



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Toledo, OH, Processing and Distribution Center Mail Consolidation

Audit Report

Report Number
NO-AR-14-009

August 28, 2014



UNITED STATES
POSTAL SERVICE®

PROCESSING AND DISTRIBUTION CENTER
TOLEDO, OH



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Highlights

A business case existed to support consolidating Toledo P&DC mail operations into the Columbus and Michigan Metroplex P&DCs.

Background

The U.S. Postal Service uses Area Mail Processing (AMP) guidelines to consolidate mail processing functions, eliminate excess capacity, increase efficiency, and better use resources. Consolidations provide opportunities for the Postal Service to operate as a leaner, more efficient organization.

This report responds to a congressional request for review of the Toledo, OH, consolidation from Congresswoman Marcy Kaptur, who represents the 9th Congressional District of Ohio. Our objectives were to determine whether a business case existed for consolidating mail processing operations from the Toledo, OH, Processing and Distribution Center (P&DC) into the Columbus, OH, and Michigan Metroplex P&DCs. We also assessed compliance with established AMP guidelines.

What the OIG Found

A business case existed to support mail consolidation from the Toledo P&DC into the Columbus and Michigan Metroplex P&DCs. The overall cost savings was \$9.3 million annually, which was about \$100,000 more than the Postal Service estimated. Following the consolidations productivity increased

at both receiving plants, delayed mail decreased at the Michigan Metroplex P&DC but increased at the Columbus P&DC, and service scores initially decreased at both plants but have begun to rebound. Also, no career employees were laid off. The consolidations did have a negative impact on carriers, with about 28 percent more carriers returning after 5 p.m. This resulted in customers receiving their mail later, as well as an increased risk to carriers' safety.

While the Postal Service generally followed AMP guidelines, the AMP worksheets had errors because maintenance and transportation costs were underestimated.

