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SUBJECT: Audit Report – Service Implications of Area Mail
Processing Consolidations (Report Number EN-AR-07-002)

This report presents the results of our audit of the service implications of Area Mail Processing (AMP) consolidations (Project Number 06XG029EN000). We conducted this audit to address a request from U.S. Postal Service management to review the initial AMP consolidations and it is one in a series of audits.

We concluded the Postal Service could improve the way it documents service impacts in AMP proposals and Post-Implementation Reviews (PIRs). Management did not fully document changes to service standards (both upgrades and downgrades) in the AMP proposals. Management also did not include an analysis of service performance data in the AMP proposals for the affected facilities or require an analysis of actual service performance after a consolidation for PIRs. Lastly, the consolidation proposals did not consistently address other potential changes affecting customer service such as collection box pick-up times, access to business mail entry units (BMEUs),¹ and changes to retail services that may be associated with AMP consolidations. We are making four recommendations in this report.

Management agreed with our recommendations and has initiatives in progress or planned addressing the issues in this report. Management's comments and our evaluation of these comments are included in the report.

The U.S. Postal Service Office of Inspector General (OIG) considers all recommendations 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 follow-up

¹ BMEUs are areas of certain postal facilities that accept bulk mail or presorted mail from mailers. These units include dedicated platform space, office space, and a staging area on the workroom floor.

tracking system until the OIG provides written confirmation the recommendations can be closed.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have any questions or need additional information, please contact Tammy L. Whitcomb, Director, Evolutionary Network Development, or me at (703) 248-2100.

E-Signed by Colleen McAntee 
VERIFY authenticity with Approve!
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TABLE OF CONTENTS

Executive Summary	i
Part I	
Introduction	1
Background	1
Objective, Scope, and Methodology	2
Prior Audit Coverage	3
Part II	
Audit Results	4
Service Standard Changes Were Not Fully Documented	4
Postal Service Actions	5
Recommendation	5
Management's Comments	5
Evaluation of Management's Comments	6
Analysis of Service Performance Data Was Not Completed	7
Postal Service Actions	9
Recommendation	9
Management's Comments	9
Evaluation of Management's Comments	9
Other Customer Service Impacts Were Not Consistently Documented	10
Recommendations	11
Management's Comments	11
Evaluation of Management's Comments	12
Other Matters	12
Appendix A. Prior Audit Coverage	13
Appendix B. Comparison of Area Mail Processing Service Standards to Service Standards Directory Analysis	15
Appendix C. Management's Comments	16

EXECUTIVE SUMMARY

Introduction

The U.S. Postal Service Office of Inspector General (OIG) assessed the service impacts of the 10 Area Mail Processing (AMP) proposals to consolidate mail processing operations that had been approved at the beginning of fiscal year (FY) 2006. We conducted this audit to address a request from Postal Service management to review the initial AMP consolidations and it is one in a series of audits.

Results in Brief

The Postal Service could improve how it documents service impacts in AMP proposals and Post-Implementation Reviews (PIRs). During our review of AMPs,² we found discrepancies with the service standards³ section of the AMP proposals.

- Management did not fully document service standard downgrades for Periodicals, packages, and Standard Mail® in five of the six proposals.
- Management did not fully document service standards upgrades for First-Class Mail® and Priority Mail® in three of the six proposals.
- Management did not document service standard upgrades for Periodicals, packages, and Standard Mail categories in any of the six proposals.⁴

Although evaluation of service data is important when determining the potential service impacts of a consolidation, management did not include an analysis of service performance data in the AMP proposals for the affected facilities.⁵ In addition, management did not require an analysis of actual service performance after a consolidation for PIRs.

The consolidation proposals also did not consistently address other potential changes affecting customer service

² We were limited to reviewing service standard changes for six of the 10 AMPs due to Service Standard Directory system constraints.

³ Service standards are an expectation by the Postal Service to deliver a piece of mail to its intended destination within a prescribed number of days, after proper deposit by the customer.

⁴ AMP policy did not require documenting upgrades for Periodicals, packages, or Standard Mail.

