



September 22, 2005

LARRY JONES, SENIOR PLANT MANAGER  
NORTHERN OHIO CUSTOMER SERVICE DISTRICT

SUBJECT: Audit Report – Efficiency Review of the Canton, Ohio, Processing and Distribution Facility (Report Number NO-AR-05-013)

This report presents the results of our review of the Canton, Ohio, Processing and Distribution Facility (Canton P&DF) in the Eastern Area (Project Number 05YG011NO000). We assessed the efficiency of operations performed at the Canton P&DF. At management's request, we also examined the proposed consolidation of the outgoing mail processing operations in the Akron, Ohio, Processing and Distribution Center (Akron P&DC). This is the third in a series of reports on mail processing efficiency in the Northern Ohio Customer Service District. We conducted these audits in cooperation with the Northern Ohio Customer Service District and the Eastern Area.

While the Canton P&DF has improved efficiency, further opportunities exist for improvement. Specifically, the Canton P&DF underused its mail processing machines and processed less mail per workhour than similar-sized facilities. The Postal Service has 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. In addition, the Northern Ohio Customer Service District may have more plants than necessary to process its current workload, which further supports the proposed consolidation. 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 a 10-year period. We will report this figure as funds put to better use in our Semiannual Report to Congress.

We made three recommendations in this report. Management agreed with our findings, recommendations, and monetary impact 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.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have any questions or need additional information, please contact Robert J. Batta, Director, Network Operations - Processing, or me at (703) 248-2300.

/s/ Mary W. Demory

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## EXECUTIVE SUMMARY

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### Introduction

The Office of Inspector General assessed the efficiency of mail processing operations at the Canton, Ohio, Processing and Distribution Facility (Canton P&DF) in the Eastern Area. This is the third in a series of efficiency audits covering the Northern Ohio Customer Service District. At management's request, we also examined the proposed consolidation of outgoing mail processing operations at the Canton P&DF into the Akron, Ohio, Processing and Distribution Center (Akron P&DC).

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### Results in Brief

While the Canton P&DF has improved efficiency, further opportunities exist for improvement. Specifically, the Canton P&DF underused its mail processing machines and processed less mail per workhour than similar-sized facilities.<sup>1</sup>

These conditions existed because management adjusted actual workhours to the number of hours allocated by the budget process. Management had not evaluated operational efficiency through benchmarking operations against similar-sized facilities, evaluating machine utilization, or analyzing trends.

In addition, the Postal Service has a favorable business case for moving outgoing mail operations from the Canton P&DF to the Akron P&DC. Consolidation would reduce labor and transportation costs, increase processing efficiency, potentially improve delivery service, and reduce workroom floor congestion. In addition, the Northern Ohio Customer Service District may have more plants than necessary to process its current workload, which further supports the proposed consolidation. Management had delayed the consolidation pending an independent assessment.

Consequently, the Canton P&DF used more resources than necessary to process its mail volume. Improving the Canton P&DF's efficiency and consolidating the network would reduce workhours by 202,000 and potentially

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<sup>1</sup>See Appendix D for a list of facilities with similar mail volumes to the Canton P&DF.

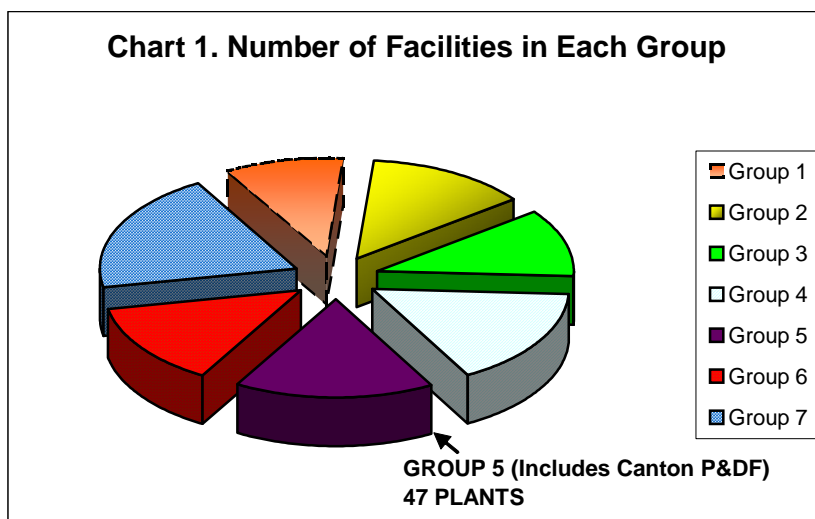
upgrade service. This workhour reduction could produce a cost avoidance of approximately \$64 million in labor savings over a 10-year period.

<b>Summary of Recommendations</b>	We recommended the senior plant manager, Northern Ohio Customer Service District, reduce mail processing operations at the Canton P&DF by 93,000 workhours. We also recommended a reduction of 109,000 workhours by consolidating the Canton P&DF outgoing mail operation into the Akron P&DC.
<b>Summary of Management's Comments</b>	Management agreed with our findings, recommendations, and associated monetary impact. They agreed to reduce workhours by 93,000 workhours over a 7-year period. They also agreed to periodically review operations at the Canton P&DF to evaluate operational efficiency to ensure efficient operations. They also agreed to consolidate Canton P&DF's outgoing mail processing operations with a further reduction in workhours of 109,000. Management's comments, in their entirety, are included in Appendix L of this report.
<b>Overall Evaluation of Management's Comments</b>	Management's comments are responsive to the audit findings. The comments indicate management is taking a proactive approach to the implementation of our recommendations. Management's actions taken or planned should correct the issues identified in the report.

## INTRODUCTION

### Background

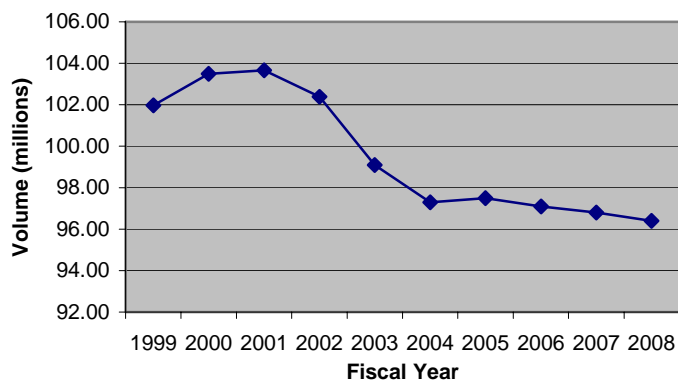
The Postal Service has 308 facilities with mail processing operations. These facilities process First-Class Mail in the domestic network and are divided into seven groups<sup>2</sup> ranked according to mail volume outlined in the Breakthrough Productivity Initiative (BPI). The Postal Service established the BPI to drive excess costs out of the organization while creating continuous improvement. The initiative is focused on four areas: transportation, purchasing, overhead, and operations, which includes mail processing operations. Chart 1 below shows the number of mail processing facilities in each group. The Canton, Ohio, Processing and Distribution Facility (Canton P&DF) is a Group 5 facility.



The Postal Service is attempting to rightsize its domestic network in response to decreased mail volume. Despite a 1-year increase in mail volume, the aggregate volume of First-Class Mail declined by nearly 5 percent, or 4 billion pieces, from fiscal years (FY) 1999 to 2004. In addition, the Postal Service projects that First-Class Mail volume will decrease by over one billion pieces during the next four fiscal years. Figure 1 shows these trends.

