validate realignment opportunities identified from our analysis;
- Considered clerk craft scheme<sup>7</sup> limitations at the delivery offices that have a decrease in mail volume. We concluded that the scheme limitation criteria provided by the Postal Service was over 30 years old and did not reflect current operations. Therefore, we were unable to include an analysis of craft scheme limitations.

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<sup>6</sup> An application that holds employee and job information used by officials for complement planning, tracking, and management.

<sup>7</sup> Scheme distribution is a systematic plan to move all classes of mail from originating office to destination office. ZIP Code, ZIP+4 code, Delivery Point Sequence (DPS) code, and general schemes are used to distribute mail to proper separations. A city scheme is an official published list of elements of address for the distribution of incoming mail.

- Calculated workhour savings and monetary impact outcomes that are achievable if the small delivery offices we identified for relocation are absorbed by nearby delivery offices with sufficient floor space to absorb their operations; and
- Discussed our audit results with the appropriate Headquarters Delivery and Post Office Operations, Western Area, and Hawkeye District management officials.

We conducted this performance audit from September 2010 through March 2011 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 January 18 and March 3, 2011, and included their comments where appropriate.

We relied on data obtained from district officials and the eFLASH application.<sup>8</sup> We did not audit the eFLASH application, but we interviewed knowledgeable officials about the data and performed reasonable tests to support our data reliance.

## PRIOR AUDIT COVERAGE

We assessed the overall efficiency of retail customer service operations in the report titled *Efficiency of Retail Customer Service Operations* (Report Number MS-AR-10-004, dated July 28, 2010). Although management eliminated about 56 million retail customer service workhours since FY 2006, they have not yet fully adjusted workhours in response to changes in workload. The ratio of earned workhours (workhours supported by workload) divided by actual workhours has remained unchanged at about 84 percent since 2006.

We recommended that the Postal Service implement best practices for retail customer service operations at all facilities and explore opportunities to consolidate business mail acceptance operations at post offices, stations, and branches. We also recommended that management periodically evaluate operating efficiency by assessing performance against productivity targets and adjusting resources in response to workload changes. Management agreed with our findings and recommendations.

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<sup>8</sup> An application that combines data from delivery, mail processing, employee relations, labor relations, and finance. The information is extracted from various host systems and loaded into eFLASH.



## **APPENDIX B: DETAILED ANALYSIS**

### **Opportunities Exist to Reduce Retail Customer Service Costs by Realigning Delivery Operations**

The Hawkeye District's customer service mail volumes have declined by approximately 35.4 percent since 2007; however, its network of delivery facilities has declined only 4.3 percent. While management has consolidated some facilities to improve operational efficiency and reduce retail customer service costs, they have not pursued these efforts district-wide. For example, the Des Moines city operations combined the Morgan Street Annex operations into the University Place Station (approximately 20 city routes) and moved the Des Moines Metro Station into the Morgan Street location. According to the manager, Operations Programs Support, both moves put the carriers closer to their delivery areas.

The district is also in the process of consolidating the East Des Moines Finance Station into the Main Office and the East Point retail unit into the East Side Carrier Annex. District officials expect to reduce facility costs as a result of these two consolidations. Finally, the manager, Operations Programs Support, stated that district officials will continue with rural route consolidations.<sup>9</sup> The district averages about 20–25 rural route consolidations and 10–15 administrative changes a year, usually based on contractual rural counts and vacated routes.

In addition to the completed and planned consolidations, management has performed studies to identify further cost-savings opportunities. For example, officials have completed two studies to determine the feasibility of consolidating four delivery offices into two: the Hiawatha Post Office into the Cedar Rapids Northeast Station; and the West Burlington Post Office into the Burlington Post Office. District officials have also identified a list of delivery offices for potential relocations and are currently reviewing it for implementation options.

Additional opportunities exist for the Hawkeye District to reduce retail customer service costs by realigning delivery operations district-wide. There are 843 delivery offices located in the Hawkeye District, 486 of which support delivery offices with fewer than 10 carrier routes each. We analyzed information from Postal Service databases and identified 65 small delivery offices that management can relocate to nearby delivery offices with sufficient excess floor space to absorb their operations. See [Appendix C](#) for a list of these 65 offices.