⁵ Handbook PO-408, *Area Mail Processing Guidelines*, issued in 1984 and reissued in April 1995, provides guidance for consolidating operations in the mail processing network.

such as collection box pick-up times, access to business mail entry units (BMEUs),⁶ and changes to retail services that may be associated with AMP consolidations.

Four factors contributed to not preparing detailed service analyses. First, inadequate detail in AMP policy contributed to the differences in the service standard changes documented in the AMP proposals. Second, the requirements for analyses using service performance data and for evaluation of potential impacts on the community were only mentioned generally in the AMP policy. In addition, there was no specific methodology described for conducting the analyses. Finally, the reviews at the area and headquarters levels were not sufficiently detailed to identify any inaccuracies or the need for more service performance data in the proposals.

Management needs to produce complete service data on AMP consolidations so it can support executive decisions. In addition, providing incomplete information to stakeholders could negatively affect public perception of the AMP process and reduce needed support for the Postal Service's efforts to consolidate the mail processing network.

Postal Service Actions

During our review, management was revising Handbook PO-408, *Area Mail Processing Guidelines*, and they expect to have an initial draft in early 2007. Additionally, management indicated they routinely evaluate service performance as part of everyday operations, but they did not document this information as part of the AMP proposal or the PIR.

**Summary of
Recommendations**

We recommended management revise AMP policy⁷ to improve guidance for completing the service standards information and measuring service performance at affected plants for AMP proposals and PIRs. Additionally, we recommended management require changes to collection box pick-up times, access to BMEU operations, and changes to retail operations be documented in proposals.

⁶ BMEUs are areas of certain postal facilities that accept bulk mail or presorted mail from mailers. These units include dedicated platform space, office space, and a staging area on the workroom floor.

⁷ In report EN-AR-006-001, *Pasadena, California, Processing and Distribution Center Consolidation*, dated September 26, 2006, the OIG recommended management require documentation of service standard changes for all mail classes in AMP proposals. Management agreed with this recommendation and has actions in progress to address this issue.

Finally, we recommended management update the Collection Point Management System to provide a historical record of changes to collection box pick-up times.

**Summary of
Management's
Comments**

Management agreed with the findings and recommendations in this report. Management is revising Handbook PO-408 and expects to publish a draft in early 2007. In addition, suggested enhancements to the Collection Point Management System will be submitted for consideration during the FY 2008 budget cycle. Management's comments, in their entirety, are included in Appendix C.

**Overall Evaluation of
Management's
Comments**

Management's actions taken or planned are responsive to the recommendations and should correct the issues identified in the findings.

INTRODUCTION

Background

The U.S. Postal Service's mail processing network is one of the largest in the world, with over 179,000 employees, 675 mail processing facilities, 16,750 highway network routes, 214,000 vehicles, and an operating cost of about \$25 billion annually. The Postal Service has recognized the need for a comprehensive redesign of its processing and transportation network. The Postal Service's *Strategic Transformation Plan: 2006-2010* described this redesign as the Evolutionary Network Development (END). The goal of the END is to create a flexible logistics network that reduces costs, increases operational effectiveness, and improves consistency of service.

The Postal Service uses Area Mail Processing (AMP) policy to consolidate mail processing functions and to eliminate excess capacity, increase efficiency, and better use resources. The Postal Service defines AMP as the consolidation of all originating and/or destinating distribution operations from one or more post offices into another automated or mechanized facility to improve operational efficiency and/or service.

The Postal Service issued Handbook PO-408, *Area Mail Processing Guidelines*, in 1984 and reissued it in April 1995. The guidelines are designed to ensure AMP consolidations support the strategic objectives of the Postal Service, provide optimum use of available resources, and establish management's accountability for the AMP decision. Additionally, the guidelines require management to conduct two Post-Implementation Reviews (PIRs)⁸ of the consolidation. Lastly, the guidelines provide a process to reverse an AMP consolidation if, for example, there is an inability to maintain service standards.