<sup>2</sup>In FY 2001, BPI Group 1 plants processed at least 3 billion mailpieces, while Group 7 plants processed no more than 456 million mailpieces.

**Figure 1: First-Class Actual (FYs 1999-2004) and  
Projected (FYs 2005-2008) Mail Volume**



Source: USPS Manager of Volume Analysis and Forecasting; USPS FY 2004 Annual Report

The Transformation Plan states the Postal Service is committed to improving its operational efficiency by consolidating mail processing operations, when feasible. In addition, the President's Commission<sup>3</sup> recommended optimizing the facility network by closing unneeded processing centers.

The Canton P&DF is a Group Five facility in the Eastern Area (see Appendix A for a map of the Eastern Area). The Canton P&DF processes inbound<sup>4</sup> and outbound mail<sup>5</sup> for Canton, Ohio, and associate offices in the surrounding area. In FY 2003, the Canton P&DF processed approximately 661 million mailpieces, a 1.6 percent decrease from FY 2002. In FY 2003, the Canton P&DF's outgoing mail operations accounted for approximately 38 percent of its total mail volume. The Canton P&DF used approximately 13 percent of its total mail processing workhours to process this mail. The facility has 281 career employees and 8 casual<sup>6</sup> employees.

<sup>3</sup>The President's Commission on the United States Postal Service reported its findings on July 31, 2003.

<sup>4</sup>Mail received by a Postal Service facility, most commonly for distribution and delivery within the delivery area of the receiving facility.

<sup>5</sup>Outbound or outgoing mail is sorted within a mail processing center and dispatched to another facility for additional processing and delivery.

<sup>6</sup>Casual employees may be used as a limited-term supplemental workforce, but may not be employed in place of full or part-time employees.



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**Objective, Scope, and  
Methodology**

We assessed the efficiency of operations at the Canton P&DF and the proposed consolidation of the Canton P&DF's outgoing mail operation. In our analysis, we used FY 2003 as the base year to maintain consistency with our prior efficiency audits of the Mansfield, Ohio, Post Office and the Akron, Ohio, Processing and Distribution Center (Akron P&DC).<sup>7</sup> To assess efficiency, we observed mail processing operations; analyzed mail volumes, workhours, and machine use; interviewed Postal Service officials; and benchmarked achievement of target productivity with similar-sized facilities. We also reviewed applicable Postal Service handbooks and regulations, including Handbook M-32, Management Operating Data Systems (April 2000), applicable Postal Bulletins, and Title 39, United States Code (U.S.C.).

At management's request, we also examined the proposed consolidation of the outgoing mail processing operations of the Canton P&DF into the Akron P&DC. We examined the potential consolidation from the perspective of transportation, delivery service, and capacity. We reviewed applicable network change guidelines, including Handbook PO-408, Area Mail Processing (AMP) Guidelines, April 1995.

We relied on Postal Service data systems, including the Origin Destination Information System, the National Workhour Reporting System, the BPI Web site, the Management Operating Data System, Web Flash Reports, the Web Enterprise Information System, and the Web End-of-Run System to analyze mail volume and workhours. We checked the accuracy of data by confirming our analysis and results with Postal Service managers and found no material differences.

This audit was conducted from December 2004 through September 2005, in accordance with generally accepted government auditing standards and included such tests of internal controls as were considered necessary under the circumstances. We discussed our observations and conclusions with management officials and included their comments where appropriate.

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<sup>7</sup>These three locations are in the Northern Ohio Customer Service District and will be directly affected by proposed consolidations. Additionally, we used the same base year of FY 2003 to evaluate all three sites to determine whether adequate capacity existed at the Akron P&DC.

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**Prior Audit Coverage**

We have issued 16 audit reports on operational efficiency. As a result of these audits, the Postal Service has agreed to reduce workhours by 984,182. These reductions could produce a cost avoidance of about \$311 million over 10 years. (See Appendix B for details.)

## AUDIT RESULTS

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### Assessment of Resources at the Canton P&DF

Resources at the Canton P&DF could be used more efficiently. Specifically, the Canton P&DF:

- Underused its mail processing machines.
- Processed less mail per workhour than similar-sized facilities.

Title 39, U.S.C. Chapter 4, Section 403 (a) states, “The Postal Service shall plan, develop, promote, and provide adequate and efficient postal services . . . .”

Although efficiency had improved,<sup>8</sup> Postal Service managers had not evaluated operational efficiency through benchmarking operations against similar-sized facilities, evaluating machine utilization, or analyzing trends. Consequently, the Canton P&DF used more workhours than necessary to process its mail volume.

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### Mail Processing Machines

The Canton P&DF’s mail processing machines were not being fully used based on a comparison of machine performance to established targets. The Canton P&DF had not achieved target productivity levels for FYs 2002 and 2003 for any of its automated mail processing operations. (See Appendix C.) Target productivity levels are based on total pieces of mail that could be processed for each workhour of an operation. In FY 2002, the Canton P&DF achieved 59 percent of its overall target productivity levels. That number slipped to 57 percent in FY 2003. (See Appendix D.)

Achieving established productivity levels could reduce workhours. For example, the mail processing barcode sorting operation achieved 38 percent of its national target level in FY 2003. If this operation achieved 75 percent of the national target level, the Canton P&DF could save over 23,000 processing workhours. By achieving 73 percent of target productivity in all operations, the Canton P&DF could reduce workhours by over 93,000. This will result in an

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<sup>8</sup>The Canton P&DF reduced mail processing (Function 1) workhours by over 37,000 from FYs 2002 to 2003.

associated economic impact of almost \$33 million over 10 years. (See Appendix E.)

Comparison to Similar-sized Facilities	<p>Canton P&amp;DF is generally less efficient than similar-sized facilities.</p> <ul style="list-style-type: none"><li>• In FY 2003, the Canton P&amp;DF achieved 57 percent BPI target productivity. This was 16 percentage points below the 73 percent average for similar-sized facilities. (See Appendix D for a chart comparing the Canton P&amp;DF's target productivity levels with similar-sized facilities for FY 2003.)</li><li>• In addition, 44 out of 47 similar-sized facilities, or 94 percent, came closer than the Canton P&amp;DF to achieving their target productivity goals in FY 2003. Also, 40 of these similar-sized facilities are operating at 65 percent of target productivity or better.</li></ul>
Cause and Impact on Operations	<p>Management of the Canton P&amp;DF had addressed operational efficiency by reducing workhours from prior year usage. As a result, they reduced FY 2003 workhours by 8 percent from FY 2002, while volume decreased by 1.6 percent. However, Postal Service managers did not evaluate operational efficiency by comprehensively benchmarking operations against similar-sized facilities, evaluating machine utilization, or analyzing trends.</p> <p>In addition, observations at the Canton P&amp;DF showed that employee productivity could be improved. For example, we found:</p> <ul style="list-style-type: none"><li>• Excessive idle time at many operations because of insufficient workload.</li><li>• Excess handling of mail because of insufficient work space.</li><li>• The current configuration and lack of space in the Delivery Bar Code Sorter area did not allow for additional tray racks. More tray racks would enable additional multiple zones to be run concurrently, which would increase productivity.</li></ul>

Consequently, the Canton P&DF was using more workhours than necessary to process its mail volume.

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**Recommendations**

To improve efficiency, we recommend the senior plant manager, Northern Ohio Customer Service District:

1. Reduce 93,000 workhours at the Canton Processing and Distribution Facility by the end of FY 2012; this will result in an associated economic impact of almost \$33 million over 10 years.
2. Evaluate operating efficiency and staffing at the Canton Processing and Distribution Facility to determine whether further workhour adjustments are necessary based on workload.