We judgmentally selected three small delivery offices (with fewer than 10 carrier routes) and three delivery offices with sufficient excess floor space to absorb these operations. We visited these facilities to interview officials, observe operations, and validate the information we obtained from Postal Service databases for our analysis. See Table 1 for the field offices we visited.

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<sup>9</sup> The combining of territories from two or more routes which results in the elimination of one or more of those routes.



Table 1: Field Offices Visited				
Hawkeye District		Fewer Than 10 Routes		Excess Floor Space (square. feet)
Name	City, State	Carriers	Clerks	
1. Story City Post Office	Story City, IA	3	1	
2. Roland Post Office	Roland, IA	1	0 <sup>10</sup>	
3. Colo Post Office	Colo, IA	1	0	
4. Ellsworth Post Office <sup>11</sup>	Ellsworth, IA	1	1	232
5. Ames Main Office	Ames, IA			2,420
6. Nevada Post Office	Nevada, IA			974

Based on our site visits, we concluded that the Hawkeye District has excess capacity and can reduce retail customer service costs by realigning delivery operations. For example, the Ames Main Post Office has 2,420 square feet (SF) of excess floor space. By rearranging the workroom floor, the Ames Main Post Office can accommodate 20 additional carrier routes.<sup>12</sup> Also, once Carrier Sequence Bar Code Sorter (CSBCS) machines are removed, the Ames Main Post Office will have an additional 1,600 SF of floor space to accommodate additional carrier routes.<sup>13</sup>

#### Illustration 1. Ames Main Post Office Excess Floor Space – Main Level



Source: OIG

<sup>10</sup> Some post offices can relocate routes but may not have any retail customer service clerks associated with the routes. Mail is presently processed by either the postmaster or postmaster relief (PMR).

<sup>11</sup> We observed both the carrier operation and excess floor space.

<sup>12</sup> Postal Service policies and procedures require a minimum of 120 SF of floor space per carrier route. Consequently, the excess 2,420 SF of floor space can accommodate 20 carrier routes.

<sup>13</sup> The Ames Post Office has four CSBCS machines it has not used to process mail since November 16, 2010.

**Illustration 1. Ames Main Post Office CSBCS Machines – Lower Level**



Source: OIG

### APPENDIX C: DELIVERY OFFICES THAT CAN BE RELOCATED

There are 843 delivery offices in the Hawkeye District, 486 of which support fewer than 10 carrier routes. Management can relocate 65 small delivery offices to nearby offices with sufficient excess floor space to absorb their operations.

This initiative would relocate 215 carrier routes and provide management the opportunity to eliminate 94 clerk positions that support carriers at the relocated facilities. The table below provides details regarding the 65 small delivery offices that can be relocated along with nearby delivery offices with sufficient excess floor space to absorb their operations.

Count	Delivery Offices That Can Be Relocated	City/State	Zip Code	Total			Delivery Offices That Have Sufficient Excess Floor Space To Absorb The Small Delivery Offices	City/State	Zip Code	Distance Miles	Excess Office Space (Sq Ft)
				ROUTES	CARRIERS	CLERKS					
1	ADAIR MAIN OFFICE	ADAIR, IA	50002	1	2	1	CASEY MAIN OFFICE	CASEY, IA	50048	6.5	486
2	ALDEN MAIN OFFICE	ALDEN, IA	50006	2	4	1	IOWA FALLS MAIN OFFICE	IOWA FALLS, IA	50126	5.8	917
3	AUDUBON MAIN OFFICE	AUDUBON, IA	50025	5	7	2	EXIRA MAIN POST OFFICE	EXIRA, IA	50076	9.4	782
4	BONDURANT POST OFFICE	BONDURANT, IA	50035	3	5	1	EAST SIDE CARRIER ANNEX	DES MOINES, IA	50313	8.5	2,617
5	CARLISLE MAIN POST OFFICE	CARLISLE, IA	50047	4	8	1	SOUTH DES MOINES POST OFFICE	DES MOINES, IA	50315	7	2,234
6	COLFAX MAIN OFFICE	COLFAX, IA	50054	6	5	1	NEWTON MAIN OFFICE	NEWTON, IA	50208	10	8,246
7	EARLHAM MAIN OFFICE	EARLHAM, IA	50072	2	4	1	DEXTER MAIN OFFICE	DEXTER, IA	50070	5.7	396