The service impact an AMP consolidation will have on the community is a key consideration for the Postal Service in determining whether it should undertake a consolidation. Handbook PO-408 requires management to evaluate service impact before beginning an AMP study and again at

⁸ The PIR process, as outlined in Handbook PO-408, is designed to ensure management's accountability for implementing an AMP. The Postal Service is to conduct these reviews after the second full quarter following implementation of the consolidation and after the first full year following the consolidation.

the district and area level reviews prior to submission to headquarters for approval.

At the beginning of fiscal year (FY) 2006, there were 10 approved AMP proposals for consolidating mail processing operations.⁹ As of September 2006, the Postal Service had implemented nine of them. Implementation dates ranged from January to June 2006. The 10 consolidations (with implementation dates in parentheses) are:

- Bridgeport, Connecticut (January 14, 2006)
- Northwest Boston, Massachusetts (January 14, 2006)
- Waterbury, Connecticut (January 14, 2006)
- Marysville, California (February 1, 2006)
- Greensburg, Pennsylvania (February 6, 2006)
- Monmouth, New Jersey (April 7, 2006)
- Pasadena, California (April 9, 2006)
- Mojave, California (April 16, 2006)
- Olympia, Washington (June 1, 2006)
- Kinston, North Carolina (not yet implemented).

**Objective, Scope,
and Methodology**

Our objective was to assess the service related aspects of the 10 AMP proposals which were pending implementation at the beginning of FY 2006. We reviewed applicable network change guidelines, including Handbook PO-408, *Area Mail Processing Public Input Process*, and the *Area Mail Processing (AMP) Notifications Toolkit*. We focused on the service impacts of the consolidations and validated the service standard changes documented in the AMP proposals. Additionally, we performed analyses using the Service Standards Directory, the External First-Class (EXFC)¹⁰ measurement system, and other Postal Service indicators of operational performance which may have an impact on service such as the 24-Hour Clock¹¹ concept. Lastly, we evaluated service reviews the Postal Service conducted, as well as the Collection Point Management System, to determine whether they could provide

⁹ Subsequent to the beginning of FY 2006, additional AMP proposals were submitted and are currently in various stages of review and approval. We did not evaluate these other proposals in this review.

¹⁰ The EXFC system measures First-Class Mail service performance for approximately 80 percent of the nation's destinating First-Class Mail volume using Origin-Destination Information System (ODIS) volume data. The ODIS generates time-in-transit data for First-Class Mail, Priority Mail, and Package Services mail.

¹¹ The 24-Hour Clock concept measures various indicators of operational performance including the timeliness of canceling the mail, processing the mail into various sorts, and trips leaving the plant to transport the mail.

information that would enhance the service impact analysis that is currently a part of the AMP proposal.

We conducted this audit from June through December 2006 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. We discussed our observations and conclusions with management officials and included their comments where appropriate.

Prior Audit Coverage

We have issued six prior related reports: one on the AMP Guidelines; two on the efficiency of mail processing operations (which included our assessment of pending AMPs at the Main Post Office [MPO] in Mansfield, Ohio, and at the Canton, Ohio, Processing and Distribution Center [P&DC]); and three on the justification and impact of AMP consolidations (at the Pasadena, California, Bridgeport, Connecticut, and Sioux City, Iowa facilities). For details of prior audit coverage, see Appendix A.

AUDIT RESULTS

Service Standard Changes Were Not Fully Documented

Management did not fully document service standard changes in the AMP proposals. Previous reviews of the Pasadena and Bridgeport AMP consolidation proposals indicated that the worksheets documenting service standard changes were not complete. We further analyzed this condition in four of the other AMP consolidation proposals¹² and found management did not document all service standard changes in the approved proposals. (See Appendix B for a chart detailing the upgrades and downgrades for the six proposals.) Our analysis showed that:

- Downgrades occurred but were not documented as required in five of the six consolidations. These downgrades involved Periodicals, packages, and Standard Mail® and comprised 392 three-digit ZIP Code pairs.¹³
- Management did not document upgrades as required in three of the six proposals. These upgrades involved First-Class Mail® and Priority Mail® and comprised 55 three-digit ZIP Code pairs.
- Additional upgrades in the Periodicals, packages, and Standard Mail categories occurred in all six of the consolidations, yet management did not document them in the proposals. These upgrades involved 482 three-digit ZIP Code pairs.