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**Management's  
Comments**

Management agreed with our finding, recommendations, and associated monetary impact. They agreed to reduce workhours by 93,000 workhours over a 7-year period. They also agreed to periodically review operations at the Canton P&DF to evaluate operational efficiency to ensure efficient operations.

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**Evaluation of  
Management's  
Comments**

Management's comments are responsive to the audit finding. The comments indicate management is taking a proactive approach to the implementation of our recommendations. Management's actions taken or planned should correct the issues identified in the finding.

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**Assessment of  
Consolidating the  
Canton P&DF's  
Outgoing Mail  
Operations**

The Postal Service realized that excess processing capacity exists within the domestic mail processing network of the Northern Ohio Customer Service District. To better use this capacity, the Postal Service is considering consolidating the Canton P&DF's outgoing operations into the Akron P&DC. The Postal Service requested that the Office of Inspector General independently examine the proposed consolidation of outgoing mail.

We concluded the Postal Service has a favorable business case<sup>9</sup> to move outgoing mail operations from the Canton P&DF to the Akron P&DC. Consolidation would reduce labor and transportation costs, increase processing efficiency, potentially improve delivery service, and reduce workroom floor congestion. We also found that the Northern Ohio Customer Service District may have more plants than necessary to process current workloads.

Title 39, U.S.C. Chapter 4, Section 403 (a) states, "The Postal Service shall plan, develop, promote, and provide adequate and efficient postal services . . . ." Further, Handbook PO-408 sets forth guidelines to make changes to the processing network.<sup>10</sup>

Because of the sensitive and public nature of consolidations,<sup>11</sup> management has not implemented the proposed Canton P&DF consolidation. Management wanted an independent review to assess the possible effects of the consolidation. As a result of not consolidating Canton P&DF's outgoing operations, the Northern Ohio Customer Service District used more resources than necessary to process its mail volume.

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**Labor and  
Transportation Costs**

The Postal Service has a favorable business case to transfer outgoing operations from the Canton P&DF. Under the plan, the Canton P&DF would transfer about 251 million

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<sup>9</sup>A favorable business case is defined as actions that improve the economics and operational efficiency of the Postal Service.

<sup>10</sup>Handbook PO-408 provides a framework for changes to the mail processing network; states that changes should support the Postal Service's strategic objectives and make optimum use of available resources; and establishes management's accountability for making decisions about area mail processing facilities.

<sup>11</sup>Many communities and labor unions oppose consolidation for fear of job loss, loss of community identification with the Postal Service's postmark, and possible negative effects on local businesses. This opposition, as with the proposed Mansfield Post Office consolidation, sometimes results in public protest and requests for congressional intervention.

pieces, or 38 percent of its mail, to the Akron P&DC. This would allow the Canton P&DF to reduce its total workhours by an additional 109,000. More specifically, the Canton P&DF could reduce:

- 85,000 craft workhours.<sup>12</sup>
- 6,000 supervisor mail processing workhours.
- 12,000 in-plant support workhours (8,000 supervisor and 4,000 clerk workhours).
- 6,000 maintenance workhours, since some of the machines would be relocated, eliminating the need for associated maintenance.<sup>13</sup>

In addition, the Canton P&DF could reduce transportation costs of \$26,000 a year by changing or eliminating routes.<sup>14</sup>

The economic impact of these reductions could produce a cost avoidance of over \$30 million over 10 years. (See Appendix E for details.)

Management stated workhour savings could be accomplished through attrition.<sup>15</sup> Under the proposed consolidation plan, no Canton P&DF career craft employees would lose their jobs. Management stated they will follow appropriate contract provisions for career, transitional, and casual employees.

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Mail Processing  
Efficiency

Consolidating the Canton P&DF's outgoing mail operations into the Akron P&DC would be more efficient. Specifically, the consolidation would allow the Akron P&DC to use excess capacity, take advantage of more efficient and

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<sup>12</sup>The Akron P&DC would need approximately 20,800 workhours to process this workload, based on the AMP Plan. Our recommendation of 85,000 workhours accounts for these additional hours as well as the 28,000 workhour savings in FY 2004. These workhour savings should allow the Canton P&DF to achieve 74 percent of overall BPI targets.

<sup>13</sup>Maintenance workhours would not materially increase at the Akron P&DC. The Akron P&DC would receive only two additional Advanced Facer Canceler Systems, and these would require minimum preventive maintenance.

<sup>14</sup>Some savings are associated with transportation if consolidation occurs; however, we did not consider them material to the audit.

<sup>15</sup>By FY 2012, 152 mail processing (Function 1) employees at the Canton P&DF will be eligible to retire. This equates to approximately 274,000 workhours.

economical mail processing capabilities, and reduce the standby time<sup>16</sup> hours.

We found the Akron P&DC has excess capacity. During FY 2003, the Akron P&DC processed over 1.2 billion mailpieces and has the capacity to process more than 500 million additional mailpieces per year. The Canton P&DF's outgoing mail operations accounted for more than 251 million (38 percent) of its total mailpieces processed in FY 2004. This shows that the Akron P&DC can readily process Canton P&DF's outgoing mail. Appendix F shows the Akron P&DC's and Canton P&DF's mail processing capacities.

We also found that increases in mail volume improve productivity at the Akron P&DC. For example, on Saturday, the Akron P&DC already processes all outgoing mail for the Canton P&DF and three other facilities with no increase in workhours. This is a 52 percent increase in productivity compared to the Akron P&DC's weekday average. For example, the Akron P&DC processes 1,008 first handling pieces (FHP)<sup>17</sup> per workhour on Saturday, compared to the average 652 FHP per workhour it processes Monday through Friday. Appendix G displays the Saturday productivity increases at the Akron P&DC.

Standby Time	Processing the Canton P&DF's outgoing mail can reduce the Akron P&DC's standby time by having more mail to process. In FY 2004, the Akron P&DC used an average of 452 hours of standby time per accounting period. <sup>18</sup> (See Appendix H.)
Delivery Service	Delivery service would potentially improve for areas serviced by both the Canton P&DF and the Akron P&DC by modifying the service area and transportation network. Table 1 illustrates the Akron P&DC's and the Canton P&DF's current delivery service standards and the impact the proposed consolidations would have on delivery service. <sup>19</sup> Table 1

<sup>16</sup>Handbook M-32 states that standby time is used for personnel in mail processing, customer services, and delivery services who cannot be gainfully employed.

<sup>17</sup>FHP is a letter, flat, or parcel that receives its initial distribution in a Postal Service facility.

<sup>18</sup>In prior observations at the Akron P&DC, we found that many employees were not engaged in productive work because of sporadic mail volume.

<sup>19</sup>This anticipated improved delivery service is a result of the more effective transportation network that exists at the Akron P&DC.



shows six site combinations which would potentially change from two-day to overnight service.

**Table 1. Delivery Service Standards**

Ohio Service Area	Akron, Ohio, P&DC				Canton, Ohio, P&DF			
	Current		Proposed		Current		Proposed	
	Overnight	Two-Day	Overnight	Two-Day	Overnight	Two-Day	Overnight	Two-Day
Akron	X		X		X		X	
Canton	X		X		X		X	
Cleveland	X		X		X		X	
Columbus		X	X			X	X	
Lima		X	X			X	X	
Steubenville	X		X		X		X	
Toledo		X	X			X	X	
Youngstown	X		X		X		X	

Note: Service benefit gained if consolidation of Mansfield, Ohio, Main Post Office's outgoing mail volume is implemented.  
Source: Canton P&DF AMP

The Northern Ohio Customer Service District has previously realized service improvements as a result of prior consolidations. For example, the Steubenville, Ohio, Main Post Office consolidation<sup>20</sup> resulted in improved delivery service. Specifically:

- Postal Service testing in the Origin Destination Information System from FY 2003 through June 2005 indicates that service improved for the customers in the Steubenville, Ohio, Main Post Office service area. The average overnight First-Class Mail delivery score increased from 95 to 96 percent. (See Appendix I.)

