



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

U.S. Postal Service Past Network Optimization Initiatives

Audit Report

January 9, 2012

Report Number CI-AR-12-003



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GENERAL**
UNITED STATES POSTAL SERVICE

HIGHLIGHTS

January 9, 2012

U.S. Postal Service Past Network Optimization Initiatives

Report Number CI-AR-12-003

IMPACT ON:

Mail processing operations nationwide.

WHY THE OIG DID THE AUDIT:

Our objective was to summarize best practices identified from our work with area mail processing (AMP) consolidations and any areas for improvement.

WHAT THE OIG FOUND:

We determined a valid business case exists for 31 of the 32 AMPs (97 percent) we reviewed. These business cases were supported by adequate capacity, increased efficiency, reduced workhours and mail processing costs, and improved service standards.

Since fiscal year 2004, the Postal Service has improved the AMP process by updating feasibility studies and stakeholder communications. This resulted in better data consistency, planning, and implementation; and a better review process. We believe the AMP process could be further enhanced by improving communication with stakeholders.

We noted the projected AMP annual savings for the 33 completed post-implementation reviews (PIRs) was approximately \$94 million. The PIRs indicate the Postal Service realized annual savings of approximately \$323 million. A variance of over

\$229 million occurred because concurrent initiatives' savings were included with AMP consolidation savings. We noted that five of the 33 PIRs (15 percent) did not achieve projected savings, resulting in an approximate \$9.7 million annual savings shortfall. Finally, there are 14 PIRs past due.

WHAT THE OIG RECOMMENDED:

We recommended the vice president, Network Operations, establish a plan to improve communication with stakeholders concerning the consideration of stakeholder input provided to the Postal Service and improve the timeliness of conducting PIRs.

WHAT MANAGEMENT SAID:

Management agreed with the recommendations and will enhance the Area Mail Processing Communication Plan to incorporate stakeholder input concerning AMPs and will ensure resources are allocated to complete PIRs timely.

AUDITORS' COMMENTS:

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

[Link to review the entire report](#)



January 9, 2012

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

E-Signed by Michael A. Magalski
VERIFY authenticity with e-Sign

A rectangular box containing a handwritten signature in grey ink. The signature is cursive and appears to read "Michael A. Magalski". To the right of the signature is a small yellow question mark icon.

FROM: MICHAEL MAGALSKI
Deputy Assistant Inspector General
for Support Operations

SUBJECT: Audit Report – U.S. Postal Service Past Network
Optimization Initiatives
(Report Number CI-AR-12-003)

This capping report summarizes the results of past U.S. Postal Service Office of Inspector General (OIG) audits conducted on U.S. Postal Service network optimization initiatives between fiscal year (FY) 2004 and FY 2011 (Project Number 11WG006CI000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Michael L. Thompson, director, Planning, Innovation, and Optimization, or me at 703-248-2100.

Attachments

cc: Megan J. Brennan
Corporate Audit and Response Management

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Introduction

This capping report summarizes the results of past U.S. Postal Service Office of Inspector General (OIG) audits of U.S. Postal Service network optimization initiatives between fiscal year (FY) 2004 and FY 2011 (Project Number 11WG006C1000). Our objective was to summarize the best practices identified from our work with area mail processing (AMP) consolidations and identify any areas for improvement. This self-initiated audit addresses strategic, financial, and operational risks. See [Appendix A](#) for additional information about this audit.

The AMP process begins with preparing a study to analyze the feasibility of relocating mail processing operations from one location to another to improve capacity, efficiency, and service. The Postal Service initiated 418 AMP studies¹ between FY 2004 and FY 2011, 103 were implemented, 66 were halted, and 249² are in various stages of approval (see [Appendix C](#) for a complete list of implemented AMPs). During the same period, the OIG issued 39 related audit reports. Of these 39 reports, two were status reports on the Postal Service's network optimization initiatives, five were reports about the AMP process, and 32 were related to consolidations. See [Prior Audit Coverage](#) for the complete list of OIG AMP-related audit reports.

Of the 32 reports related to consolidations, 28 were on implemented AMPs, three were on halted AMPs, and one was on the network optimization risk model.³

Conclusion

We determined a valid business case exists for 31 of the 32 AMPs (97 percent) we reviewed. These business cases were supported by adequate machine and facility capacity, minimal customer service impact, increased efficiency, workhour and mail processing cost reductions, and improved service performance. However, four⁴ of the 31 AMPs supported by a valid business case were poorly executed. A valid business case was not supported in one⁵ of the 32 AMPs due to inadequate machine and facility capacity, although this AMP would result in a cost savings.

Since FY 2004, the Postal Service has improved the AMP process⁶ by updating the criteria for creating AMP feasibility studies and stakeholder communications. This has

¹ The studies are based on updated lists provided by management through November 11, 2011.