Several factors contributed to the incomplete documentation of service standards changes.

- Handbook PO-408 does not require documentation of upgrades to mail classes other than First-Class Mail and Priority Mail in AMP proposals.

¹² We attempted to conduct this test for all 10 of the AMPs in our review; however, we were limited to six AMPs because of Service Standards Directory system constraints.

¹³ Three-digit ZIP Code pairs are the first three digits of an origination and a destination ZIP Code for a mail piece. The first three digits of a ZIP Code identify the delivery area of a specific postal facility within a designated geographic area.

- Handbook PO-408 does not provide clear guidance on the data sources and tools (such as the Service Standards Directory) for analyzing the service standards to identify all the affected ZIP Code pairs.
- The headquarters review guidance indicates that headquarters will make final arrangements for any changes to service standards. However, it does not indicate how this is to be done, whether it involves a review to ensure the proposed changes are complete, and the steps to take if errors are found during the review process.

Although we do not contend the missing upgrades or downgrades would have been sufficient to change the approval decisions, it is important to ensure the proposals are complete so management can thoroughly evaluate impacts of the consolidation and make external stakeholders aware of potential service changes. Providing incomplete information to stakeholders could negatively affect public perception of the AMP process and reduce needed support for the Postal Service's consolidation efforts. Additionally, a complete picture of the service standard changes is needed for the PIR process.

Postal Service Actions	During our review, management was revising the AMP policy and expects to have an initial draft in early 2007.
Recommendation	<p>In addition to our previous recommendations,¹⁴ we recommend that the Vice President, Network Operations:</p> <ol style="list-style-type: none"> 1. Improve instructions for completing the service standards worksheets by identifying sources for the data and the methodology to be used.
Management's Comments	Management agreed with this recommendation and stated they are revising Handbook PO-408, <i>Area Mail Processing Guidelines</i> , to clarify instructions, modify worksheets, and provide data sources for completion of the worksheets concerning service standard impacts. A draft of the revised handbook will be available in early 2007.

¹⁴ In report EN-AR-001, *Pasadena, California, Processing and Distribution Center Consolidation*, dated September 26, 2006, we recommended that management update Handbook PO-408 to address requirements for documenting service standard changes for all mail classes, and requirements and methodology for reviewing AMP proposals at the headquarters and area levels to ensure compliance with policy prior to approval. Management agreed to take action in these areas.

**Evaluation of
Management's
Comments**

Management's comments are responsive to the recommendation. Management's planned actions should correct the issues identified in the finding.

**Analysis of Service
Performance Data
Was Not Completed**

Management did not include an analysis of service performance data in the AMP proposals. Additionally, there is no requirement that management document service performance data during the PIR.

Our fieldwork identified several indicators management could use in the AMP process to better evaluate the service impact of a consolidation.

- The EXFC measurement system and the ODIS - The AMP guidelines require these two indicators to be analyzed and included in the narrative Executive Summary portion of the AMP proposal. However, five of the 10 proposals we reviewed did not have an Executive Summary and, of the five that had summaries, only one included EXFC or ODIS service performance data.
- The 24-Hour Clock - In February 2006, Postal Service senior management introduced this concept as a way to provide the field with key indicators that show how each operation impacts other operations, which may impact service. Management is not currently using this concept to identify potential service issues when evaluating AMP proposals.
- Postal Alpha Numeric Encoding Technique (PLANET) Codes¹⁵ - Management does not currently use this measurement technique in the AMP process, but it could prove valuable during the PIR process. PLANET codes could help determine if employees are processing local mail in time to meet overnight delivery standards.