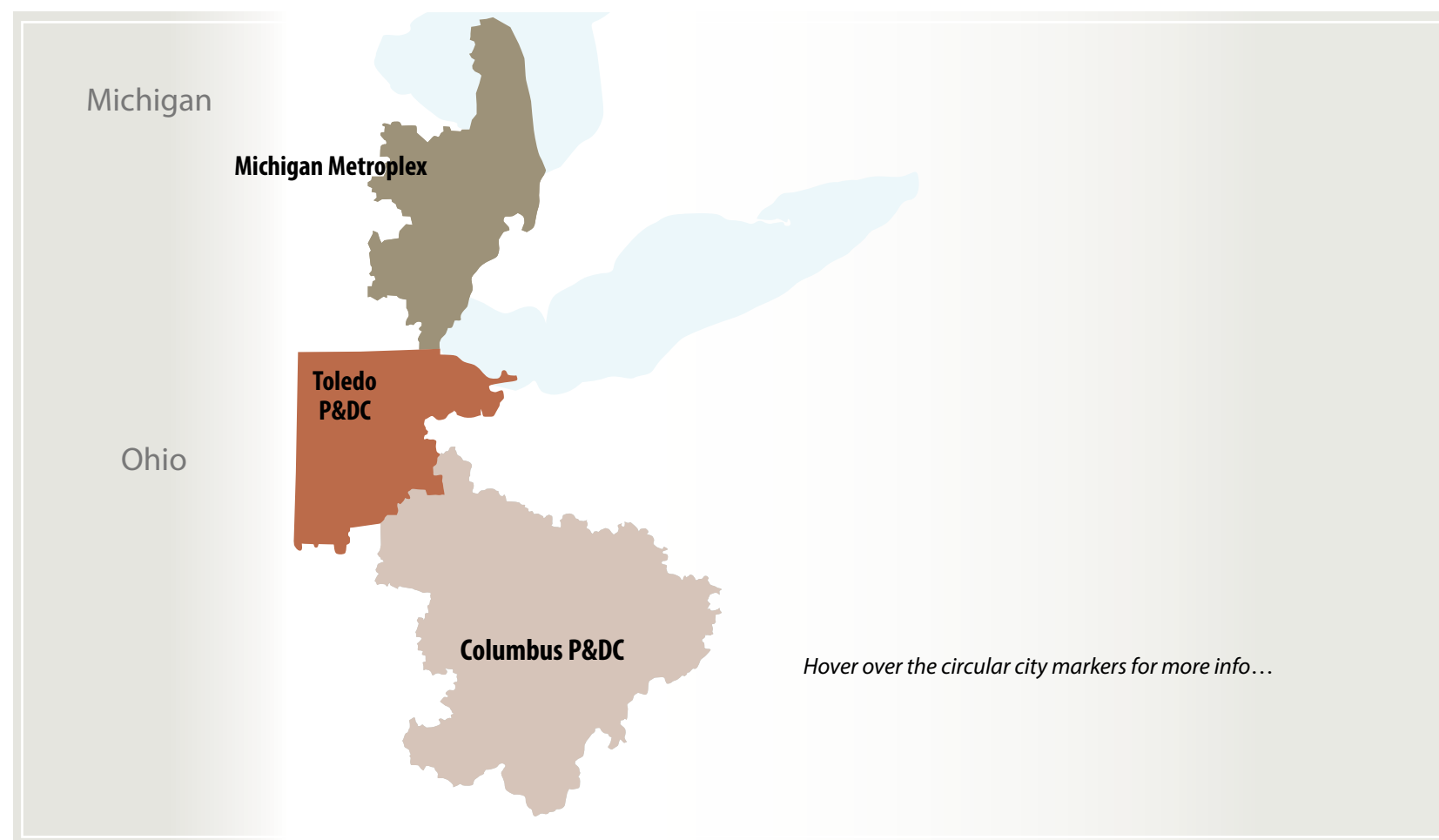
What the OIG Recommended

We recommended the vice president, Network Operations, re-evaluate cost savings to include additional transportation and maintenance costs, update data as necessary, and adjust the AMP proposal based on the post-implementation review. We also recommended the vice president re-evaluate staffing and resources at the Columbus and Michigan Metroplex P&DCs to ensure mail is timely processed and available to carriers for delivery before 5 p.m. and monitor mail processing at the Columbus P&DC to minimize mail delays.



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Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

August 28, 2014

MEMORANDUM FOR: DAVID E. WILLIAMS, JR.
VICE PRESIDENT, NETWORK OPERATIONS

E-Signed by Robert Batta
VERIFY authenticity with e-Sign
Robert J. Batta

FROM: Robert J. Batta
Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Draft Audit Report – Toledo, OH, Processing and Distribution
Center Mail Consolidation
(Report Number NO-AR-14-009)

This report presents the results of our audit of the Toledo, OH, Processing and Distribution Center Mail Consolidation (Project Number 14XG003NO000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact James L. Ballard, director, Network Processing and Transportation, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

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Findings

Following the consolidations, productivity increased at both the receiving plants, delayed mail decreased at the Michigan Metroplex P&DC but increased at the Columbus P&DC, and service scores initially decreased at both plants but have begun to rebound.

Introduction

This report presents the results of our audit of the Toledo, OH, Processing and Distribution Center (P&DC) mail consolidation (Project Number 14XG003NO000). This report responds to a congressional request for review of the consolidation. Our objectives were to determine whether a business case existed for consolidating mail processing operations from the Toledo, OH, P&DC into the Columbus, OH, and Michigan Metroplex P&DCs and assess compliance with established Area Mail Processing (AMP) guidelines. The consolidation consisted of two phases: consolidating mail operations from the Toledo P&DC into the Columbus and Michigan Metroplex P&DCs and then into the Detroit P&DC.

The Postal Service completed the Toledo P&DC originating¹ and destinating² mail consolidation into the Columbus P&DC and the originating mail consolidation into the Michigan Metroplex P&DC in July 2013. On January 24, 2014, the Postal Service announced it would postpone remaining mail processing consolidations and halted consolidation of Toledo P&DC destinating mail into the Detroit P&DC.³ On July 1, 2014, the Postal Service announced it would resume consolidations, including consolidation of Toledo's destinating mail into the Detroit P&DC, beginning in January 2015. See [Appendix A](#) for additional information about this audit.

The Postal Service developed a formal process for reviewing and implementing AMP proposals, which is defined in Handbook PO-408.⁴ The Postal Service uses the AMP process to determine whether to consolidate from one or more postal facilities into others to:

- Increase operational efficiency and improve productivity through more efficient use of assets, such as equipment, facilities, staffing, and transportation.
- Provide affected career employees with opportunities for job reassignments.
- Provide Postal Service customers with the same high-quality service they expect.
- Ensure overall cost reductions.

¹ Originating mail is outgoing and local mail that enters the mailstream (the point of origin) for mail processing and delivery.

² Destinating mail is incoming mail arriving for its point of final delivery (destination) through a processing facility.

³ The Postal Service announced postponement of Phase II of the Network Realignment in the *Federal Register*, Vol. 79, No. 16/Friday, January 24, 2014, Rules and Regulations. Management considers consolidation of the Toledo P&DC incomplete until Phase II is complete.

⁴ Handbook PO-408, *Area Mail Processing Guidelines*, March 2008. An AMP feasibility study determines whether there is a business case for relocating processing and distribution operations from one location to another.

Conclusion

A business case existed to support consolidating Toledo P&DC mail operations into the Columbus and Michigan Metroplex P&DCs. The Postal Service's overall cost savings was \$9.3 million annually, which was about \$100,000⁵ more than it estimated. Following the consolidations we found productivity increased at both receiving plants, delayed mail decreased at the Michigan Metroplex P&DC but increased at the Columbus P&DC, and service scores initially decreased at both plants but have begun to rebound. In addition, no career employees were laid off as a result of the consolidations. We also determined that about 28 percent more carriers were returning after 5 p.m. than prior to the consolidation. This resulted in customers receiving their mail later as well as an increased risk to carriers' safety.