² The Postal Service initiated 187 AMP studies from the September 15, 2011 announcement of the initiative to streamline the mail processing network. We will issue a separate audit addressing these AMPs.

³ In collaboration with management, the OIG developed an independent model to assess opportunities for mail processing facility consolidations.

⁴ The four poorly executed audits were *Timeliness of Mail Processing at the Los Angeles, CA P&DC* (Report Number NO-AR-07-001, dated February 9, 2007), *Marysville Processing and Distribution Facility* (Report Number EN-AR-08-003, dated April 16, 2008), *Mojave Post Office Mail Processing Changes* (Report Number EN-MA-10-002, dated January 21, 2010); and *Implementation of Lima, OH to Toledo, OH AMP Consolidation* (Report Number EN-AR-11-004, dated March 31, 2011).

⁵ The one audit that did not support a valid business case was *Oshkosh, WI Processing and Distribution Facility Consolidation* (NO-AR-11-006, dated July 29, 2011).

⁶ The AMP process begins with preparing a study to analyze the feasibility of relocating mail processing operations from one location to another to improve capacity, efficiency, and service.

resulted in increased data consistency and accuracy, better planning and implementation, and an improved review process. However, we believe the AMP process could be further enhanced by improving the timeliness of Post-Implementation Reviews⁷ (PIRs) and stakeholder communications.

The total projected AMP annual savings for the 33 PIRs completed was approximately \$94 million. The PIRs indicate the Postal Service realized annual savings of approximately \$323 million, resulting in a variance of over \$229 million. This variance occurred because concurrent initiatives' savings were included with AMP consolidation savings. We noted that five of the 33 PIRs (15 percent) did not achieve their projected savings, resulting in a savings shortfall of approximately \$9.7 million. Management said that four of the five PIRs did not achieve savings because the PIRs were conducted on AMP proposals prepared prior to the automation of the AMP worksheets.⁸ Finally, there are 14 PIRs past due. Specifically, four PIRs were due on May 31, 2011, and ten PIRs were due on August 31, 2011.

Business Case

Between FY 2004 and FY 2011, the OIG performed 32 audits on AMP consolidations. Our previous work identified a valid business case for 31 of the 32 AMPs (97 percent).

Specifically, we reported that:

- Adequate capacity should exist to process additional mail volume at the gaining facilities.
- Customer service should be minimally impacted.
- Efficiency should improve at the gaining facility because of the additional mail volume.
- Projected workhour reductions should be achieved.
- Projected mail processing costs should be reduced at the gaining facility.
- Service standards should be maintained or improved.

However, four of the 31 AMPs supported by a valid business were poorly executed.⁹

⁷ PIRs provide a process to evaluate the effectiveness of consolidating mail processing operations by comparing the projected savings/costs to the actual savings/costs after implementation. The first PIR is completed within 30 days after the second full quarter following implementation, while the second (final) PIR is completed within 30 days after the first full year of implementation.

⁸ AMP worksheets are used to compile information to support the business case for consolidating operations.

⁹ A poorly executed AMP results when management deviates from the original AMP proposal or underestimates impact on service, or employees are unfamiliar with the AMP process.

A valid business case was not supported in only one of the 32 AMPs due to inadequate machine and facility capacity, although this AMP would result in a cost savings.

AMP Process

Since FY 2004 the Postal Service has improved the AMP process by updating the criteria for creating AMP feasibility studies and stakeholder communications. This has resulted in increased data consistency and accuracy, better planning and implementation, and an improved review process. The Postal Service significantly improved the AMP process in March 2008 with the publication of a revised Handbook PO-408¹⁰ and incorporated our recommendations from past audits. Our audits conducted prior to guideline revisions identified improvements needed in the AMP process. The previous issues included:

- AMP worksheets with inaccurate or incomplete data.
- Unclear guidance on how to calculate savings.
- Inconsistent methodology for calculating cost savings for workhours and staffing.
- Supporting documentation that was not always available or maintained in a central location.
- Local managers not trained on AMP policies and procedures.
- Stakeholder concerns regarding the timing of AMP communications and the validity of information provided.

The Postal Service also improved the *AMP Communications Plan*, which complements Handbook PO-408. Management revised the plan in March 2008 to improve and provide additional messaging to stakeholders to provide AMP process transparency. Although the AMP process has improved, our past audit work continued to find errors in proposed worksheets and issues with the notification process and responsiveness to stakeholders.

AMP Worksheets

Based on our past recommendations, management improved the AMP worksheets. We previously identified that more than half of our past audits (17¹¹ of 32, or 53 percent) reported errors in the AMP worksheets, including:

- Incorrect entries for labor rates and mail volume.