<sup>20</sup>The Steubenville, Ohio, Main Post Office's outgoing mail operations consolidated into the Youngstown, Ohio, P&DC.

- Postal Service testing after the consolidation showed that 99 percent of First-Class Mail met delivery service standards. (See Appendix I.) Appendix J shows high delivery service scores of the internal Postal Service testing of First-Class Mail.

Based on this data, we concluded that delivery service improved after the consolidation. In our opinion, this could also potentially occur if the Canton P&DF's outgoing mail operations were moved to the Akron P&DC.

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Workroom Floor Space

By moving the Canton P&DF's outgoing operation to the Akron P&DC workroom floor, congestion would be reduced or possibly eliminated. We found crowded conditions throughout the Canton P&DF facility, including the dock, staging areas, and various work stations. The Canton P&DF cannot concurrently and efficiently process both inbound and outbound mail volumes. Illustration 1 shows the congested floor space. This congestion results in additional workhours, since mail containers often receive numerous handlings and numerous set-ups are required to accommodate the processing of both inbound and outbound mail.

Illustration 1



Congested floor space during tour transition between incoming and outgoing operations (February 2, 2005, 9:30 p.m.).

Northern Ohio Customer Service District Plants When compared to other districts with six plants, the Northern Ohio Customer Service District had the lowest productivity,<sup>21</sup> which indicates that this customer service district has more plants than necessary to process its workload. (See Appendix K.) In addition, as shown in Table 2, these plants are located in close proximity (within 100 miles) to the Akron P&DC, which facilitates consolidation efforts.<sup>22</sup>

**Table 2. Distances Between Plants in District**

<b>Facility Name</b>	<b>Distance From Akron Plant</b>
Akron P&DC	0 miles
Canton P&DF	20 miles
Mansfield Main Post Office	62 miles
Cleveland P&DC	37 miles
Youngstown P&DC	49 miles
Steubenville Main Post Office	83 miles

Note: The Steubenville Main Post Office was consolidated into the Youngstown P&DC in March 2004.

Source: MapQuest

Further, at the state level, the Northern Ohio Customer Service District has one plant for every 2,500 square miles, compared to the rest of Ohio, which has a plant for every 5,000 square miles. The rest of Ohio includes the two major metropolitan areas of Columbus and Cincinnati, and has a larger population base than the Northern Ohio Customer Service District, which contains one major metropolitan area, Cleveland. The Northern Ohio Customer Service District also processes four billion fewer mailpieces per year than the other six Ohio plants.<sup>23</sup> This indicates that the Northern Ohio Service District may have excess plants.

<sup>21</sup>Productivity is based on total pieces handled per workhour.

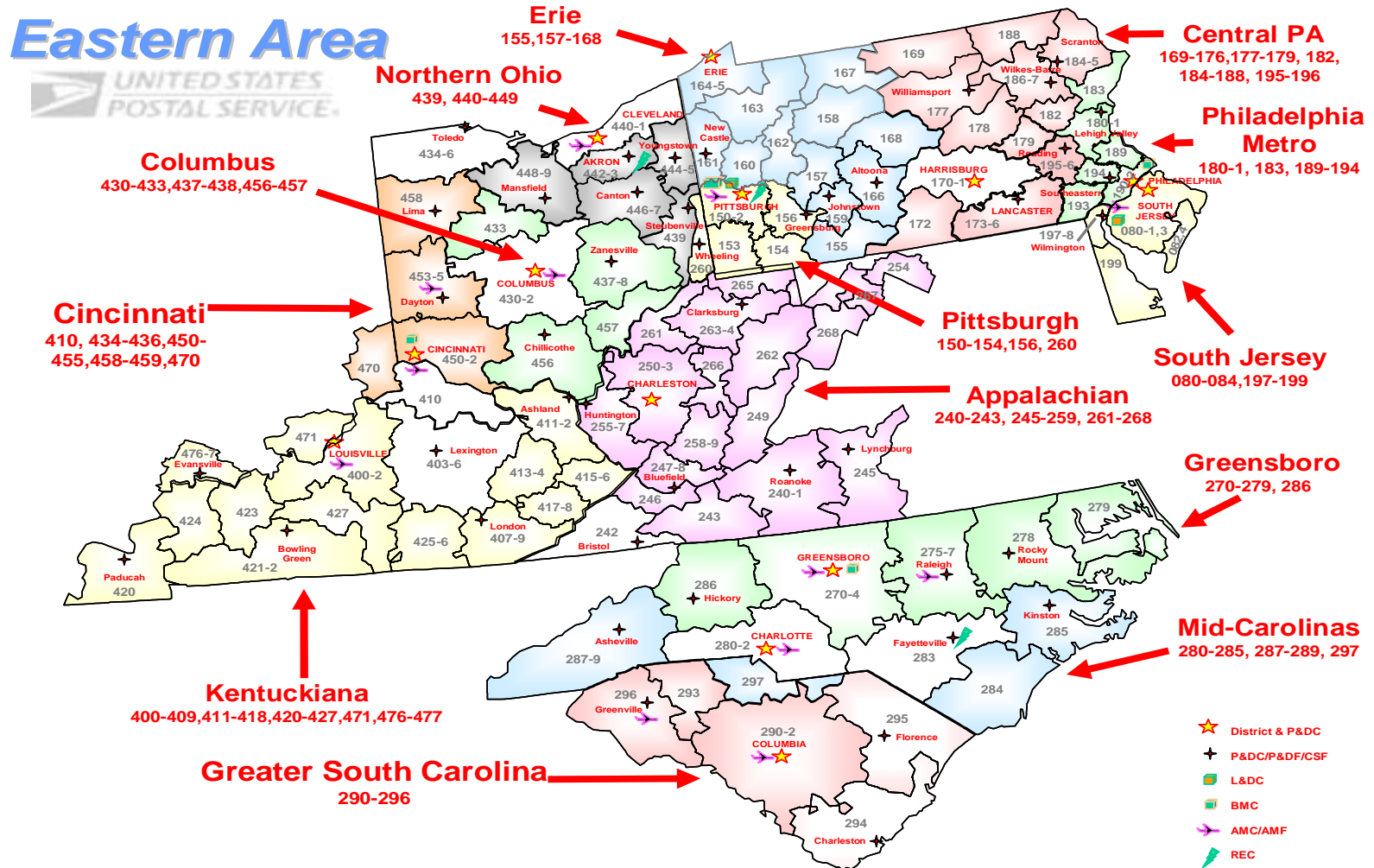
<sup>22</sup>The close proximity of the Northern Ohio Customer Service plants minimizes transportation changes and maintains the operational window of time necessary to process mail to meet service standards.

<sup>23</sup>The Northern Ohio Customer Service District serves a population of 3.7 million and has 6 processing plants, a territory of 15,000 square miles, and an annual volume of 6 billion mailpieces. The rest of Ohio serves a population of 11.2 million and has 6 processing plants, a territory of 30,000 square miles, and an annual volume of 10 billion mailpieces.