While the Postal Service generally followed AMP guidelines, there were errors in the AMP worksheets and extra trip expenses were not included in the transportation calculations.

Machine Capacity

Adequate machine capacity exists at the Columbus and Michigan Metroplex P&DCs to process mail from the Toledo P&DC. Specifically, the Columbus P&DC had overall annualized excess capacity of 30 percent (689 million mailpieces) after it started processing mail from the Toledo P&DC. Similarly, the Michigan Metroplex P&DC had overall annualized excess capacity of 47 percent (1.4 billion mailpieces) after the consolidation (see [Tables 1](#) and [2](#)). In addition, both plants had adequate floor space to accommodate the additional equipment needed to process the Toledo P&DC's mail volume.

⁵ The U.S. Postal Service Office of Inspector General (OIG) calculated the difference between savings as follows: $\text{OIG-Calculated Savings} - \text{AMP Proposed Savings} = \text{Difference}$. 1. Columbus to Toledo Savings: $(\$3,926,007 - \$3,663,289 = \$262,718)$. 2. Columbus to Michigan Metroplex Savings: $(\$5,461,115 - \$5,624,937 = \$-163,822)$. 3. We took the difference between the totals: $(\$262,718 - \$163,823 = \$98,895)$.

Table 1. Columbus P&DC Equipment Excess Capacity

Equipment	Number of Machines	Mailpieces			
		Maximum Capacity*	Mail Volume**	Excess Capacity	
Automated Facer Cancellor System	8	254,150,400	126,809,512	127,340,888	50%
Automated Flats Sorting Machine	4	125,550,000	82,102,818	43,447,182	35%
Automated Parcel and Bundle Sorter	1	11,973,704	10,392,959	1,580,744	13%
Automated Package Processing System	1	22,932,405	16,679,291	6,253,114	27%
Delivery Bar Code Sorter	38	1,484,280,000	1,237,261,205	247,018,795	17%
Delivery Input Output Sub-System	11	644,490,000	381,065,683	263,424,317	41%
Total***	63	2,543,376,509	1,854,311,469	689,065,040	30%****

Source: Enterprise Data Warehouse (EDW) and Web End-of-Run (WebEOR).

*Machine capacity is based on the type and class of mail processed during the operating window that would allow the Postal Service to meet service standards.

**Mail volume was calculated using data from January 8, 2013 – January 9, 2014.

***Totals may not add exactly due to rounding.

****This 30% reflects the average of excess capacity.

Table 2. Michigan Metroplex P&DC Equipment Excess Capacity

Equipment	Number of Machines	Mailpieces			
		Maximum Capacity*	Mail Volume**	Excess Capacity	
Automated Facer Cancellor System	17	540,069,600	215,632,598	324,437,002	60%
Automated Flats Sorting Machine	5	156,937,500	98,760,259	58,177,241	37%
Automated Package Processing System	2	23,947,407	12,499,687	11,447,720	48%
Delivery Bar Code Sorter	65	2,285,010,000	1,578,865,977	706,144,023	31%
Delivery Input Output Sub-System	9	527,310,000	218,427,513	308,882,487	59%
Total***	98	3,533,274,507	2,124,186,033	1,409,088,474	47%****

Source: EDW and WebEOR.

*Machine capacity is based on the type and class of mail processed during the operating window that would allow the Postal Service to meet service standards.

**Mail volume was calculated using data from January 8, 2013 – January 9, 2014.

***Totals may not add exactly due to rounding.

****This 47% reflects the average of excess capacity.

Customer Service

Customer service performance, as measured by the External First-Class Measurement system⁶ (EXFC), declined after consolidation of the Toledo P&DC's mail into the Columbus and Michigan Metroplex P&DCs. Forty of 54 (76 percent) monthly indicators in Overnight, 2-Day, and 3-Day service declined during the 6 months following the consolidation when compared to the same period last year (Table 3). Management stated the decline in service scores was not a result of the AMP but, mainly, the result of an unusually harsh winter. We examined service scores for April 2014 and determined they began to rebound in all categories, except the Toledo P&DC's overnight mail, supporting management's claim.⁷