¹⁰ Handbook PO-408, *Area Mail Processing Guidelines*, provides a process for the review and implementation of AMP proposals.

¹¹ From FY 2004 through FY 2008, there were nine audit reports; and from FY 2009 through FY 2011 there were eight audit reports.

- Incomplete worksheets.
- Inconsistent methodologies to determine cost savings.

In addition, our audit of the approved Wilkes-Barre, PA AMP¹² identified that controls were not in place to prevent manual adjustments of the automated worksheets. The audit of the approved Bowling Green, KY AMP¹³ also identified missing and inaccurate data resulting from manual entries for two different gaining facilities. Management is taking actions to enhance the AMP worksheets.

Of the 32 audits performed, there was a net overstatement of \$3.8 million in workhour savings due to errors in the worksheets. Specifically, there were five proposed AMPs with overstated workhour savings totaling \$7.8 million and one PIR with understated workhour savings totaling \$4 million. The reported worksheet errors did not impact the business decision to consolidate mail processing operations.

Communication

We reported various communication issues in 22 of our past AMP audits. These issues included:

- AMP guidelines that did not provide an effective communication mechanism for affected employees to address questions and concerns.
- Concerns of stakeholders about when they were notified and what information was shared with them.
- Concerns about inadequate transparency and a perception that management does not consider public input when making decisions to consolidate operations.

In our *Area Mail Processing Communications* audit,¹⁴ we noted the Postal Service enhanced the *AMP Communications Plan* five times between April 1995 and March 2008. We recommended the Postal Service further enhance the plan through increased communication with employees during the AMP process and increased use of web-based communication for disseminating AMP details to stakeholders. The Postal Service agreed with our recommendation concerning employees; however, they did not agree to use a web-based communication process for stakeholders.

Even though the Postal Service made significant improvements to the *AMP Communications Plan*, stakeholders continued to express concerns related to AMP communications. We conducted 16 AMP audits because of Congressional requests related to complaints from constituents about inadequate transparency and the lack of Postal Service responsiveness.

¹² *Review of the Wilkes-Barre, PA, Processing and Distribution Facility Consolidation* (Report Number NO-AR-11-001, dated October 4, 2010).

¹³ *Bowling Green, KY Consolidation* (Report Number EN-AR-11-008, dated August 25, 2011).

¹⁴ *Area Mail Processing Communications* (Report Number EN-AR-09-001, dated February 4, 2009).

In discussions with management, they said the *AMP Communications Plan* provides transparency on the status and timeline of the final decision to consolidate operations. The strict stakeholder notification process ensures that stakeholders are notified at the start of a study and updated, comments are solicited at the public meeting, and stakeholders are informed when a final decision is made. However, management acknowledged they could improve the process by sharing information regarding the decision with respect to public input.

AMP Guidelines

There were 12 prior reviews which reported that the Postal Service could improve AMP guidelines. We concluded that:

- AMP guidelines were incomplete and some procedures for addressing AMP issues were not contained or referenced in the guide.
- AMP guidelines were not always clear or followed.
- Local managers were not familiar with policies and procedures because they needed training on AMP procedures.

The Postal Service updated Handbook PO-408 in March 2008, incorporating our recommendations from past audits; however, improvements are still needed. Specifically, guidelines do not include the AMP worksheet business rules¹⁵ used to calculate projected workhours. For example, our audit of the Oshkosh, WI AMP¹⁶ found that the business rules which cap the productivity achievement at no greater than 5 percent was changed. Instead 10 percent was used. causing a projected overstatement of \$857,000 in workhour savings. However, management said the business rules are not included in Handbook PO-408 to allow the flexibility to adjust the rules — depending on operating conditions — and to manage mail processing consolidation activities.

¹⁵ The business rules determine workhours needed at the gaining facility.

¹⁶ *Oshkosh, WI Processing and Distribution Facility* (Report Number NO-AR-11-006, dated July 29, 2011).

Savings

The final step in the AMP process is the completion of PIRs to assess whether planned savings, workhours, and levels of service were achieved. In addition, PIRs evaluate the effectiveness of the consolidations by comparing the projected savings and costs to the actual savings and costs after an implementation. The Postal Service has implemented 103 AMPs. Of these, 33 PIRs were completed, 14 were past due,¹⁷ and one¹⁸ management was not able to provide. The remaining 55 are due in FY 2012.

We compared the actual savings from the 33 PIRs available with the projected annual savings in their corresponding AMPs. The Postal Service projected annual savings of almost \$94 million. However, based on PIR results, the Postal Service realized savings of approximately \$323 million, resulting in a variance of over \$229 million (244 percent). This variance occurred because other concurrent initiatives¹⁹ were added to the AMP consolidation savings. They included the concurrent savings in the PIRs, but these savings were not directly related to the AMPs. We anticipate conducting an audit of the PIR process and related savings calculations in the future.