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				ROUTES	CARRIERS	CLERKS					
8	ELLSWORTH MAIN OFFICE	ELLSWORTH, IA	50075	1	2	1	RADCLIFFE MAIN OFFICE	RADCLIFFE, IA	50230	7.4	459
9	GRIMES MAIN OFFICE	GRIMES, IA	50111	5	8	2	EAST SIDE CARRIER ANNEX	DES MOINES, IA	50313	9.5	2,617
							UNIVERSITY POST OFFICE STATION	DES MOINES, IA	50311	7.7	5,941
							URBANDALE CARRIER ANNEX	URBANDALE, IA	50322	3.4	1,235
10	KELLOGG MAIN OFFICE	KELLOGG, IA	50135	2	2	1	NEWTON MAIN OFFICE	NEWTON, IA	50208	7.6	8,246
11	MONTEZUMA MAIN OFFICE	MONTEZUMA, IA	50171	2	4	2	DEEP RIVER MAIN OFFICE	DEEP RIVER, IA	52222	8	249
							MALCOM MAIN OFFICE	MALCOM, IA	50157	8.6	279
							SEARSBORO MAIN OFFICE	SEARSBORO, IA	50242	9.2	304
12	NEVADA MAIN OFFICE	NEVADA, IA	50201	7	9	2	AMES MAIN OFFICE	AMES, IA	50010	8.2	2,420
13	NORWALK MAIN OFFICE	NORWALK, IA	50211	8	12	1	SOUTH DES MOINES POST OFFICE	DES MOINES, IA	50315	5.3	2,234
							UNIVERSITY POST OFFICE STATION	DES MOINES, IA	50311	8.5	5,941
14	POLK CITY MAIN OFFICE	POLK CITY, IA	50226	3	4	1	URBANDALE CARRIER ANNEX	URBANDALE, IA	50322	9.9	1,235

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				ROUTES	CARRIERS	CLERKS					
15	SLATER MAIN OFFICE	SLATER, IA	50244	1	2	1	HUXLEY MAIN OFFICE	HUXLEY, IA	50124	4.3	197
16	WAUKEE MAIN OFFICE	WAUKEE, IA	50263	8	16	4	URBANDALE CARRIER ANNEX	URBANDALE, IA	50322	6.1	1,235
17	ASH CREEK RETAIL	URBANDALE, IA	50323	7	9	2	EAST SIDE CARRIER ANNEX	DES MOINES, IA	50313	8.2	2,617
							SOUTH DES MOINES POST OFFICE	DES MOINES, IA	50315	9.6	2,234
							UNIVERSITY POST OFFICE STATION	DES MOINES, IA	50311	5.7	5,941
							URBANDALE CARRIER ANNEX	URBANDALE, IA	50322	1.6	1,235
18	CLEAR LAKE MAIN OFFICE	CLEAR LAKE, IA	50428	9	6	3	MASON CITY MAIN OFFICE	MASON CITY, IA	50401	9.3	3,624
19	HAMPTON MAIN OFFICE	HAMPTON, IA	50441	7	7	2	BETTENDORF MAIN OFFICE	BETTENDORF, IA	52722	4.1	1,234
							MOLINE MAIN OFFICE	MOLINE, IL	61265	6.6	1,156
20	ARMSTRONG MAIN OFFICE	ARMSTRONG, IA	50514	2	4	1	SWEA CITY MAIN OFFICE	SWEA CITY, IA	50590	8.7	850
21	BANCROFT MAIN OFFICE	BANCROFT, IA	50517	1	2	1	LAKOTA MAIN OFFICE	LAKOTA, IA	50451	8.5	297
							SWEA CITY MAIN OFFICE	SWEA CITY, IA	50590	7.8	850