Table 3. Toledo, Columbus, and Michigan Metroplex EXFC Scores

		Pre-AMP*							Post-AMP**						
EXFC STANDARD	P&DC	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Apr-14
Overnight	Toledo	98.46	98.43	96.09	96.34	90.46	97.73	AMP CONSOLIDATION	95.45	92.70	99.20	90.48	87.60	97.36	94.92
	Columbus	96.94	95.70	97.44	97.20	97.73	97.10		96.21	96.29	95.67	96.09	91.38	95.17	95.56
	Michigan Metroplex	97.00	95.34	97.90	96.50	96.45	96.96		95.89	95.53	96.94	94.31	92.02	92.15	95.99
2-Day	Toledo	98.17	95.32	93.93	95.20	93.80	95.01		92.88	91.91	95.19	93.11	94.56	92.19	97.85
	Columbus	94.61	95.16	95.52	96.30	95.50	96.55		94.31	94.71	94.12	94.27	91.72	92.02	95.80
	Michigan Metroplex	95.55	95.98	95.95	96.54	97.08	97.75		97.04	97.02	97.11	95.70	95.63	92.22	95.96
3-Day	Toledo	88.96	90.81	91.72	92.87	93.51	92.56		92.15	88.97	90.17	89.65	73.46	84.00	90.03
	Columbus	93.47	92.92	93.78	92.54	91.72	95.18		94.72	94.39	92.54	92.44	77.54	83.00	91.65
	Michigan Metroplex	88.50	90.67	90.45	89.48	91.72	93.24		93.85	91.64	90.16	91.19	75.58	73.64	81.49

Source: EDW.

Note: Green numbers show an improvement in service scores compared to the months before the consolidation, while the red numbers indicate a decline.

*January – June 2013.

**August 2013 – January 2014.

The consolidation, however, did result in net service upgrades that improve customer service by requiring that mail arrive at the destinating facility sooner for delivery. Specifically, the consolidation resulted in 54 net service upgrades, with 33 upgrades from the Toledo P&DC's consolidation into the Columbus P&DC and 21 from the Toledo P&DC's consolidation into the Michigan Metroplex P&DC (see [Tables 4 and 5](#)).

⁶ Test an independent contractor performs to measure service performance for First-Class Mail (letters, flats, and postcards) from mail collection to final delivery.

⁷ The OIG will continue to monitor service scores for improvement through its risk models.

Table 4. Toledo to Columbus Service Standard Impacts

Mail Class	Service Standard Changes 3-Digit ZIP Code Pairs ¹		
	Upgrades	Downgrades	Net Change
First-Class Mail	0	0	0
Priority Mail	0	0	0
Periodicals	31	14	17
Standard Mail	12	0	12
Packages	4	0	4
Total	47	14	33

Source: Service Standard Directory.

¹ A service standard pair is the service standard between one 3-digit origin ZIP Code and one 3-digit destination ZIP Code.

Table 5. Toledo to Michigan Metroplex Service Standard Impacts

Mail Class	Service Standard Changes 3-Digit ZIP Code Pairs		
	Upgrade	Downgrade	Net Change
First-Class Mail	18	9	9
Priority Mail	0	0	0
Periodicals	18	9	9
Standard Mail	3	0	3
Packages	0	0	0
Total	39	18	21

Source: Service Standard Directory.

Employee Impact

Consolidating the Toledo P&DC into the Columbus and Michigan Metroplex P&DCs did not result in any career employees being laid off. As of February 2014, the Toledo P&DC eliminated 100 craft and nine Executive and Administrative Schedule (EAS) employee positions (see Table 6). Management offered voluntary early retirement and buyout incentives in conjunction with the Network Realignment Initiative to reduce workhours.

Table 6. Employee Impact

How Reduction was Accomplished	Number of Employees
Reassigned (all voluntary – no relocation costs incurred)	47
Resigned	5
Removed (disciplinary reasons)	2
Retired	45
Voluntary transfer to another agency	1
Total	100

Source: OIG and Postal Service analysis.

Productivity

Combined facility First-Handling Piece (FHP)⁸ productivity⁹ for the Toledo, Columbus, and Michigan Metroplex P&DCs increased after the consolidations. The AMP projected an increase of combined FHP productivity of 3.4 percent for the Columbus P&DC and 3.1 percent for the Michigan Metroplex P&DC; however, compared to 6 months prior to the consolidation, productivity increased 6 percent for the Columbus P&DC and 7 percent for the Michigan Metroplex P&DC (see Table 7).

Table 7. Productivity Impact

Facility	*Pre-AMP	**Post-AMP	Percentage Change
Toledo	1,226	1,130	-8%
Michigan Metroplex	1,286	1,371	7%
Columbus	1,124	1,193	6%

Source: EDW.

*January – June 2013.

**August 2013 – January 2014.

⁸ A letter, flat, or parcel that receives its initial distribution at a Postal Service facility.

⁹ Productivity is calculated by dividing mailpieces by workhours. This number is useful when evaluating overall efficiency.

Delayed Mail

Following consolidation of mail operations, delayed mail¹⁰ decreased at the Toledo and Michigan Metroplex P&DCs and increased at the Columbus P&DC. Specifically, delayed mail at the Toledo P&DC decreased from 0.45 percent to 0.35 percent of FHP volume. Similarly, the Michigan Metroplex P&DC had a decrease in delayed mail from 1.79 to 1.47 percent. But the Columbus P&DC's delayed mail increased from 0.20 percent to 1.99 percent, which is slightly higher than its delayed mail average of 1.5 percent of FHP volume. Although not yet a problem, management should monitor delayed mail at the Columbus P&DC to ensure mail is processed timely and delayed mail is minimal (see Table 8).