Five of the 33 PIRs (15 percent) did not achieve projected annual savings. These five PIRs revealed that the Postal Service realized a savings shortfall of approximately \$9.7 million. This occurred partly because labor savings were counted twice in one PIR. The AMP savings estimates were not accurate and the Postal Service did not fully realize the projected savings. Management said that four of the five PIRs did not achieve savings because they were conducted on AMP proposals prepared prior to automation of the AMP worksheets and contained inaccurate data used to calculate PIR savings. In one PIR, the savings were not achieved because of the increased costs resulting from the deployment of three flat sequencing systems to the gaining facility. See [Appendix B](#) for a summary of AMP consolidation savings not achieved.

Management did not conduct PIRs on 14 of 33 (42 percent) implemented AMPs following the time frames in Handbook PO-408.²⁰ Management said they are in the process of completing these PIRs, which were delayed due to other priorities. Management should conduct PIRs in a timely manner.

¹⁷ According to management, these PIRs are in the process of being completed and were delayed due to other priorities. Of the fourteen past due PIRs, four were due on May 31, 2011 and ten were due on August 31, 2011.

¹⁸ Steubenville, OH Main Post Office consolidation of originating operations into the Youngstown, OH Processing and Distribution Center was implemented May 1, 2004.

¹⁹ Examples of concurrent initiatives not related to AMP savings were workhour savings from other mail processing initiatives and the retirement incentive in 2009.

²⁰ States that an AMP must be reviewed twice after implementation.

Recommendations

We recommend the vice president, Network Operations:

1. Establish a plan to improve the communication of information to stakeholders concerning the consideration of stakeholder input provided to the Postal Service.
2. Implement a control to improve the timeliness of conducting post-implementation reviews.

Management's Comments

Management agreed with our findings and recommendations and stated they will revise the Area Mail Processing Communications Plan to incorporate stakeholder input concerning AMPs. Management will implement this by June 2012. Management will also ensure resources are allocated to complete PIRs timely. Management will implement this beginning in March 2012. See [Appendix D](#) 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.

Appendix A: Additional Information

Background

The original audit objectives were to (1) summarize the best practices we have identified from our work with AMP consolidations and any areas of improvement; and (2) evaluate the strategic risks associated with the Postal Service's initiative to close or consolidate mail processing facilities, eliminate the overnight service standard for First-Class Mail, increase the operating window for mail processing facilities, and impact on employees. We are issuing a separate report for each audit objective because management requested additional time to provide information related to the second objective. This audit addresses the first objective.

The Postal Service uses Handbook PO-408 to consolidate mail processing operations and to perform PIRs. AMP consolidations are designed to make more efficient use of Postal Service assets. These began as local initiatives that managers used to reduce costs and gain efficiencies by consolidating operations from a smaller facility into a larger facility. The Postal Service expanded the AMP process to include a headquarters initiated top-down process using computer modeling. The top-down process provides increased flexibility and more consistent and standardized data analysis.

Between FY 2004 and FY 2011, the Postal Service initiated 418 AMP studies, 103 of which were implemented. The Postal Service halted 66 studies due to service issues, inadequate savings, and stakeholder opposition; and have 249 in various stages of approval. During the same period, the OIG issued 39 audit reports concerning AMP initiatives. The OIG issued two status reports on the Postal Service's optimization initiatives, five reports about the consolidation process, and 32 reports about individual consolidations.

Objective, Scope, and Methodology

Our objective was to summarize the best practices we identified from our work with AMP consolidations and identify any areas that need improvement. This report summarizes the results of our audit work from FY 2004 through FY 2011. The OIG issued 39 audit reports related to AMP consolidations, 32 of which were about individual consolidations. We obtained AMP and PIR information from management for the same period to calculate cost savings anticipated and achieved.

We conducted this performance audit from September through January 2012 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our

observations and conclusions with management on December 13, 2011 and included their comments where appropriate.