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				ROUTES	CARRIERS	CLERKS					
22	GOWRIE MAIN OFFICE	GOWRIE, IA	50543	2	4	1	PATON MAIN OFFICE	PATON, IA	50217	8.2	459
23	MANSON POST OFFICE	MANSON, IA	50563	2	4	2	POMEROY MAIN OFFICE	POMEROY, IA	50575	7.8	777
24	SIOUX RAPIDS MAIN OFFICE	SIOUX RAPIDS, IA	50585	1	2	1	MARATHON POST OFFICE	MARATHON, IA	50565	8.8	286
							REMBRANDT MAIN OFFICE	REMBRANDT, IA	50576	4.7	442
25	FAIRBANK MAIN POST OFFICE	FAIRBANK, IA	50629	2	4	1	HAZLETON MAIN OFFICE	HAZLETON, IA	50641	7.4	794
							OELWEIN MAIN OFFICE	OELWEIN, IA	50662	7.4	703
26	JANESVILLE POST OFFICE	JANESVILLE, IA	50647	1	2	1	DENVER MAIN POST OFFICE	DENVER, IA	50622	6.6	405
							NEW HARTFORD MAIN OFFICE	NEW HARTFORD, IA	50660	9.8	368
							WAVERLY MAIN OFFICE	WAVERLY, IA	50677	5.5	608
27	JESUP MAIN OFFICE	JESUP, IA	50648	2	4	1	INDEPENDENCE MAIN OFFICE	INDEPENDENCE, IA	50644	8.6	497
28	WINTHROP MAIN OFFICE	WINTHROP, IA	50682	2	4	1	INDEPENDENCE MAIN OFFICE	INDEPENDENCE, IA	50644	8.1	497
29	BEDFORD MAIN OFFICE	BEDFORD, IA	50833	5	6	2	HOPKINS MAIN OFFICE	HOPKINS, MP	64461	9.6	666

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				ROUTES	CARRIERS	CLERKS					
30	MOVILLE MAIN OFFICE	MOVILLE, IA	51039	2	4	1	LAWTON MAIN OFFICE	LAWTON, IA	51030	5.7	437
31	PAULLINA MAIN OFFICE	PAULLINA, IA	51046	2	3	1	PRIMGHAR MAIN OFFICE	PRIMGHAR, IA	51245	7.7	954
32	SHELDON MAIN OFFICE	SHELDON, IA	51201	6	10	4	MATLOCK POST OFFICE	MATLOCK, IA	51244	6	774
33	GLIDDEN MAIN OFFICE	GLIDDEN, IA	51443	1	0	1	SCRANTON MAIN OFFICE	SCRANTON, IA	51462	9.7	354
34	LAKE VIEW MAIN OFFICE	LAKE VIEW, IA	51450	2	4	2	SAC CITY MAIN OFFICE	SAC CITY, IA	50583	8.6	368
35	CASCADE MAIN OFFICE	CASCADE, IA	52033	2	2	1	MONTICELLO MAIN OFFICE	MONTICELLO, IA	52310	9.8	1,255
36	DYERSVILLE MAIN OFFICE	DYERSVILLE, IA	52040	6	7	3	NEW VIENNA MAIN OFFICE	NEW VIENNA, IA	52065	4.5	1,298
37	PRESTON MAIN OFFICE	PRESTON, IA	52069	1	2	1	CHARLOTTE MAIN OFFICE	CHARLOTTE, IA	52731	7.5	506
38	LANSING MAIN OFFICE	LANSING, IA	52151	1	2	1	FERRYVILLE POST OFFICE	FERRYVILLE, WI	54628	6.1	452
39	MC GREGOR MAIN OFFICE	MC GREGOR, IA	52157	1	2	1	MARQUETTE MAIN POST OFFICE	MARQUETTE, IA	52158	4.5	195
40	OSSIAN MAIN POST OFFICE	OSSIAN, IA	52161	1	2	1	CASTALIA POST OFFICE	CASTALIA, IA	52133	5.1	165
41	POSTVILLE MAIN OFFICE	POSTVILLE, IA	52162	1	2	2	CASTALIA POST OFFICE	CASTALIA, IA	52133	5.6	165