Reason and Impact of Consolidation	Because of the sensitive and public nature of consolidations, management has not implemented the proposed Canton P&DF consolidation. Management wanted an independent review to assess the possible effects of the consolidation. As a result of not consolidating Canton P&DF's outgoing operations, the Northern Ohio Customer Service District used more resources than necessary to process its mail volume.
<b>Recommendation</b>	<p>We recommend the senior plant manager, Northern Ohio Customer Service District:</p> <p>3. Consolidate outgoing mail operations into the Akron Processing and Distribution Center, resulting in an additional 109,000 workhour reduction at the Canton Processing and Distribution Facility. The economic impact of this workhour reduction is more than \$30 million over 10 years.</p>
<b>Management's Comments</b>	Management agreed with our finding, recommendation, and associated monetary impact. Management agreed to consolidate Canton P&DF's outgoing mail processing operations with a further reduction in workhours of 109,000.
<b>Evaluation of Management's Comments</b>	Management's comments are responsive to the audit finding. The comments indicate management is taking a proactive approach to the implementation of our recommendation. Management's actions taken or planned should correct the issues identified in the finding.

## APPENDIX A

### EASTERN AREA MAP



11/14/03

## APPENDIX B

### PRIOR AUDIT COVERAGE

<b>Audit</b>	<b>Report Number</b>	<b>Issue Date</b>	<b>Workhour Savings</b>	<b>Monetary Impact</b>
San Francisco, CA ISC AMRU	NO-AR-05-012	9/06/2005	7,757	\$2.6 million
Los Angeles, CA ISC <sup>24</sup>	NO-AR-05-011	6/17/2005	85,000	\$26.1 million
Los Angeles, CA ISC AMRU <sup>25</sup>	NO-AR-05-010	4/28/2005	5,450	\$1.8 million
Akron, OH P&DC <sup>26</sup>	NO-AR-05-009	3/30/2005	235,000	\$74 million
Mansfield, OH Main Post Office	NO-AR-05-004	12/08/2004	52,000	\$17.2 million
New York ISC	NO-AR-04-009	9/24/2004	320,000	\$98 million
New York ISC AMRU	NO-AR-04-011	9/24/2004	30,000	\$9.3 million
San Francisco, CA ISC and GSA <sup>27</sup> Facility	NO-AR-04-006	3/31/2004	120,000	\$44.2 million
Oakland, CA ISC and Regatta Facility	NO-AR-04-007	3/31/2004	25,000	\$8.8 million
Springfield, VA BMEU <sup>28</sup>	NO-AR-04-004	2/09/2004	2,775	\$969,893
Columbia, MD BMEU	NO-AR-04-002	12/26/2003	3,960	\$1.4 million
Southern MD BMEU	NO-AR-04-001	12/24/2003	20,240	\$8.4 million
San Francisco, CA BMEU	AO-AR-03-002	9/25/2003	18,000	\$6.9 million
Los Angeles, CA BMEU	AO-AR-03-001	7/31/2003	28,000	\$9.3 million
Seattle, Minneapolis, and Des Moines BMEU	CQ-AR-03-001	3/28/2003	15,053	\$588,730
Colorado/Wyoming Performance Cluster BMEU	CQ-AR-02-001	9/26/2002	15,947	\$1 million
<b>Total Savings</b>			<b>984,182</b>	<b>\$311 million</b>

<sup>24</sup>International Service Center.

<sup>25</sup>Air Mail Records Unit.

<sup>26</sup>Processing and Distribution Center.

<sup>27</sup>General Services Administration.

<sup>28</sup>Business Mail Entry Unit.

## APPENDIX C

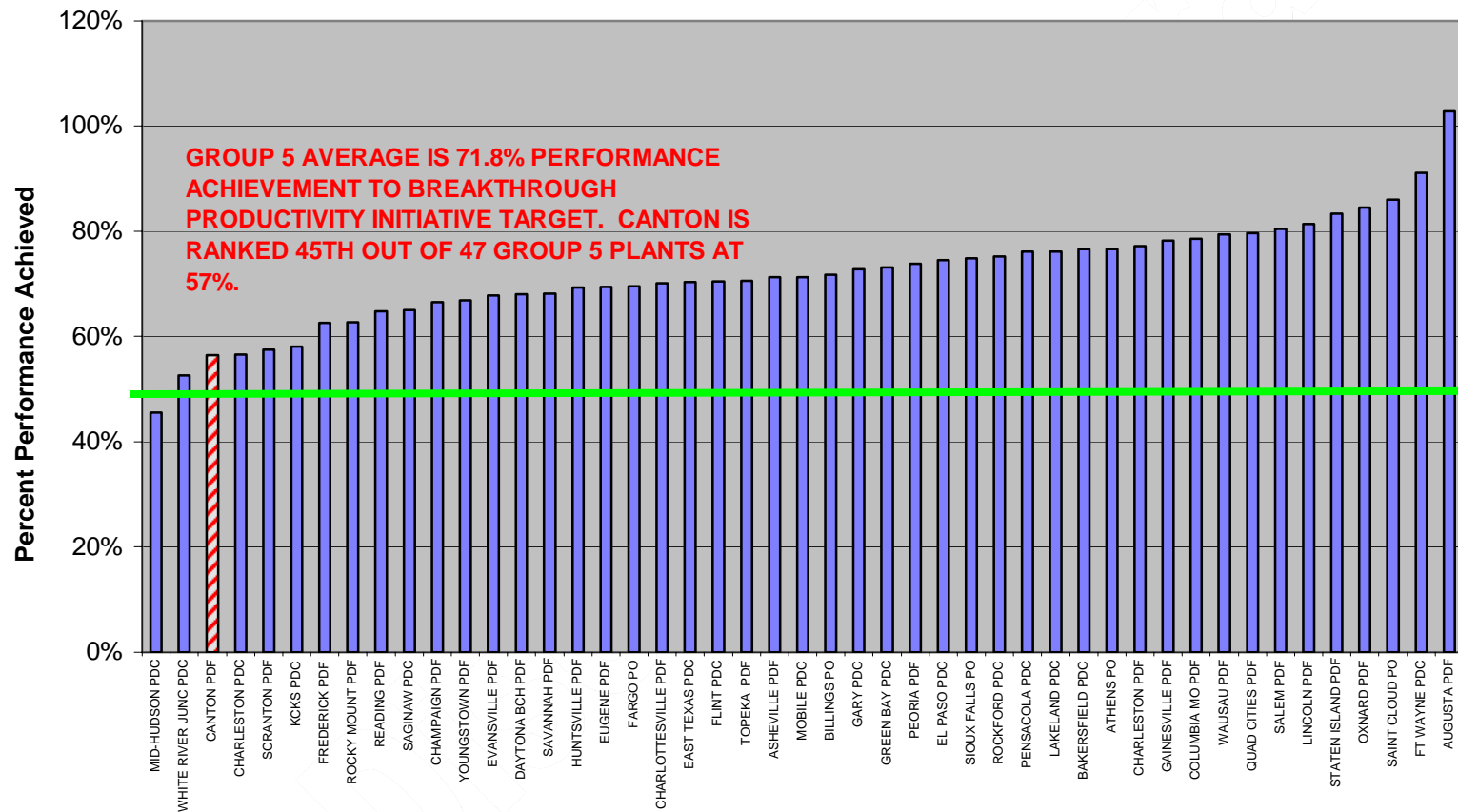
### CANTON P&DF FYS 2002 AND 2003 ACTUAL AND TARGET PRODUCTIVITY LEVELS AND FY 2003 POTENTIAL WORKHOUR SAVINGS