Prior Audit Coverage

Report Title	Report Number	Final Report Date
<i>Efficiency Review of the Mansfield, Ohio, Main Post Office</i>	NO-AR-05-004	12/8/2004
<i>Efficiency Review of the Canton, Ohio, Processing and Distribution Facility</i>	NO-AR-05-013	9/22/2005
<i>Area Mail Processing Guidelines</i>	NO-AR-06-001	12/21/2005
<i>Status Report on the Evolutionary Network Development Initiative</i>	NO-MA-06-001	3/20/2006
<i>Pasadena, California, Processing and Distribution Center Consolidation</i>	EN-AR-06-001	9/26/2006
<i>Bridgeport, Connecticut, Processing and Distribution Facility Outgoing Mail Consolidation</i>	NO-AR-06-010	9/30/2006
<i>Sioux City, Iowa, Processing and Distribution Facility Consolidation</i>	EN-AR-07-001	11/9/2006
<i>Service Implications of Area Mail Processing Consolidations</i>	EN-AR-07-002	12/5/2006
<i>Timeliness of Mail Processing at the Los Angeles, California Processing Distribution Center</i>	NO-AR-07-001	2/9/2007
<i>Steubenville - Youngstown, Ohio, Outgoing Mail Consolidation</i>	NO-AR-07-003	3/30/2007
<i>Efficiency Review of the Bridgeport Processing and Distribution Facility – Bridgeport, Connecticut</i>	NO-AR-07-004	4/25/2007
<i>Area Mail Processing Initiation Process</i>	EN-MA-07-001	6/26/2007
<i>Bronx, New York, Processing and Distribution Center Consolidation</i>	EN-AR-07-003	7/18/2007
<i>Post-Implementation Reviews of the Marina Processing and Distribution Center Area Mail Processing Consolidation</i>	EN-AR-07-004	8/14/2007
<i>Automated Area Mail Processing Worksheets</i>	EN-MA-08-001	10/19/2007
<i>Kansas City, Kansas, Processing and Distribution Center Consolidation</i>	EN-AR-08-001	1/14/2008
<i>Marysville Processing and Distribution Facility Consolidation</i>	EN-AR-08-003	4/16/2008
<i>Detroit, Michigan, Processing and Distribution Center Consolidation</i>	EN-AR-08-005	7/17/2008
<i>Mojave Post Office Facility Consolidation</i>	EN-AR-08-006	9/17/2008
<i>Area Mail Processing Communications</i>	EN-AR-09-001	2/4/2009

<i>Canton Processing and Distribution Facility Outgoing Mail Consolidation</i>	NO-AR-09-011	9/22/2009
<i>Status Report on the Postal Service's Network Rationalization Initiative</i>	EN-AR-10-001	1/7/2010
<i>Mojave Post Office Mail Processing Changes</i>	EN-MA-10-002	1/21/2010
<i>New Castle Processing and Distribution Facility Outgoing Mail Consolidation</i>	NO-AR-10-002	2/1/2010
<i>Manasota Processing and Distribution Center Consolidation</i>	EN-AR-10-003	2/12/2010
<i>Lakeland Processing and Distribution Center Consolidation</i>	EN-AR-10-004	2/12/2010
<i>Dallas Processing and Distribution Center Outgoing Mail Consolidation</i>	NO-AR-10-003	2/24/2010
<i>Consolidation of Lima Processing and Distribution Facility Mail Operations Into the Toledo Processing and Distribution Center</i>	NO-AR-10-007	7/2/2010
<i>Charlottesville Processing and Distribution Facility Consolidation</i>	NO-AR-10-008	8/3/2010
<i>Southeast Area Processing and Distribution Center Consolidations</i>	EN-AR-10-006	9/17/2010
<i>Review of Wilkes-Barre, PA, Processing and Distribution Facility Consolidation</i>	NO-AR-11-001	10/4/2010
<i>Marysville, CA, Processing and Distribution Facility Consolidation</i>	NO-AR-11-002	11/23/2010
<i>Houston, TX, Processing and Distribution Center Mail Consolidation</i>	NO-AR-11-004	12/14/2010
<i>Columbus, GA, Customer Service Mail Processing Center Originating Mail Consolidation</i>	NO-AR-11-005	2/14/2011
<i>Huntington, WV, Processing and Distribution Facility Consolidation</i>	EN-AR-11-003	3/31/2011
<i>Implementation of Lima, OH to Toledo, OH, Area Mail Processing Consolidation</i>	EN-AR-11-004	3/31/2011
<i>Beckley, WV Post Office Facility Consolidation</i>	EN-AR-11-005	4/21/2011
<i>Oshkosh, WI, Processing and Distribution Facility Consolidation</i>	NO-AR-11-006	7/29/2011
<i>Bowling Green, KY, Consolidation</i>	EN-AR-11-008	8/25/2011
<i>Flint, MI Processing and Distribution Center Consolidation²¹</i>	EN-AR-12-001	10/6/2011

²¹ The OIG issued two final audit reports, one for the Flint, MI Processing and Distribution Center Consolidation on October 6, 2011; and one for the Industry, CA Processing and Distribution Center Original Mail Consolidation on October 17, 2011. These reports are not included in the 39 reports reviewed for this audit.

<i>Industry, CA Processing and Distribution Center Originating Mail Consolidation</i>	NO-AR-12-002	10/17/2011
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We conducted 41 prior audits related to AMP consolidations. We made 89 recommendations, of which management agreed with 87. We reported monetary impact of \$453,171,200.