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				ROUTES	CARRIERS	CLERKS					
							ELGIN MAIN OFFICE	ELGIN, IA	52141	9.3	421
							MONONA MAIN OFFICE	MONONA, IA	52159	9.3	1,110
42	WEST UNION MAIN OFFICE	WEST UNION, IA	52175	3	4	2	ELGIN MAIN OFFICE	ELGIN, IA	52141	9.1	421
							FAYETTE MAIN OFFICE	FAYETTE, IA	52142	8.2	1,057
43	BELLE PLAINE MAIN OFFICE	BELLE PLAINE, IA	52208	6	7	1	CHELSEA MAIN OFFICE	CHELSEA, IA	52215	6	727
44	CENTER POINT MAIN POST OFFICE	CENTER POINT, IA	52213	3	6	1	PALO MAIN POST OFFICE	PALO, IA	52324	8.6	453
45	CENTRAL CITY MAIN OFFICE	CENTRAL CITY, IA	52214	3	6	1	COGGON MAIN OFFICE	COGGON, IA	52218	5.4	757
46	FAIRFAX MAIN OFFICE	FAIRFAX, IA	52228	2	4	1	CEDAR RAPIDS MAIN OFFICE	CEDAR RAPIDS, IA	52404	5.2	3,049
							WEST STATION	CEDAR RAPIDS, IA	52404	4	3,049
47	KALONA MAIN OFFICE	KALONA, IA	52247	4	6	2	WELLMAN MAIN OFFICE	WELLMAN, IA	52356	7	534
48	OXFORD MAIN POST OFFICE	OXFORD, IA	52322	2	3	1	TIFFIN MAIN OFFICE	TIFFIN, IA	52340	6.8	691
49	SOLON MAIN OFFICE	SOLON, IA	52333	4	8	1	MOUNT VERNON MAIN OFFICE	MOUNT VERNON, IA	52314	9.3	525

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				ROUTES	CARRIERS	CLERKS					
50	SWISHER MAIN OFFICE	SWISHER, IA	52338	2	4	1	CEDAR RAPIDS MAIN OFFICE	CEDAR RAPIDS, IA	52404	6.9	3,049
							TIFFIN MAIN OFFICE	TIFFIN, IA	52340	9.9	691
							WEST STATION	CEDAR RAPIDS, IA	52404	7.9	3,049
51	TOLEDO MAIN OFFICE	TOLEDO, IA	52342	4	4	1	GARWIN MAIN OFFICE	GARWIN, IA	50632	8.3	1,120
52	KEOSAUQUA MAIN OFFICE	KEOSAUQUA, IA	52565	2	4	1	BONAPARTE MAIN OFFICE	BONAPARTE, IA	52620	8.9	350
							CANTRIL MAIN POST OFFICE	CANTRIL, IA	52542	8	372
							DOUDS MAIN POST OFFICE	DOUDS, IA	52551	10	514
53	DONNELLSON MAIN OFFICE	DONNELLSON, IA	52625	2	3	1	PILOT GROVE MAIN OFFICE	PILOT GROVE, IA	52648	8.6	644
54	WEST POINT MAIN OFFICE	WEST POINT, IA	52656	2	4	1	FORT MADISON MAIN OFFICE	FORT MADISON, IA	52627	9.4	4,150
							PILOT GROVE MAIN OFFICE	PILOT GROVE, IA	52648	5.4	644
55	BLUE GRASS MAIN OFFICE	BLUE GRASS, IA	52726	3	6	1	ROCK ISLAND POST OFFICE	ROCK ISLAND, IL	61201	9.3	3,358
56	CAMANCHE MAIN OFFICE	CAMANCHE, IA	52730	4	6	1	CLINTON MAIN OFFICE	CLINTON, IA	52732	5.3	3,550

