

January 23, 2003

FRANCIA G. SMITH  
VICE PRESIDENT AND CONSUMER ADVOCATE

SUBJECT: Management Advisory – Consolidation of the San Francisco Mail  
Recovery Center (Report Number OE-MA-03-002)

This management advisory presents the results of our review of the consolidation of the San Francisco Mail Recovery Center (Project Number 03BG006OE000). We initiated this project in response to a congressional request inquiring about procedures for closing, real savings obtained, and obligations for employee placement related to the closure of the San Francisco Mail Recovery Center.

Our review disclosed that there is the potential for savings by consolidating operations, and the Postal Service honored its obligations to employees by reassigning them to new positions. However, the Postal Service needs to develop policies and procedures to ensure that proper analyses and notifications are performed to document, verify, and support consolidation and/or closure decisions.

This report made one recommendation addressing this issue. Management disagreed with our recommendation indicating they have no current plans to consolidate the remaining two mail recovery centers. However, Postal Service management agreed to implement the recommendation should further consolidation of the mail recovery centers take place. Management's comments and our evaluation of these comments are included in this report.

### **Background**

This report responds to a congressional request dated September 6, 2002, inquiring about the closure/consolidation of the San Francisco Mail Recovery Center. The Postal Service has three mail recovery centers located in Atlanta, Georgia; St. Paul, Minnesota; and San Francisco, California, formerly called the dead parcel branches, where all undeliverable parcels, mail items, and unpaid mail are sent.

In an effort to increase operational efficiency and reduce costs, the Postal Service decided to close one of the mail recovery centers and consolidate operations with the remaining facilities. Consumer advocate officials define consolidation as discontinuing operations at the San Francisco Mail Recovery Center and combining operations with

the St. Paul and Atlanta Mail Recovery Centers. The Postal Service decided to close the San Francisco Mail Recovery Center because the San Francisco facility processed the lowest volume of mail, it would have the least impact on staff, and the facility had mail operational constraints. The San Francisco Mail Recovery Center employees expressed concern and contend that this was not a sound business decision that would result in cost savings. Further, the employees argued that the Postal Service did not follow the proper procedures to close the facility or notify employees. The San Francisco Mail Recovery Center closed on September 13, 2002, and all 57 employees were either reassigned or retired.

### **Objectives, Scope, and Methodology**

The objectives of our review was to evaluate the consolidation of the San Francisco Mail Recovery Center. Specifically, we determined whether the Postal Service: (1) followed proper procedures to close the facility; (2) assessed if closure will result in real savings; and (3) honored its obligations for employee reassignment.

To accomplish our objectives, we reviewed the Consumer Advocate News & Views (Issue 12, 2000) and Postal Bulletin Number 22082. We interviewed officials from the Postal Service Consumer Advocate office, Facilities Asset Management, Pacific Area Support, Pacific Area Facilities Service Office, San Francisco District Labor Relations, and San Francisco District Facilities. In addition, we interviewed representatives and examined contracts from the American Postal Workers Union and the National Postal Mail Handlers Union, and reviewed any applicable policies and procedures.

We conducted our review from September through January 2003, in accordance with the President's Council on Integrity and Efficiency, Quality Standards for Inspections. We discussed our conclusions and observations with appropriate management officials and modified our report accordingly.

### **Prior Audit Coverage**

We did not identify any prior audits or reviews related to the objective of this review.

### **Results**

According to Postal Service management, the decision to consolidate the mail recovery program into two mail recovery centers is based on "what is best for our business." The San Francisco Mail Recovery Center consolidation was based on the fact that of the three mail recovery centers, San Francisco experienced the greatest decrease in mail volume, had the smallest staff, and greatest facility constraints. However, no formal policies or procedures were in place requiring the Postal Service to document this business decision. We believe by developing a policy and documenting any future consolidations, Postal Service management will be able to quickly address any questions and concerns.

We also concluded potential savings from salary and benefits would be realized from abolishing the 57 mail recovery center positions. In addition, we found that the Postal Service honored its obligation to employees by reassigning them other positions.

### **Procedures for Consolidation**

While there are no procedures for consolidations,<sup>1</sup> the vice president and consumer advocate took steps to inform employees about the consolidation. According to Postal Service officials, the decision to consolidate was a rational business decision to increase operational efficiency; therefore, written procedures were not necessary. The policies that govern the mail recovery program are found in Postal Operation Manual 692, Domestic Mail Manual 105, and Domestic Mail Manual 106. Policies and procedures in this area would ensure that proper analyses and notifications are performed to document, verify, and support the validity of such decisions. Without formal policies and procedures, it can be difficult for senior management to justify operational changes.

Although no formal procedures exist, the vice president and consumer advocate notified the Postal Service units affected by the operational changes. The Postal Service units affected were Labor Relations, Network Operations Management, and Facilities. Written notification of the operational change was provided to Labor Relations in April 2002. Network Operations Management which transports the undeliverable mail when space is available on the Intra Bulk Mail Network<sup>2</sup> was contacted on July 8, 2002. Although not required, Facilities received a courtesy email stating that the mail recovery center would no longer occupy the space at 390 Main Street, San Francisco, California. Since the mail recovery center was a Postal Service operation housed in a Postal Service facility, notification to the facility was not necessary.