In order to determine whether a consistent analysis of service performance data could provide valuable information to management on the impacts of an AMP consolidation, we evaluated EXFC data for four of the recent consolidations.¹⁶ We compared available service performance data for outgoing First-Class Mail for the third quarter FY 2006 (the first full quarter after AMP implementation¹⁷) against the same period last year data. The following charts document this comparison:

¹⁵ This technique is also called "seeding the mail," and involves using codes that can track mailpieces through the plants and measure the timeliness of processing.

¹⁶ Five of the 10 facilities consolidated under this review were non-EXFC sites and could not be evaluated. One of the remaining five AMPs was implemented in June 2006 and data could not be evaluated.

¹⁷ For Monmouth and Pasadena, AMP implementation dates were April 7 and 9, 2006, respectively, so the quarter analyzed includes approximately 1 week of pre-AMP data in the FY 2006 3rd quarter data.



Redacted



Redacted



Redacted

Although the AMP guidance required a narrative documenting service performance in the Executive Summary portion of the AMP, it did not specify a methodology for consistently analyzing indicators such as EXFC, ODIS, and the 24-Hour Clock to measure performance for the plants involved in the

consolidation. Without a consistent and complete analysis, the Postal Service cannot fully identify and address potential service issues prior to AMP implementation. Additionally, although the handbook requires the PIR to include an Executive Summary that parallels the original submission package, it does not contain a specific methodology for evaluating service impacts as a part of the PIR.

Use of data such as EXFC scores, the 24-Hour Clock indicators, and PLANET codes could provide the Postal Service with measurable evidence of whether it has successfully implemented the AMP and whether customers are receiving the same or similar levels of service after consolidation. Additionally, this data can help identify when other actions are needed to address service issues. Lastly, this data would help answer questions that external stakeholders could raise about the impacts of AMP consolidations. Without this data, the Postal Service may not be able to adequately evaluate whether it has met the service goals and objectives of the consolidation.

Postal Service Actions	Management indicated they routinely evaluate service performance as part of everyday operations, but do not document this information as part of the AMP proposal or the PIR process.
Recommendation	<p>We recommend the Vice President, Network Operations:</p> <ol style="list-style-type: none"> 2. Revise <i>Area Mail Processing Guidelines</i> to outline a specific methodology for measuring service performance using available data and require documentation of this analysis in the consolidation proposal and the Post-Implementation Review.
Management's Comments	Management agreed with the recommendation and stated data from the EXFC Measurement system or ODIS will be required to document service performance in an AMP feasibility study and PIR. Management will issue draft revisions to the PO-408 guidelines in early 2007.
Evaluation of Management's Comments	Management's comments are responsive to the recommendation. Management's planned actions should correct the issues identified in the finding.

**Other Customer
Service Impacts
Were Not
Consistently
Documented**

The AMP proposals did not consistently address other potential changes affecting customer services such as collection box pick-up times, access to business mail entry units (BMEUs)¹⁸ and changes to retail service that may be associated with the consolidations. Only three of the 10 AMP proposals included information on potential impacts to collection box pick-up times and none of them included information on whether potential changes would be necessary to BMEU or retail service locations. Key stakeholders have been concerned about the potential impacts in these areas as the Postal Service has been implementing the initial 10 consolidations.

Handbook PO-408 required management to document probable effects on the community, management, and employees in the Executive Summary included with the required worksheets. Additionally, during the area level review of the AMP proposal, the Vice President, Area Operations, was required to ensure management fully explored and documented customer satisfaction, community impacts, and operational feasibility.

However, Handbook PO-408 is not specific about the community impacts that need to be documented in the Executive Summary. Additionally, reviews of the AMP proposals performed at the local, area, and headquarters levels have not been sufficiently detailed or documented to ensure management is meeting Handbook PO-408 requirements. As a result, the community impacts on an AMP consolidation have not been consistently documented in the AMP proposals.

In addition, limitations in the Collection Point Management System¹⁹ result in an inability to accurately track changes to collection box pick-up times and the reasons for those changes. Thus, the Postal Service is unable to determine when changes were made to collection box pick-up times and why they were necessary. This historical data is important in determining the actual effects of the AMP consolidation.