**Retail Customer Service Operations Realignment  
in the Hawkeye District**

**MS-AR-11-002**

Count	Delivery Offices That Can Be Relocated	City/State	Zip Code	Total			Delivery Offices That Have Sufficient Excess Floor Space To Absorb The Small Delivery Offices	City/State	Zip Code	Distance Miles	Excess Office Space (Sq Ft)
				ROUTES	CARRIERS	CLERKS					
57	ELDRIDGE MAIN OFFICE	ELDRIDGE, IA	52748	8	9	2	BETTENDORF MAIN OFFICE	BETTENDORF, IA	52722	8	1,234
58	LE CLAIRE POST OFFICE	LE CLAIRE, IA	52753	3	6	1	BETTENDORF MAIN OFFICE	BETTENDORF, IA	52722	7.4	1,234
59	WALCOTT MAIN POST OFFICE	WALCOTT, IA	52773	1	2	1	DONAHUE MAIN OFFICE	DONAHUE, IA	52746	9.3	509
60	COAL VALLEY MAIN OFFICE	COAL VALLEY, IL	61240	4	7	2	BETTENDORF MAIN OFFICE	BETTENDORF, IA	52722	9.5	1,234
							MOLINE MAIN OFFICE	MOLINE, IL	61265	6	1,156
							ROCK ISLAND POST OFFICE	ROCK ISLAND, IL	61201	7.4	3,358
61	COLONA MAIN OFFICE	COLONA, IL	61241	4	6	2	BETTENDORF MAIN OFFICE	BETTENDORF, IA	52722	9.3	1,234
							MOLINE MAIN OFFICE	MOLINE, IL	61265	8.5	1,156
62	ERIE MAIN OFFICE	ERIE, IL	61250	1	2	1	PROPHETSTOWN MAIN OFFICE	PROPHETSTOWN, IL	61277	7.5	918
63	FULTON MAIN OFFICE	FULTON, IL	61252	5	8	2	CLINTON MAIN OFFICE	CLINTON, IA	52732	2	3,550
64	MILAN MAIN OFFICE	MILAN, IL	61264	9	12	3	BETTENDORF MAIN OFFICE	BETTENDORF, IA	52722	9	1,234
							MOLINE MAIN OFFICE	MOLINE, IL	61265	4.7	1,156

**Retail Customer Service Operations Realignment  
in the Hawkeye District**

**MS-AR-11-002**

Count	Delivery Offices That Can Be Relocated	City/State	Zip Code	Total			Delivery Offices That Have Sufficient Excess Floor Space To Absorb The Small Delivery Offices	City/State	Zip Code	Distance Miles	Excess Office Space (Sq Ft)
				ROUTES	CARRIERS	CLERKS					
							ROCK ISLAND POST OFFICE	ROCK ISLAND, IL	61201	2.3	3,358
65	SILVIS MAIN OFFICE	SILVIS, IL	61282	5	7	2	BETTENDORF MAIN OFFICE	BETTENDORF, IA	52722	5.2	1,234
							MOLINE MAIN OFFICE	MOLINE, IL	61265	5.1	1,156
							ROCK ISLAND POST OFFICE	ROCK ISLAND, IL	61201	8.9	3,358
TOTALS				215	326	94					

## APPENDIX D: MONETARY IMPACT

To compute the potential workhour savings and monetary impact, we obtained a universe of delivery offices in the Hawkeye District along with clerk and carrier complement from the manager of operations programs support. The manager generated this data from several sources including the local delivery offices data base, webCOINS and IMAQ website.

The universe consisted of 843 delivery offices, 486 of which support fewer than 10 carrier routes each. We analyzed the delivery offices data to identify small delivery offices (fewer than 10 carrier routes) that could be relocated to nearby delivery offices. We also identified the nearby delivery offices that have sufficient excess floor space to absorb these operations.

Based on our analysis, we determined that management can relocate 13.4 percent (65 of 486) of the small delivery offices (fewer than 10 carrier routes) to nearby delivery offices.

This initiative would relocate 215 carrier routes and provide management the opportunity to eliminate 94 clerk positions that support carriers at the relocated facilities. Management can eliminate the clerk positions through attrition or use the affected employees to fill job vacancies at other facilities. As of December 2010, the Hawkeye District had approximately 800 retail customer service operations employees on board, 225 who are currently eligible to retire and 482 who will be eligible to retire by the end 2015. At a 5 percent attrition rate<sup>14</sup>, we estimated that approximately 40 employees would separate from the Hawkeye District each year. In addition, as of November 2010, the district had 354 vacancies at other facilities, most of which were carrier and mail processing clerk positions.

We estimated that the proposed realignment would allow the Hawkeye District to reduce retail customer service workhours by 78,502 annually and achieve cost savings of at least \$25.8 million over the next 10 years.

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<sup>14</sup> GAO-10-455, *U. S. Postal Service: Strategies and Options to Facilitate Progress toward Financial Viability*, pages 15-17, April 2010 addresses the Postal Service's attrition rate.