Appendix B: Other Impact

Finding	Impact Category	Amount
AMP Savings Not Achieved	Predicted Savings Shortfall ²²	\$9,718,224

This impact is based on the Postal Service’s final PIRs conducted from FY 2004 through FY 2011 on implemented AMPs. Five of the 33 AMPs for which a PIR was performed did not achieve the projected savings resulting in a predicted savings shortfall of approximately \$9.7 million. See table below for details on the final PIR annual savings.

Final PIR Annual Savings

Losing Facility	Gaining Facility	Type	AMP Projected Annual Savings	Final PIR - Annual Savings	Variance	Percent
Marina P&DC	Los Angeles & Long Beach P&DC	Orig&Dest	\$17,420,466	\$10,200,774	\$ (7,219,692)	-41.4
Mojave PO	Bakersfield P&DC	Originating	545,755	508,382	(37,373)	-6.8
Newark P&DC	Dominick V. Daniels & Northern Metro P&DC	Originating	3,959,581	3,086,832	(872,749)	-22.0
St Petersburg P&DC	Tampa P&DC	Originating	4,679,882	3,594,847	(1,085,035)	-23.2
Winchester PO	Dulles P&DC	Orig&Dest	1,583,944	1,080,569	(503,375)	-31.8
Total			\$ 28,189,628	\$ 18,471,404	\$ (9,718,224)	-34.5

²² The difference between the savings the Postal Service predicted for a project (such as capital investment, consolidation, etc.) and the actual savings realized or the OIG’s estimate of savings which will be realized.

Appendix C: AMPs Implemented Between FY 2004 – FY 2011

	Area	Losing Facility	State	Gaining Facility	State	Type	FY
1	SW	Alexandria P&DF	LA	Shreveport P&DC	LA	Orig&Dest	2011
2	SE	Athens CSPMC	GA	North Metro P&DC	GA	Originating	2010
3	SW	Batesville CSMPC	AR	Northeast Arkansas P&DF	AR	Orig&Dest	2011
4	SW	Beaumont P&DF	TX	North Houston P&DC	TX	Originating	2011
5	EA	Beckley P&DF	WV	Charleston P&DC	WV	Orig&Dest	2011
6	NE	Binghamton P&DF	NY	Syracuse P&DC	NY	Originating	2010
7	GL	Bloomington P&DC	IN	Indianapolis P&DC	IN	Originating	2010
8	EA	Bowling Green P&DF	KY	Nashville P&DC & Evansville P&DF	TN/IN	Originating	2011
9	NE	Bridgeport P&DF	CT	Stamford P&DC	CT	Originating	2006
10	EA	Bristol P&DF	VA	Johnson City P&DF	TN	Orig&Dest	2011
11	SW	Bryan P&DF	TX	North Houston P&DC	TX	Originating	2011
12	EA	Canton P&DC	OH	Akron P&DC	OH	Originating	2009
13	NE	Cape Cod P&DF	MA	Brockton P&DC	MA	Originating	2010
14	CM	Charlottesville P&DF	VA	Richmond P&DC	VA	Orig&Dest	2010
15	WE	Colby CSMPC	KS	Salina CSMPC	KS	Originating	2011
16	SW	Columbus CSMPC	GA	Macon P&DC	GA	Originating	2010
17	SW	Dallas P&DC	TX	North Texas P&DC	TX	Originating	2010
18	SW	Daytona Beach P&DF	FL	Mid-Florida P&DC	FL	Orig&Dest	2011
19	WE	Decorah CSMPC	IA	Waterloo P&DF	IA	Orig&Dest	2011
20	GL	Detroit P&DC	MI	Michigan Metroplex P&DC	MI	Originating	2010
21	CM	Dulles P&DC	VA	Northern Virginia P&DC	VA	Originating	2010
22	WE	Flagstaff CSMPC	AZ	Phoenix P&DC	AZ	Orig&Dest	2011
23	GL	Flint P&DC	MI	Michigan Metroplex P&DC	MI	Originating	2009
24	WE	Fort Dodge CSMPC	IA	Des Moines P&DC	IA	Orig&Dest	2011
25	WE	Fort Scott CSMPC	KS	Kansas City P&DC	MO	Orig&Dest	2011
26	SW	Fort Smith CSMPC	AR	Northwest Arkansas P&DF	AR	Orig&Dest	2011
27	GL	Fox Valley P&DC	IL	South Suburban P&DC	IL	Originating	2011
28	CM	Frederick P&DC	MD	Suburban P&DC	MD	Originating	2010
29	WE	Gillette CSMPC	WY	Casper P&DF	WY	Orig&Dest	2011
30	WE	Glenwood Springs CSMPC	CO	Grand Junction P&DF	CO	Orig&Dest	2011
31	WE	Globe CSMPC	AZ	Phoenix P&DC	AZ	Orig&Dest	2011
32	EA	Greensburg PO	PA	Pittsburgh P&DC	PA	Originating	2006
33	SW	Harrison P&DF	AR	Northwest Arkansas P&DF	AR	Originating	2011
34	WE	Havre CSMPC	MT	Great Falls P&DF	MT	Orig&Dest	2011
35	WE	Hays CSMPC	KS	Salina CSMPC	KS	Originating	2011
36	CM	Hickory P&DF	NC	Greensboro P&DC	NC	Originating	2010
37	EA	Huntington P&DF	WV	Charleston P&DC	WV	Orig&Dest	2011
38	WE	Hutchinson CSMPC	KS	Wichita P&DC	KS	Originating	2011
39	WE	Independence CSMPC	KS	Wichita P&DC	KS	Orig&Dest	2011
40	EA	Jackson CSMPC	TN	Memphis P&DC	TN	Originating	2010
41	GL	Kalamazoo P&DC	MI	Grand Rapids P&DC	MI	Originating	2010
42	WE	Kansas City P&DC	KS	Kansas City P&DC	MO	Orig&Dest	2009
43	NY	Kilmer P&DC	NJ	Dominick V Daniels P&DC & Trenton P&DC	NJ	Originating	2011
44	EA	Kinston P&DF	NC	Fayetteville P&DC	NC	Originating	2010
45	WE	Klamath Falls CSMPC	OR	Medford CSMPC	OR	Orig&Dest	2011
46	GL	Lafayette P&DF	IN	Kokomo P&DF	IN	Originating	2011