Even though the supporting data was not included in the AMP proposal, the *AMP Notifications Toolkit* issued in May 2006 required the Postal Service to include potential BMEU changes and retail service location changes in notifications to stakeholder groups. Additionally, the *Area Mail Processing*

¹⁸ BMEUs are areas of certain postal facilities that accept bulk mail or presorted mail from mailers. These units include dedicated platform space, office space, and a staging area on the workroom floor.

¹⁹ This is the system the Postal Service uses to track collection boxes.

*Public Input Process*²⁰ indicated that collection box pick-up times were one of the key concerns that may arise during presentations to the community. Because management will likely provide this information to concerned stakeholders, we believe it is important to document this information in the proposal and to review it at all levels for accuracy and completeness.

Inadequate specificity in documentation requirements — particularly in the community impact area of an AMP consolidation proposal — can result in data gaps that leave the Postal Service unable to consistently answer valid questions that are of interest to key stakeholders. Additionally, data regarding changes to collection box pick-up times, access to BMEUs, and the retail service locations is important data that Postal Service executives should consider as they evaluate whether to approve an AMP for implementation or whether the consolidation was effectively implemented as planned.

Recommendations

We recommend the Vice President, Network Operations:

3. Revise *Area Mail Processing Guidelines* to require the Postal Service to include the impact on collection box pick-up times and any planned changes for business mail entry units and retail operations in the proposal worksheets. Additionally, the Post-Implementation Review guidance should require an analysis of the accuracy of these projected customer impacts.

We also recommend that the Acting Vice President, Delivery and Retail:

4. Revise the Collection Point Management System to track changes to collection box pick-up times.

**Management's
Comments**

Management agreed with the recommendations and responded they would add a worksheet and instructions addressing customer service considerations to the revised Handbook PO-408 process. Management will issue draft revisions to the PO-408 guidelines in early 2007. In addition, management stated they would submit the suggested Collection Point Management

²⁰ This document guides the process used to obtain customer concerns regarding a proposed consolidation.

System enhancement for consideration during the FY 2008 budget cycle.

Evaluation of Management's Comments	Management's comments are responsive to recommendations 3 and 4. Management's planned actions should correct the issues identified in the finding.
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Other Matters	This report makes recommendations to improve the Postal Service's use of data to evaluate the potential and actual impact of a mail processing consolidation on the community served by the affected plants. It is important to note the Postal Service does not currently have a system to consistently measure service performance for either bulk First-Class Mail or most mail processed in the non-preferential mail classes, such as Standard Mail, Periodicals, and packages. ²¹ We are limiting our recommendations on measurement of service to those mail classes in which management can measure service performance.
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²¹ See the Government Accountability Office report titled *Delivery Performance Standards, Measurement, and Reporting Need Improvement* (GAO-06-733, dated July 2006).

APPENDIX A

PRIOR AUDIT COVERAGE

OIG, *Area Mail Processing Guidelines* (Report Number NO-AR-06-001, dated December 21, 2005) found the AMP process was fundamentally sound, appeared credible, and provided a PIR process to assess results from mail processing consolidations. However, management of the AMP process and guidance could be improved. AMPs were not processed or approved in a timely manner, PIRs were not always conducted, and stakeholders' resistance affected the approval process. The report recommended the Postal Service update AMP guidance, comply with policy, and address stakeholder resistance. Management agreed with the findings and recommendations.

OIG, *Efficiency Review of the Mansfield, Ohio, Main Post Office* (Report Number NO-AR-05-004, dated December 8, 2004) found the Postal Service could increase operational efficiency at the Mansfield MPO by reducing 24,000 mail processing workhours, which would allow the facility to achieve 90 percent of targeted goals. This reduction is based on the assumption that mail volume will not significantly change from FY 2003 levels and could produce a cost avoidance of approximately \$7.6 million based on labor savings over 10 years. We recommended the Manager, Northern Ohio District, reduce mail processing operations at the Mansfield MPO by 52,000 workhours based on FY 2003 workhour usage. We also recommended consolidating outgoing mail operations into the Akron P&DC, as the Eastern Area AMP study recommended. Management agreed and the actions planned were responsive to the issues identified.