Table 8. Delayed Mail as a Percentage of FHP Volume

Facility	Pre-AMP*		Post-AMP**	
	Delayed Mailpieces	Percentage Delayed	Delayed Mailpieces	Percentage Delayed
Toledo	1,293,869	0.45%	631,733	0.35%
Michigan Metroplex	17,340,527	1.79%	18,098,835	1.47%
Columbus P&DC	1,841,558	0.20%	21,983,780	1.99%

Source: EDW and Mail Condition Reporting System.

*Before Consolidation: January – June 2013.

**After Consolidation: August 2013 – January 2014.

AMP Guidelines

The Postal Service generally complied with stakeholder communication policies when conducting the AMP study and generally followed AMP guidelines. However, it did not complete some of the AMP study steps within established timeframes and the AMP worksheets contained population and data entry errors.

We found population and data entry errors in the AMP electronic worksheets for the maintenance and transportation categories. These errors totaled about \$3.9 million (\$620,310 for the Columbus P&DC and \$3,341,176 for the Michigan Metroplex P&DC). See [Table 9](#) and [Table 10](#) for additional details. Management stated they missed these errors in the review process. During the audit, we worked with management to determine the correct calculations for the current and proposed costs on the maintenance and transportation worksheets.

Accurate and complete AMP data are important for supporting management decisions, ensuring management accountability, and strengthening stakeholder confidence in the consolidation process. On the other hand, inaccurate data on AMP worksheets can affect the business case for the consolidation. In this case, inaccurate data for the Toledo P&DC consolidation did not significantly impact the proposed savings and, therefore, would not have altered the business case for the AMP consolidation. However, the Postal Service should correct these errors during the post-implementation review (PIR).

¹⁰ The Postal Service considers mail delayed when it is not dispatched in time to meet its established delivery day.

Table 9. Toledo to Columbus Worksheet Errors

Category	AMP Projected Savings/(Cost)	OIG-Corrected AMP	Difference
Transportation Savings**	\$1,153,406	\$1,206,295	\$52,889
Maintenance Savings**	915,288	242,089	(673,199)
Total	\$2,068,694	\$1,448,384	(\$620,310)

Table 10. Toledo to Michigan Metroplex Worksheet Errors

Category	AMP Projected Savings/(Cost)	OIG-Corrected AMP	Difference
Transportation Savings**	\$3,830,024	\$1,270,534	(\$2,559,490)
Maintenance Savings**	570,217	(211,469)	(781,686)
Total	\$4,400,241	\$1,059,065	(\$3,341,176)

Cost Savings

The Postal Service estimated cost savings from the Toledo P&DC mail consolidation to the Columbus and Michigan Metroplex P&DCs to be \$3,663,289 and \$5,624,937, respectively, in the first year. However, the overall annual cost savings were \$3,926,607 from the Columbus P&DC consolidation and \$5,461,115 from the Michigan Metroplex P&DC consolidation, which was about \$100,000 more than estimated. The difference in the Postal Service and OIG estimates occurred for several reasons:

- Workhour savings were significantly higher than projected in the AMP. This was because the Postal Service offered voluntary early retirements and fewer employees moved to the Columbus and Michigan Metroplex P&DCs than the AMP proposed.
- EAS workhour savings were lower than projected in the AMP because the Toledo P&DC did not close as planned in the AMP package.
- Maintenance savings were underestimated due to errors in the current and proposed maintenance worksheets.
- Transportation costs were underestimated due to errors in the current and proposed worksheets; and the AMP did not include all costs associated with increases in fuel, wages, mileage, overtime, and extra trips.

Carrier Impacts

Consolidation of Toledo P&DC outgoing mail volume negatively impacted carrier operations. Specifically, mail was not processed for timely arrival at delivery stations; therefore, the percentage of Toledo carriers on the street after 5 p.m. increased by approximately 28 percent from carriers on the street after 5 p.m. prior to the consolidation.

For instance, before the consolidation, 2 percent of carriers in three digit ZIP Codes 434–436 and 18 percent of carriers in ZIP Code area 458 were delivering mail after 5 p.m. After the consolidation, the percentage of carriers delivering mail after 5 p.m. increased to 21 and 45 percent, respectively, for those ZIP Code areas (see Table 11).

Table 11. Percentage of Carriers Returning After 5 p.m.¹¹

Toledo 3-Digit Zip Code Areas	Pre-Consolidation January 2013 - June 2013	Post-Consolidation August 2013 - January 2014	Percentage Change
434-436	18,545	22,455	21.08%
458	7,427	10,799	45.40%
Overall	25,972	33,254	28.40%

Source: EDW.

This increase occurred because the Postal Service adjusted carrier start times to accommodate mail arriving later at delivery units. As a result, carriers were finishing their routes later and customers were receiving their mail later, sometimes after dark.