### **Potential Savings of Consolidation**

We evaluated the consolidation and found there is the potential for savings. We determined from the data collected that the San Francisco Mail Recovery Center had the least impact on staff, lowest mail volume, and the smallest total income of the three mail recovery centers. Furthermore, we determined that the Postal Service incurred no additional transportation costs to move undeliverable mail because excess capacities on current truck routes are utilized. Also, the Postal Service should realize salary and benefit savings from eliminating the 57 mail recovery center district positions and placing the employees in vacant existing district positions.

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<sup>1</sup> We determined that this was not a closure, but a consolidation of operations.

<sup>2</sup> The Intra Bulk Mail Network transports undeliverable mail to the mail recovery center through the use of trucks that have space available on the existing route.

## **Procedures for Employee Reassignment**

We evaluated the procedures the Postal Service followed to reassign the San Francisco Mail Recovery Center employees. We determined that the Postal Service honored its obligations to the employees when reassigning them to new positions. The Postal Service followed Article 12 of both the American Postal Workers Union and National Postal Mail Handlers Union National Contract Agreement. The National Contract Agreement provides employees reassignment rights based on the needs of the Postal Service.

According to Article 12.4.C of the National Contract Agreement for the American Postal Workers Union and National Postal Mail Handlers Union, the Postal Service is required to provide notification to the national office regarding implementation of the consolidation. The national office would then notify the regional office of the consolidation. The employer is required to advise the union based on the best estimate available at the time of the anticipated impact. The union, at the regional level, will then be periodically updated by the employer of any information change due to more current data. No advance employee notification was necessary since the reassignment was not outside of the installation.<sup>3</sup> Further, Article 12.5.B.5 requires the Postal Service to withhold full-time positions within the area for full-time employees who are involuntarily reassigned.

According to the National Contract Agreement when operational changes impact employee reassignments the Postal Service is required to notify Labor Relations, then Labor Relations notifies the national union(s), and finally the national union(s) notifies the regional and local union offices. Postal Service management notified the Labor Relations headquarters office in April 2002 of the planned San Francisco Mail Recovery Center closure. Labor Relations notified the American Postal Workers Union and National Postal Mail Handlers Union national offices in June 2002. In June 2002 and July 2002, the national union offices notified the regional and local offices, respectively.

There were a total of 57 craft employees assigned to the San Francisco Mail Recovery Center, of which 55 were clerks and 2 mail handlers. The employees received verbal and written notification of the consolidation. The San Francisco Mail Recovery Center, acting manager, gave the verbal announcement in June 2002, after the national office received the official notification. The employees received written notification in July 2002, and official notification in August 2002. Postal Service management granted all employees retreat rights.<sup>4</sup> The disposition of the employees are as follows: 5 retired, 5 on light duty, 14 in residual bids, and 31 in secured bids.

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<sup>3</sup> Installation - the employee district.

<sup>4</sup> Retreat rights – a right granted to employees that are involuntarily excessed from their section or unit to revert back to that section or unit if it is reestablished.

## **Recommendation**

We recommend the vice president and consumer advocate:

1. Develop procedures to ensure that proper analyses and notifications are performed to document, verify, and support consolidation decisions.

## **Management's Comments**

Management disagreed with the need to implement the recommendation currently. Management's comments indicated that the Postal Service had no present plans to consolidate the remaining two mail recovery centers and given the low probability of a future consolidation, they question whether the time and resources needed to accommodate the recommendation would be a value added process. However, the Postal Service agreed to utilize the report and recommendation to develop internal mail recovery center standard operating procedures for analysis and consolidation should the occasion arise. Management's comments, in their entirety, are included in the appendix of this report.

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

Management's planned actions should resolve the issue identified in the report. Management agreed to implement the recommendation by developing internal mail recovery center standard operating procedures should further consolidation take place.

We appreciate the cooperation and courtesies provided by your staff during the review. If you have any questions or need additional information, please contact Robert J. Batta, director, Accepting and Processing, at (703) 248-2100, or me at (703) 248-2300.

Ronald D. Merryman  
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Attachment

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## APPENDIX. MANAGEMENT'S COMMENTS

FRANCIA G. SMITH  
VICE PRESIDENT  
AND CONSUMER ADVOCATE



January 6, 2003

MR. MERRYMAN

SUBJECT: Response to Draft Management Advisory – Consolidation of the San Francisco Mail Recovery Center (MRC) (OIG Report Number OE-MA-03-DRAFT)

Thank you for the opportunity to review and respond to the draft Management Advisory concerning the Consolidation of the San Francisco Mail Recovery Center. My staff has read the draft report and agrees with your comprehensive review of the consolidation process. The findings in your report validated that we appropriately followed the existing procedures in the POM/ASM when consolidating the San Francisco Mail Recovery Center.

**Recommendation #1:** That the vice president and consumer advocate:

Develop procedures to ensure that proper analyses and notifications are performed to document, verify and support consolidation decisions.

**Postal Service Response:**

We disagree with the need to do this currently. Since we have no present plans to consolidate the remaining two Mail Recovery Centers and given the low probability of a future consolidation, we question whether the time and resources needed to accommodate the recommendation as we understand it (publishing specific MRC procedures in the POM/ASM) would be a value added process. We will however utilize the report and recommendation to develop internal MRC standard operating procedures for analysis and consolidation should the occasion arise.

We appreciate the opportunity to provide feedback on this report.

  
Francia G. Smith