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47	SE	Lakeland P&DC	FL	Tampa P&DC	FL	Originating	2009
48	WE	Las Cruces CSMPC	NM	El Paso P&DC	TX	Orig&Dest	2011
49	EA	Lima P&DF	OH	Toledo P&DC	OH	Orig&Dest	2011
50	EA	London P&DF	KY	Lexington P&DC	KY	Originating	2010
51	PA	Long Beach P&DC	CA	Santa Ana P&DC	CA	Originating	2009
52	SW	Lufkin P&DF	TX	East Texas P&DC	TX	Originating	2011
53	EA	Lynchburg P&DF	VA	Roanoke P&DC	VA	Originating	2011
54	SE	Manasota P&DC	FL	Tampa P&DC	FL	Originating	2010
55	PA	Marina P&DC	CA	Los Angeles P&DC & Long Beach P&DC	CA	Orig&Dest	2005
56	PA	Marysville P&DF	CA	Sacramento P&DC	CA	Originating	2006
57	PA	Marysville P&DF	CA	Sacramento P&DC	CA	Orig&Dest	2010
58	SW	Meridian CSMPC	MS	Jackson P&DC	MS	Destinating	2011
59	WE	Miles City CSMPC	MT	Billings P&DC	MT	Orig&Dest	2011
60	PA	Mojave PO	CA	Bakersfield P&DC	CA	Originating	2007
61	PA	Mojave PO	CA	Bakersfield P&DC	CA	Destinating	2010
62	NY	Monmouth P&DC	NJ	Trenton & Kilmer P&DCs	NJ	Orig&Dest	2006
63	GL	Muncie P&DF	IN	Kokomo P&DF	IN	Originating	2011
64	EA	New Castle P&DF	PA	Pittsburgh P&DC	PA	Originating	2010
65	NY	Newark P&DC	NJ	Dominick V Daniels P&DC & Northern Metro P&DC	NJ	Orig&Dest	2007
66	NY	Newark PO	NJ	Dominick V Daniels P&DC	NJ	Destinating	2010
67	NE	Northwest Boston P&DC	MA	Boston P&DC	MA	Originating	2006
68	WE	Olympia P&DF	WA	Tacoma P&DC	WA	Originating	2007
69	GL	Oshkosh P&DC	WI	Green Bay P&DC	WI	Orig&Dest	2011
70	PA	Oxnard P&DF	CA	Santa Clarita P&DC	CA	Originating	2010
71	PA	Oxnard P&DF	CA	Santa Barbara P&DC	CA	Destinating	2011
72	GL	Palatine P&DC	IL	Carol Stream P&DC	IL	Originating	2010
73	SW	Panama City P&DF	FL	Pensacola P&DC	FL	Originating	2010
74	PA	Pasadena P&DC	CA	Santa Clarita & Industry P&DCs	CA	Originating	2006
75	NE	Portsmouth P&DF	NH	Manchester P&DC	NH	Originating	2009
76	NE	Portsmouth P&DF	NH	Manchester P&DC & Southern Maine P&DC	NH/ME	Destinating	2011
77	NY	Queens P&DC	NY	Brooklyn P&DC	NY	Originating	2010
78	EA	Reading P&DF	PA	Harrisburg P&DC & Lehigh Valley P&DC	PA	Originating	2011
79	WE	Riverton CSMPC	WY	Casper P&DF	WY	Orig&Dest	2011
80	SW	Russellville CSMPC	AR	Little Rock P&DC	AR	Orig&Dest	2011
81	PA	Salinas P&DF	CA	San Jose P&DC	CA	Destinating	2011
82	WE	Sheridan CSMPC	WY	Casper P&DF	WY	Orig&Dest	2011
83	WE	Show Low CSMPC	AZ	Phoenix P&DC	AZ	Orig&Dest	2011
84	WE	Sioux City P&DF	IA	Sioux Falls P&DC	SD	Orig&Dest	2011
85	SE	South Florida P&DC	FL	Fort Lauderdale & Miami P&DCs	FL	Originating	2010
86	SE	St Petersburg P&DC	FL	Tampa P&DC	FL	Originating	2008
87	NY	Staten Island P&DF	NY	Brooklyn P&DC	NY	Originating	2009
88	EA	Steubenville P&DF	OH	Youngstown P&DC	OH	Originating	2004
89	PA	Stockton P&DC	CA	Sacramento P&DC	PA	Originating	2011
90	SW	Texarkana P&DF	TX	Shreveport P&DC	LA	Orig&Dest	2011
91	WE	Twin Falls CSMPC	ID	Boise P&DC	ID	Orig&Dest	2011
92	SW	Victoria CSMPC	TX	Corpus Christi P&DC	TX	Destinating	2011
93	NE	Waterbury P&DF	CT	Southern Connecticut P&DC	CT	Originating	2006
94	NE	Watertown PO	NY	Syracuse P&DC	NY	Orig&Dest	2010
95	NY	West Jersey P&DC	NJ	Northern New Jersey Metro & Kilmer P&DCs	NY	Destinating	2011
96	NY	West Jersey P&DC	NJ	Dominick V Daniels P&DC	NJ	Originating	2004
97	NY	Western Nassau P&DC	NY	Mid-Island P&DC	NY	Originating	2010