Major Operations	FY 2003 Workhours	Productivity (TPH per Workhour)			Achieved Percent of Target (TPH/Workhour)	FY 2003 Workhours at 100 Percent of BPI Target	Potential Workhour Savings at 100 Percent BPI
		FY 2002	FY 2003	BPI Target			
Flat Sorting Machine 1000	9,040	447	365	562	65%	5,871	3,169
Automated Flat Sorting Machine 100	26,936	1,809	1,965	2,113	93%	25,049	1,887
Delivery Barcode Sorter	32,061	8,086	9,673	10,634	91%	29,164	2,897
Multi Line Optical Character Reader	10,424	8,139	7,660	8,372	91%	9,538	886
Mail Processing Barcode Sorter	47,248	4,566	3,636	9,448	38%	18,182	29,066
Advanced Facer Canceled	4,788	15,913	14,726	20,890	70%	3,375	1,413

Source: Breakthrough Productivity Initiative (BPI) Web site

## APPENDIX D

### FY 2003 GROUP FIVE PLANTS PERCENTAGE PERFORMANCE ACHIEVEMENT



Source: BPI Web page

Note: The BPI was established by the Postal Service to drive costs out of the organization while creating continuous improvement.



## APPENDIX E

### CANTON P&DF COST AVOIDANCE (FUNDS PUT TO BETTER USE)

Recommended Action and Employee Category Impacted	Workhour Reduction	Time Frame: Ten Fiscal Years	
		Undiscounted Savings	Discounted Savings (Net Present Value)
Efficiency improvement: mail processing clerks <sup>29</sup>	93,000	\$42,992,501	\$32,792,942
Consolidation: supervisors <sup>30</sup>	14,000	\$6,139,409	\$4,463,898
Consolidation: mail processing clerks <sup>31</sup>	89,000	\$33,887,695	\$24,639,374
Consolidation: maintenance clerks <sup>32</sup>	6,000	\$2,367,659	\$1,721,499
<b>Total</b>	<b>202,000*</b>	<b>\$85,387,264</b>	<b>\$63,617,713</b>

\* Workhours calculated by multiplying number of positions by 2,000 workhours per staff year.

Notes:

- Cost avoidance was based on FY 2004 workhours and calculated using the workhour reduction multiplied by the fully loaded labor rate.
- Labor cost was escalated at 3.1 percent.
- Net present value was calculated using the discount rate of 5 percent.
- Fully loaded labor rates are based on the Postal Service's FY 2005 published rates.
- Labor cost escalation was based on the Postal Service's FY 2005 published Decision Analysis Factors.

Funds Put to Better Use: Funds that can be used more efficiently by implementing recommended actions.

<sup>29</sup>Pay Level 5.

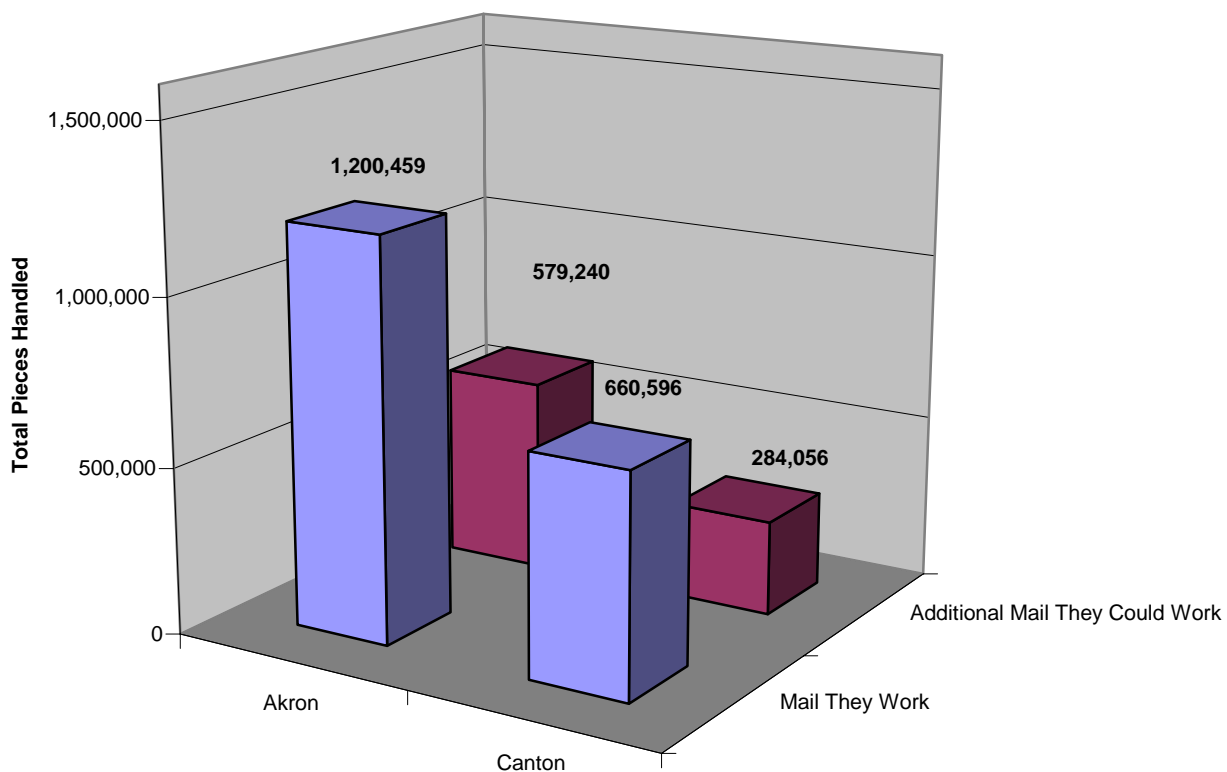
<sup>30</sup>Pay Level 17.

<sup>31</sup>Pay Level 5, including two in-plant support clerks.

<sup>32</sup>Pay Level 6.