FUNDS PUT TO BETTER USE <sup>15</sup>										
Years	1	2	3	4	5	6	7	8	9	10
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Number of clerk positions to eliminate	0	94	94	94	94	94	94	94	94	94
Total clerk workhours to eliminate <sup>16</sup>	78,502	78,502	78,502	78,502	78,502	78,502	78,502	78,502	78,502	78,502
Potential workhour savings <sup>17</sup>	\$3,389,485	\$3,447,106	\$3,505,707	\$3,565,304	\$3,625,914	\$3,687,555	\$3,750,243	\$3,813,997	\$3,878,835	\$3,944,775
Adoption factor <sup>18</sup>	0.00%	50.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Estimated workhour savings for eliminating 94 clerk positions <sup>19</sup>	\$0	\$1,723,553	\$3,505,707	\$3,565,304	\$3,625,914	\$3,687,555	\$3,750,243	\$3,813,997	\$3,878,835	\$3,944,775
Discounted Cash Flow <sup>20</sup>	\$0	\$1,659,257	\$3,249,029	\$3,180,998	\$3,114,393	\$3,049,182	\$2,985,336	\$2,922,827	\$2,861,627	\$2,801,709
Total Net Present Value <sup>21</sup>	\$25,824,357 <sup>22</sup>									

<sup>15</sup> Funds that could be used efficiently by implementing recommended actions.

<sup>16</sup> FY 2010 actual workhours for labor codes 43, 47, and 48.

<sup>17</sup> FY 2010 actual salaries and benefits for labor distribution codes 43, 47, and 48 escalated by 1.7 percent to account for increases.

<sup>18</sup> The adoption factor is used to take into account the length of time it will take to remove names from the Postal Service's rolls. Because not everyone retires in January, the savings have to be phased-in over the course of the year. Assuming a constant rate of attrition (i.e., people leave the Postal Service at a steady rate), half the annual savings can be achieved in the first year, with the full savings coming the following year and every year after that.

<sup>19</sup> To calculate the estimated workhour savings for the 94 positions, we multiplied the potential workhour savings by the adoption rate.

<sup>20</sup> We used a discount rate of 3.875 percent to discount each year's dollars in 2011 dollars. This discounted cash flow was summed up to get the total net present value of \$25,824,357. The discount rate is the Postal Service's estimated cost of borrowing. Applying the rate to a future sum gives a value to how much money invested now would be worth in the future.

<sup>21</sup> We summed the discounted cash flow to get the total net present value.

<sup>22</sup> The sum of the cash flow amounts does not equal the total net present value due to rounding.

## APPENDIX E: MANAGEMENT'S COMMENTS

SYLVESTER BLACK  
VICE PRESIDENT, WESTERN AREA OPERATIONS



March 24, 2011

Office of Inspector General  
Attention: Lucine M. Willis, Director  
Director, Audit Operations  
1735 N. Lynn Street  
Arlington, VA 22209-2020

SUBJECT: Retail Customer Service Operations Realignment in the Hawkeye District  
(Report Number MS-AR-11-DRAFT)

This letter and report represents Western Area's response to the OIG audit of March 14, 2011, concerning Retail Customer Service Operations Realignment in the Hawkeye District.

The Western Area agrees with the findings, recommendations and potential monetary impacts specified in the report.

**Recommendation #1:** Explore opportunities to reduce Customer Service costs by realigning delivery operations District-wide.

**Response:** The Hawkeye District Change, Discontinuance, Suspension Coordinator (CSDC) will continue to work with the OIG suggested list to realign Customer Service operations throughout FY 2011 and FY 2012; estimated completion at 75 percent by December 2012.

We do not believe this report contains any proprietary or business information that should not be publicly disclosed and do not believe there are any required exemptions under the Freedom of Information Act (FOIA).

Should you have any questions, please contact Gail M. Duba, District Manager, Hawkeye District, at (515) 251-2106.

  
Sylvester Black

cc: Sally K. Haring, A/Manager, Corporate Audit and Response Management  
Shaun E. Mossman, Manager, Operations Support – Western Area  
Steven J. Juhl, Manager, Finance – Western Area  
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