OIG, *Efficiency Review of the Canton, Ohio, Processing and Distribution Facility* (Report Number NO-AR-05-013, dated September 22, 2005) found the Postal Service could increase operational efficiency at the Canton Processing and Distribution Facility (P&DF) by reducing mail processing workhours by 202,000. This reduction is based on the assumption that mail volume will not significantly change from FY 2004 levels and could produce a cost avoidance of approximately \$64 million based on labor savings over 10 years. We recommended the Manager, Northern Ohio District, reduce mail processing operations at the Canton P&DF by 93,000 workhours based on FY 2004 workhour usage. We also recommended consolidating outgoing mail operations into the Akron P&DC, thereby saving an additional 109,000 workhours. Management agreed and the actions planned were responsive to the issues identified.

OIG, *Pasadena, California, Processing and Distribution Center Consolidation* (Report Number EN-AR-06-001, dated September 26, 2006) found the workhour cost analysis included in the AMP proposal was supported and

additional OIG analyses provided confirming evidence for the consolidation. However, in the development, approval, and implementation of the Pasadena AMP proposal, management did not always comply with the processes outlined in policy and some AMP proposal data was inaccurate, incomplete, or unsupported. The OIG recommended management revise the Pasadena AMP proposal to document all service standard changes and transportation costs. Additionally, we recommended that management establish central files for approved AMP proposals and supporting documentation to facilitate PIRs. Finally, we recommended management update AMP policy. Management generally agreed with our recommendations and has initiatives in progress, completed, or planned addressing the issues in this report.

OIG, *Bridgeport, Connecticut, Processing and Distribution Facility Outgoing Mail Consolidation* (Report Number NO-AR-06-010, dated September 30, 2006) found the Postal Service was justified in moving outgoing mail processing operations from the Bridgeport P&DF to the Stamford, Connecticut P&DC. The consolidation should have minimal impact on employees, make use of excess mail processing capacity, reduce labor costs, increase processing efficiency, and potentially improve delivery service. Transportation costs may increase slightly but the consolidation will allow expansion of Bridgeport P&DF carrier operations. The Postal Service implemented this consolidation during our audit. Consequently, we did not make recommendations pertaining to the consolidation itself, since our assessment supported management's actions. However, we identified some weaknesses in management controls over the processing and approval of the AMP proposal and recommended that Postal Service maintain supporting documentation and use current data for future AMP proposals. Management agreed with our recommendations and agreed to maintain supporting documentation and use current data.

OIG, *Sioux City, Iowa, Processing and Distribution Facility Consolidation* (Report Number EN-AR-07-001, dated November 9, 2006) found the Postal Service provided adequate support for its analyses of workhours, transportation, and facility costs in the AMP proposal, and our additional analyses provided confirming evidence for the consolidation. Management generally complied with AMP guidance and maintained supporting documentation. However, we identified some inconsistencies in AMP proposal data, and inaccurate information may have been shared with stakeholders. We recommended that management complete revisions to the Sioux City AMP to accurately document impacts on employees, equipment, transportation, facilities, and service, and submit the revised proposal to Postal Service Headquarters. Additionally, we recommended that management communicate updated information on the Sioux City AMP proposal to stakeholders. Finally, we recommended that management provide detailed instructions for documenting facility information and estimating employee relocation expenses. Management agreed with our recommendations and has initiatives in progress, completed, or planned addressing the issues in this report.