## APPENDIX F

### FY 2003 AKRON P&DC AND CANTON P&DF MAIL PROCESSING CAPACITY



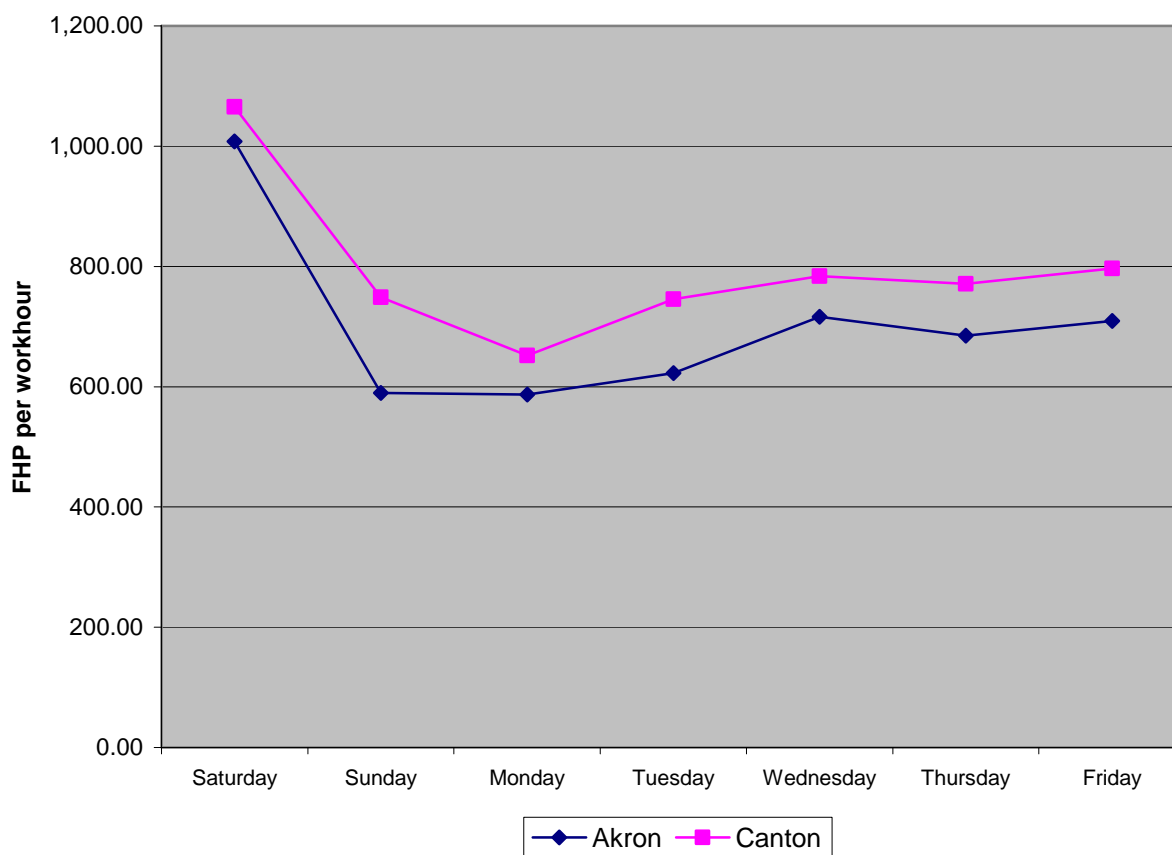
Source: BPI Web page

Note: The Akron P&DC has the capacity to process the Canton P&DF's outgoing mail operations, which total over 251 million pieces annually.

## APPENDIX G

### CANTON P&DF AND AKRON P&DC FHP

(For the 8-Week Period Saturday, October 2, 2004 -  
Friday, November 26, 2004)

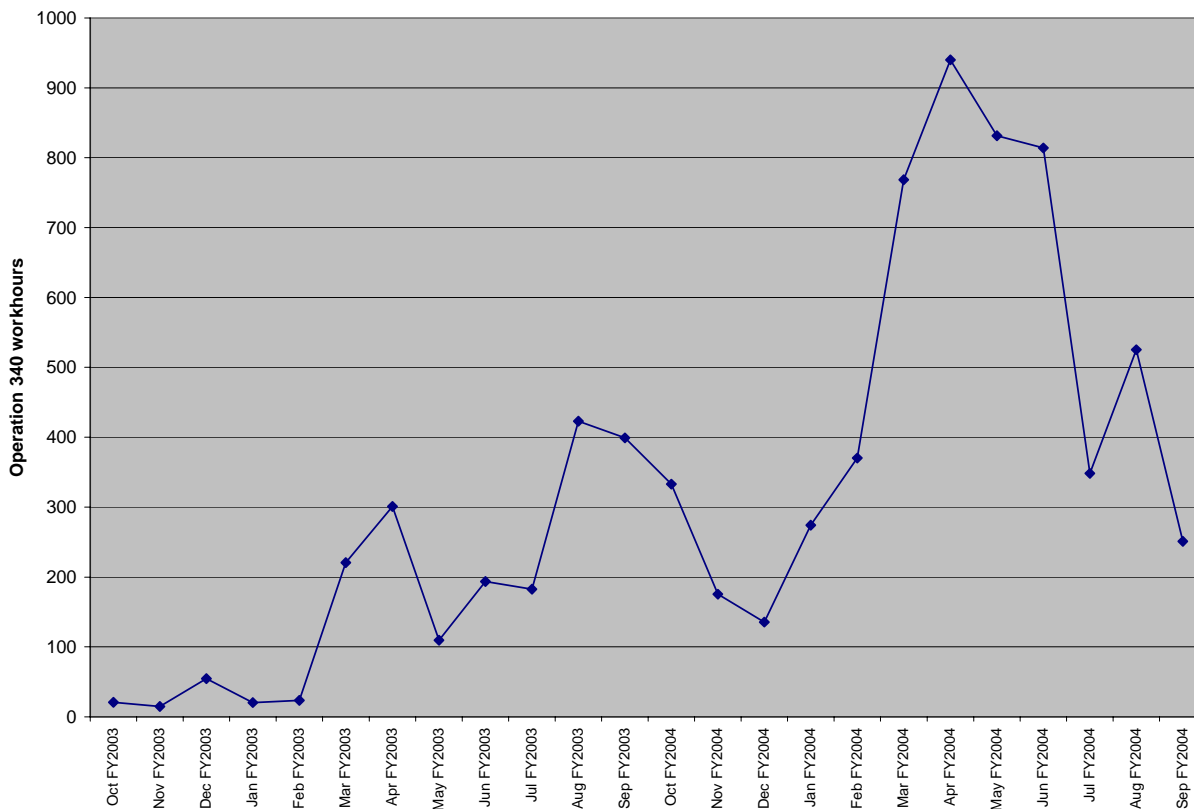


Source: Web Management Operating Data System (Web MODS)

Note: A FHP is a letter, flat, or parcel that receives its initial distribution in a Postal Service facility.

## APPENDIX H

### FYS 2003 AND 2004 AKRON P&DC STANDBY TIME

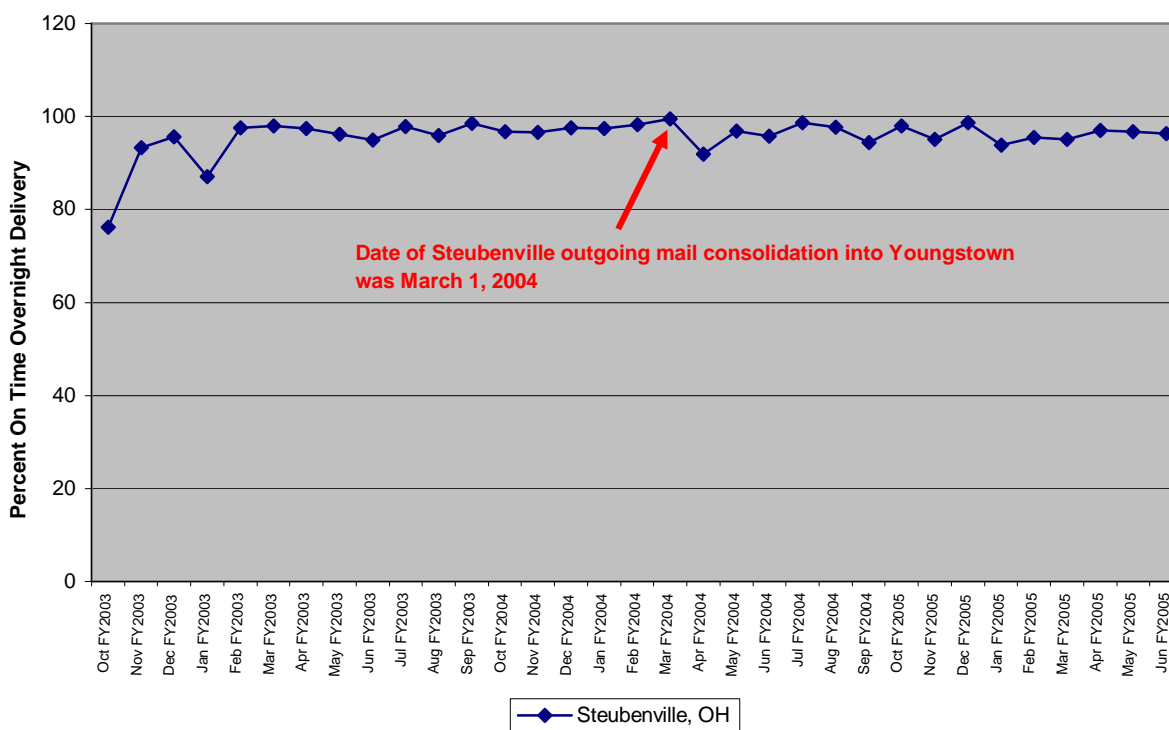


Source: Web Enterprise Information System (WebEIS)

Note: Handbook M-32 states that standby time is used for personnel in mail processing, customer services, and delivery services who cannot be gainfully employed.