¹¹ The figures represent the number of instances when a carrier returned after 5 p.m.

Recommendations

We recommend the Postal Service re-evaluate cost savings and make adjustments to the AMP proposal based on the post-implementation review; re-evaluate staffing and resources at both the receiving plants to ensure timely processing; and monitor mail processing at the Columbus P&DC.

We recommend the vice president, Network Operations:

1. Re-evaluate cost savings to include additional transportation costs and update data as necessary and adjust the Area Mail Processing proposal based on the post-implementation review.
2. Re-evaluate staffing and resources at the Columbus and Michigan Metroplex processing and distribution centers to ensure mail is processed on time and available to carriers for delivery before 5 p.m.
3. Monitor mail processing at the Columbus Processing and Distribution Center to minimize mail delays.

Management's Comments

Management agreed with our findings and recommendations.

Regarding recommendation 1, management expects to complete the final portion of the Toledo P&DC AMP by the fall mail season of 2014. The period for the first PIR for the Toledo P&DC will begin immediately after implementation. The target completion date is May 31, 2016.

Regarding recommendation 2, management will review resources at the Columbus and Michigan Metroplex P&DCs and take appropriate steps to ensure mail is processed on time and made available to delivery operations to facilitate the earlier return of carriers. The target completion date is September 30, 2014.

Regarding recommendation 3, management will monitor mail conditions at the Columbus P&DC daily and take immediate action, as necessary. The target completion date is September 30, 2014.

See [Appendix B](#) for management's comments, in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations in the report.

The OIG considers recommendations 1 and 2 significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendices

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Appendix A: Additional Information

Background

The Postal Service ended FY 2013 with a net loss of \$5 billion, marking the seventh consecutive year in which the Postal Service incurred a net loss. The requirement to prefund its retiree health benefit obligations and the continuous drop in First-Class Mail® volume have been major factors contributing to the Postal Service's losses.

In April 2013, the Postal Service released its updated comprehensive Business Plan, which detailed plans to eliminate nearly \$20 billion in annual costs by 2017. The Postal Service stated that it will continue to aggressively pursue the strategies within its control to increase operational efficiency and to improve its liquidity position. As part of the Business Plan, the Postal Service expects to save nearly \$6 billion annually by consolidating mail processing, retail, and delivery networks.¹² The Postal Service stated that network consolidations are necessary to better align its network with mail volume and workhours.

The Postal Service uses AMP guidelines¹³ to consolidate mail processing functions and eliminate excess capacity, increase efficiency, and better use resources. Consolidations provide opportunities for the Postal Service to reduce costs, improve service, and operate as a leaner, more efficient organization.

Title 39, U.S.C. Part 1, Chapter 1, §101, states that the Postal Service “. . . shall provide prompt, reliable, and efficient services to patrons in all areas” Further, the September 2005 *Postal Service Strategic Transformation Plan* states, “The Postal Service will continue to provide timely, reliable delivery to every address at reasonable rates.” The Postal and Accountability Enhancement Act of 2006 highlights “. . . the need for the Postal Service to increase its efficiency and reduce its costs, including infrastructure costs, to help maintain high quality, affordable postal services”

This audit responds to a request from Congresswoman Marcy Kaptur, who represents the 9th Congressional District of Ohio, to review the consolidation of mail processing operations from the Toledo, OH, P&DC to the Columbus, OH, and Michigan Metroplex P&DCs. The representative's concerns include the omission of second handling pieces and equipment relocation costs; inaccurate labor and transportation costs; and invalid customer service, efficiency, and cost impacts.

¹² On January 24, 2014, the Postal Service announced that it is postponing the implementation date for service standard changes that would have enabled the consolidation of many mail processing facilities. On July 1, 2014, the Postal Service announced it would resume consolidations, including consolidation of Toledo's destinating mail into the Detroit P&DC, beginning in January 2015.

¹³ Handbook PO-408, March 2008.

The Toledo and Columbus P&DCs are about 139 miles apart. The Toledo P&DC is in the Northern Ohio District and the Columbus P&DC is in the Cincinnati District, with both districts being in the Eastern Area (see Figure 1).

Figure 1: Location of Toledo P&DC and Columbus P&DC



The Toledo and the Michigan Metroplex P&DCs are about 89 miles apart. The Michigan Metroplex P&DC is in the Detroit District of the Great Lakes Area (see Figure 2).

Figure 2: Location of Toledo P&DC and Michigan Metroplex P&DC



This consolidation moved Toledo's ZIP Code 458 originating and destinating mail volume to the Columbus P&DC and its ZIP Code areas 434–436 originating mail volume to the Michigan Metroplex P&DC. The Postal Service completed the consolidations in July 2013 and postponed the proposal to move destinating mail for three-digit ZIP Code areas 434-436 to the Detroit P&DC.

The Toledo, OH, P&DC AMP proposal was part of the Postal Service's Network Realignment Initiative and one of 223 AMP proposals approved in February 2012.