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98	EA	Wheeling P&DF	WV	Pittsburgh P&DC	PA	Originating	2010
99	SW	Wichita Falls MPA	TX	Fort Worth P&DC	TX	Orig&Dest	2011
100	EA	Wilkes-Barre P&DF	PA	Scranton & LeHigh Valley P&DCs	PA	Orig&Dest	2010
101	CM	Winchester PO	VA	Dulles P&DC	VA	Orig&Dest	2010
102	WE	Worland CSMPC	WY	Casper P&DF	WY	Orig&Dest	2011
103	EA	Zanesville P&DC	OH	Columbus P&DC	OH	Orig&Dest	2011

Abbreviations

Area

CM – Capital Metro
EA – Eastern
GL – Great Lakes
NE – Northeast
NY – New York
PA – Pacific
SE – Southeast
SW – Southwest
WE – Western

Facility/Type

CSMPC – Customer Service Mail Processing Center
MPA – Mail Processing Annex
PO – Post Office
P&DC – Processing and Distribution Center
P&DF – Processing and Distribution Facility
Orig/Dest – Originating and Destinating

See following website for state abbreviations: <http://www.stateabbreviations.us/>

Appendix D: Management's Comments

DAVID E. WILLIAMS
VICE PRESIDENT, NETWORK OPERATIONS



December 30, 2011

SHIRIAN B. HOLLAND
ACTING DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report - U.S. Postal Service Past Network Optimization
Initiatives (Report Number CI-AR-12-DRAFT)

Thank you for the opportunity to respond to the recommendations contained in
the subject draft audit report.

Recommendation 1:

Establish a plan to improve the communication of information to stakeholders
concerning the consideration of stakeholder input provided to the Postal Service.

Management Response/Action Plan:

Management agrees with the recommendation to improve communication with
stakeholders regarding the consideration of stakeholder input. The Area Mail
Processing Communications Plan will be revised to incorporate this
communication.

Target Implementation Date:

June 2012

Responsible Officials:

Stephen E. Martin, Manager, Area Mail Processing and Facility Consolidation
Yvonne Yoerger, Manager, Speechwriting and Publications

Recommendation 2:

Improve the timeliness of conducting Post-Implementation Reviews (PIRs).

Management Response/Action Plan:

Management agrees with the recommendation to improve the timeliness of
conducting PIRs. Resources will be allocated to complete PIRs in a timely
manner and all PIRs will be up-to-date.

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Target Implementation Date:
March 2012

Responsible Official:
Stephen E. Martin, Manager, Area Mail Processing and Facility Consolidation

This report and management's response do not contain information that may be exempt from disclosure under the FOIA.



David E. Williams

cc: Megan J. Brennan
Judy Leonhardt
Manager, Corporate Audit Response Management