## APPENDIX I

### STEUBENVILLE, OHIO, MAIN POST OFFICE OVERNIGHT FIRST-CLASS MAIL SERVICE SCORES



Source: Origin Destination Information System

Note: Percentage per month recorded in the Origin Destination Information System that met overnight delivery standards.

## APPENDIX J

### YOUNGSTOWN, OHIO, P&DC PLANET CODE\*\* SCANS (For the Periods May 4 - June 4, 2004, and June 14 - July 13, 2004)

Facility	ZIP Code	Score	Total Pieces	On Time	Failed
Steubenville, Ohio	439	<del>98.98%</del>	490	485	5
Youngstown SCF*	444	<del>98.77%</del>	81	80	1
Youngstown, Ohio	445	<del>99.75%</del>	805	803	2
	<b>TOTAL</b>	<b><del>99.42%</del></b>	<b>1,376</b>	<b>1,368</b>	<b>8</b>
* Sectional Center Facility					

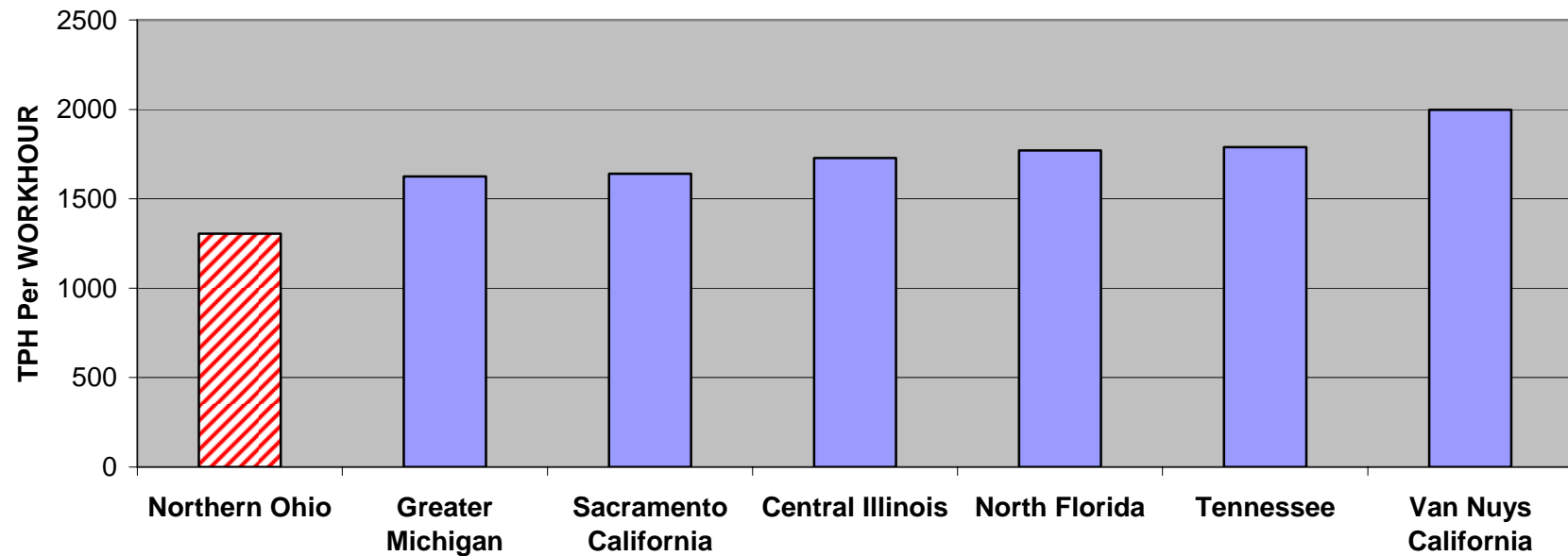
Source: Planet Code Scans (Internal Postal Service Testing)

\*\*PLANET CODES are used to track letter-sized mailpieces electronically.

Note: This chart shows that delivery service scores exceeded the national service goal of 95 percent for the Youngstown, Ohio, P&DC and Steubenville, Ohio, Main Post Office service area after consolidating Steubenville's outbound mail on March 1, 2004.

## APPENDIX K

### FY 2004 PRODUCTIVITY FOR CUSTOMER SERVICE DISTRICTS WITH SIX PLANTS



Source: BPI Web page

Note: Productivity is calculated by dividing TPH by total workhours

## APPENDIX L. MANAGEMENT'S COMMENTS



September 14, 2005

Kim H. Stroud  
Director, Audit Reporting  
1735 North Lynn Street  
Arlington, VA 22209-2020

SUBJECT: Response-Efficiency of the Canton, Ohio, Processing and Distribution Facility (Report Number NO-AR-05-Draft)

We have reviewed the proposed draft report regarding the Canton Processing and Distribution Facility dated August 26, 2005. We concur with the findings, recommendations and the associated economic impact. Each of the recommendations along with our response is listed below:

**Recommendation 1:** Reduce 93,000 workhours at the Canton P&DF by the end of FY 2012; this will result in an associated economic impact of \$33 million.

We concur with the 93,000 workhour reduction and the associated impact of \$33 million. The Canton P&DF has already begun to reduce workhours and improve efficiency. We anticipate, through attrition, that the workhour reductions will be completed by FY 2012.

**Recommendation 2:** Evaluate operating efficiency and staffing at the Canton P&DF to determine whether further workhour adjustments are necessary based on workload.

We agree with this recommendation. We will review the mail processing functions at the Canton P&DF at periodically to ensure efficient operations.

**Recommendation 3:** Consolidate outgoing mail operations into the Akron Processing and Distribution Center resulting in an additional 109,000 workhour reduction at the Canton Processing and Distribution Facility. The economic impact of this workhour reduction is more than \$30 million over ten years.

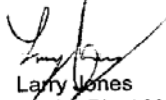
We agreed with this recommendation and associated economic impact of \$30 million. We believe this consolidation is an integral part of our plan to improve overall BPI performance in the Northern Ohio Customer Service District. It is our intent to move forward with this consolidation, as soon as approval from Headquarters is received.

575 WOLF LEDGES PKWY  
AKRON, OH 44309-9998  
(330) 996-9750



- 2 -

We would like to express our appreciation to the OIG team for their thoroughness, efforts and professionalism with working with local management to identify saving through efficiency improvements.



Larry Jones  
Senior Plant Manager  
Northern Ohio Performance Cluster

cc: Alexander Lazaroff  
Paul E. Vogel  
Ken Winters  
Kathleen Ainsworth  
Thomas Duchesne  
Steven R. Phelps  
Lauren Harkins