Implementation of the Toledo P&DC consolidation began 16 months after headquarters approved it. The delay in implementation occurred because of an ongoing moratorium on AMP consolidations between December 2011 and May 2012. Management resumed implementation in two phases, beginning in August 2012. They did not implement the Toledo P&DC consolidation until July 2013 and, in January 2014, postponed Phase II of the consolidation, which would have moved Toledo destinating mail into the Detroit P&DC. However, on July 1, 2014, the Postal Service announced it would resume consolidations, including consolidation of Toledo's destinating mail into the Detroit P&DC, beginning in January 2015 (see Table 12).

Table 12. Toledo AMP Implementation Timeline

Event	Date
Network Realignment Initiative Announcement	9/15/2011
Request for Advisory Opinion Submitted to Postal Regulatory Commission (PRC)	12/5/2011
Moratorium on AMP Consolidations	12/13/2011
Toledo P&DC AMP Approved	2/18/2012
Postal Service Submits Modified Network Realignment Plan to PRC	4/30/2012
Postal Service Announces Consolidations Will Resume	5/17/2012
Phase I of Implementations Begins	8/1/2012
PRC Advisory Opinion	9/28/2012
Toledo 458 Originating/Destinating to Columbus P&DC	7/1/2013
Toledo 434-436 Originating Mail to Michigan Metroplex P&DC	7/1/2013
Toledo 434-436 Destinating Mail Move to Detroit P&DC – Postponed	1/24/2014
Phase II to Begin February 2014 – Postponed	1/24/2014
Postal Service Announces Phase II Will Resume – January 2015	7/1/2014

Objectives, Scope, and Methodology

Our objectives were to assess consolidation of originating and destinating mail processing operations from the Toledo P&DC to the Columbus P&DC and originating mail processing operations to the Michigan Metroplex P&DC, and compliance with established AMP guidelines. We reviewed data from January 2013 through July 2014 to analyze mail trends and productivity at the Toledo, Columbus, and Michigan Metroplex P&DCs; and reviewed service scores, conducted observations, and interviewed management.

We used computer-processed data from the following Postal Service systems:

- Customer Experience Measurement.
- EDW.
- Intelligent Mail barcodes.
- Mail Condition Reporting System.
- Service Standard Directory.
- Web Complement Information System.
- WebEOR.

We conducted this performance audit from January through August 2014, 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management on June 24, 2014, and included their comments where appropriate.

We assessed the reliability of computer-generated data by interviewing agency officials knowledgeable about the data. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Consolidation of the Huntsville, AL, Processing and Distribution Facility</i>	NO-AR-14-005	5/5/2014	N/A
Report Results: A business case existed to support the consolidation. Management agreed with our recommendations to continue processing Huntsville's delivery point sequence (DPS) mail at the Huntsville Processing and Distribution Facility (P&DF) and to re-evaluate staffing and resources at the Huntsville P&DF to ensure timely processing of DPS mail so fewer carriers return after 5 p.m.			
<i>Altoona, PA, Originating and Destinating Mail Consolidation</i>	NO-AR-13-010	9/30/2013	\$138,839
Report Results: A business case existed to support the consolidation. Management agreed with our recommendation to re-evaluate maintenance savings and make adjustments to the AMP proposal in the first PIR.			
<i>New Castle and Greensburg, PA, Consolidation</i>	NO-AR-13-004	8/16/2013	\$978,954
Report Results: A business case existed to support the consolidation. Management agreed with our recommendations to coordinate with the Facility Service Office when rental space is vacated to ensure appropriate lease termination actions are taken; take action to sublease, buy out, or terminate lease agreements for vacated facilities; and ensure Voyager eFleet cards are stored in a secure manner.			
<i>Lessons Learned From Mail Processing Network Rationalization Initiatives</i>	NO-MA-13-004	3/27/2013	N/A
Report Results: The Postal Service has improved its mail processing network optimization efforts as a result of lessons learned from current and past initiatives; however, further refinements are warranted. The Postal Service could improve communications with stakeholders to enhance transparency. Management agreed with the finding and recommendation. Management stated that they will continue striving to ensure that accurate and consistent information is provided to stakeholders, will add further enhancements to AMP information posted on usps.com, and will work with all relevant functions within the Postal Service to further ensure the agency shares relevant information with all stakeholders on a timely basis.			
<i>Post-Implementation Review Process</i>	CI-AR-12-007	9/28/2012	N/A
Report Results: The PIR process used to evaluate whether AMP consolidations achieve projected savings can be improved. Thirty-four of 35 final PIRs (97 percent) reported greater than projected savings based on the methodology used; however, impacts from concurrent initiatives were included and not identified separately in the PIR. We recommended that management improve the PIR guidelines to separate savings and costs associated with concurrent initiatives; implement the use of automated data calculations for PIR worksheets; establish a process to allocate savings and costs when multiple losing facilities are consolidated into the same gaining facility; and assess whether current PIR milestones to complete PIRs should be adjusted.			
<i>Frederick, MD, to Baltimore, MD, Area Mail Processing Consolidation</i>	NO-AR-12-006	7/3/2012	\$558,021
Report Results: Consolidation of destinating mail processing operations initially resulted in significant delayed mail, declines in service and customer experience scores, and increased transportation costs. Management acknowledged there were challenges with the consolidation, but had addressed many of the problems experienced during the consolidation and operating conditions had improved. Management agreed with the recommendation to avoid implementing consolidations during the fall and holiday peak mailing seasons, as appropriate. Management also agreed with the recommendation to ensure customer service commitments are met, but noted operations for sectional center facility 217 have now stabilized and service levels above national targets are being achieved. Management also stated the Postal Service was paying a contractor for services no longer required since the consolidation. They are working to ensure reimbursement of payments for services not performed and expect this to be completed by the end of the calendar year.			

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Oxnard, CA, Processing and Distribution Facility Destinating Mail Consolidation</i>	NO-AR-12-004	3/6/2012	None
Report Results: A business case existed to support the consolidation. Management agreed with our recommendations to monitor customer service measurement, 24-hour clock indicators, delayed mail, and staffing levels to ensure mail is processed timely.			
<i>Industry, CA, Processing and Distribution Center Mail Consolidation</i>	NO-AR-12-002	10/17/2011	\$1,321,651
Report Results: A business case existed to consolidate originating mail processing operations from the industry P&DC into the Santa Ana P&DC to achieve a cost savings of about \$1.32 million annually. We made no recommendations.			
<i>Oshkosh, WI, Processing and Distribution Facility Consolidation</i>	NO-AR-11-006	7/29/2011	None
Report Results: A business case existed to support the consolidation with the exception of sufficient floor space and machine capacity. Management agreed with the recommendations, but disagreed with our analysis of floor space and letter processing capacity.			

Appendix B: Management's Comments

DAVID E. WILLIAMS
Vice President, Network Operations



August 13, 2014

LORI LAU DILLARD
ACTING DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Toledo OH Processing and Distribution Center Mail Consolidation (Report Number NO-AR-14-DRAFT)

Thank you for providing the Postal Service with the opportunity to review and comment on the subject draft report.

The Toledo OH Processing & Distribution Center (P&DC) AMP package consists of three parts. The first is the full consolidation of ZIP 458 into the Columbus OH P&DC. The second part is the consolidation of originating operations for ZIPs 434-436 into the Michigan Metroplex P&DC. The final portion is the consolidation of destinating operations for ZIPs 434-436 into the Detroit MI P&DC. All three parts are required to achieve the final state and fully realize the savings. Of these three parts, the final consolidation into Detroit had not happened at the time of this audit.

Upon full completion of the Toledo OH AMP, management will conduct two Post-Implementation Reviews (PIRs). The PIR provides a process to evaluate the effectiveness of consolidating mail processing operations. The PIR measures actual data before and after AMP implementation. The first PIR will be used to identify any deficiencies in the implementation for correction prior to the final PIR.

Recommendation 1:

Re-evaluate cost savings to include additional transportation costs and update data as necessary and adjust the Area Mail Processing proposal based on the post-implementation review.

Management Response/Action Plan:

Management agrees with this recommendation. The final portion of the Toledo AMP is expected to be completed by the fall mailing season in 2015. The data period for the first PIR for Toledo will begin immediately after implementation.

Target Implementation Date:

May, 2016

Responsible Official:

Manager, Processing Operations

475 L'ENANT PLAZA SW
WASHINGTON, DC 20260-7100
202-268-4305
Fax: 202-268-3331
www.usps.com

Recommendation 2:

Re-evaluate staffing and resources at the Columbus and Michigan Metroplex processing and distribution centers to ensure mail is processed on time and available to carriers for delivery before 5 p.m.

Management Response/Action Plan:

Management agrees with this recommendation. Resources at the the Columbus and Michigan Metroplex will be reviewed and appropriate steps taken to ensure mail is processed on time and made available to delivery to facilitate the earlier return of carriers.

Target Implementation Date:

September 30, 2014

Responsible Official:

Manager, Processing Operations

Recommendation 3:

Monitor mail processing at the Columbus Processing and Distribution Center to minimize mail delays.

Management Response/Action Plan:

Management agrees with this recommendation. Mail conditions at Columbus will be monitored daily with immediate actions as necessary.

Target Implementation Date:

September 30, 2014

Responsible Official:

Manager, Processing Operations

This report and management's response do not contain information that may be exempt from disclosure under the Freedom of Information Act (FOIA).



David E. Williams

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cc: Megan Brennan
Area Vice-President, Eastern Area
Area Vice-President, Great Lakes Area
Corporate Audit and Response Management



OFFICE OF
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UNITED STATES POSTAL SERVICE

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1735 North Lynn Street
Arlington, VA 22209-2020
(703) 248-2100