APPENDIX B

**COMPARISON OF AREA MAIL PROCESSING SERVICE
STANDARDS TO
SERVICE STANDARDS DIRECTORY ANALYSIS**

	First-Class		Priority		Periodicals		Packages		Standard	
	Upgrades	Downgrades	Upgrades	Downgrades	*Upgrades	Downgrades	*Upgrades	Downgrades	*Upgrades	Downgrades
Bridgeport AMP	0	0	0	0	0	0	0	0	0	0
Analysis	29	0	9	0	67	0	212	53	44	4
Omitted in AMP	29	0	9	0	67	0	212	53	44	4
Kinston AMP	1	0	0	0	0	0	0	0	0	0
Analysis	1	0	7	0	9	61	0	0	11	96
Omitted in AMP	0	0	7	0	9	61	0	0	11	96
Monmouth AMP	5	0	5	0	0	0	0	0	0	0
Analysis	5	0	5	0	5	0	0	0	4	2
Omitted in AMP	0	0	0	0	5	0	0	0	4	2
Pasadena AMP	3	0	5	0	0	0	0	0	0	0
Analysis	13	0	5	0	5	0	0	0	10	4
Omitted in AMP	10	0	0	0	5	0	0	0	10	4
Mojave AMP	5	0	5	0	0	0	0	0	0	0
Analysis	5	0	5	0	7	76	0	0	10	96
Omitted in AMP	0	0	0	0	7	76	0	0	10	96
Olympia AMP	0	0	0	0	0	0	0	0	0	0
Analysis	0	0	0	0	32	0	30	0	36	0
Omitted in AMP	0	0	0	0	32	0	30	0	36	0

Total Omitted 39 0 16 0 125 137 242 53 115 202

* AMP policy did not require documenting upgrades for Periodicals, packages, or Standard Mail.

Total upgrades omitted – 537; total downgrades omitted – 392.

APPENDIX C. MANAGEMENT'S COMMENTS



November 17, 2006

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SUBJECT: Draft Audit Report – Service Implications of Area Mail Processing Consolidations
(Report Number EN-AR-06-DRAFT)

This is in response to the Inspector General's draft audit report on the service implications of area mail processing (AMP) consolidations. The audit report makes four recommendations to the Postal Service. The first three concern AMP process documentation and are addressed by headquarters Network Operations management. The fourth recommendation is addressed by headquarters Delivery and Retail management. Overall we agree with the recommendations in the report and individual responses to those recommendations are provided below.

Recommendation #1:

Improve instructions for completing the service standards worksheets by identifying sources for the data and the methodology used.

Response:

We agree with this recommendation. A multi-functional team sponsored by headquarters' Processing Operations has been tasked with updating and revising Handbook PO-408, *AMP Guidelines*. The revised document will clarify instructions, modify worksheets and provide data sources for completion of the worksheets concerning service standard impacts. We expect that a draft of the PO-408 Handbook will be available in early 2007.

Recommendation #2:

Revise *AMP Guidelines* to outline a specific methodology for measuring service performance using available data and require documentation of this analysis in the consolidation proposal and the Post Implementation Review (PIR).

Response:

We agree with this recommendation. Data from the External First-Class measurement system and/or Origin-Destination Information System will be required to document service performance in an AMP feasibility study and AMP PIR. We expect that a draft of the PO-408 Handbook will be available in early 2007.

-2-

Recommendation #3:

Revise *AMP Guidelines* to include the impact on collection box pick-up times and any planned changes for business mail entry units and retail operations in the proposal worksheets. Additionally, the PIR guidance should require an analysis of the accuracy of these projected customer impacts.

Response:

We agree with this recommendation. In addition to the existing AMP feasibility study worksheets evaluating service standards, an additional worksheet and worksheet instructions addressing customer service considerations will be added to the revised PO-408 Handbook, AMP Guidelines process. Considerations regarding collection mail boxes and pick-up times, impacts on Business Mail Entry Units (BMEU), and window service hours at retail units will be outlined on the new worksheet. We expect that a draft of the PO-408 Handbook will be available in early 2007.

Recommendation #4:

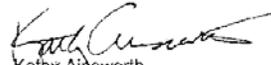
Revise the Collection Point Management System to track changes to collection box pick-up times.

Response:

We agree with this recommendation. The FY2007 program budget does not include funding for enhancements to the Collection Point Management System (CPMS). The suggested enhancement as outlined in the OIG Audit will be submitted for consideration during the FY2008 budget cycle. The audit indicated that it would be beneficial to track the collection time changes in order to assess the possible impact on customer service. Although the system currently provides limited tracking about collection box changes, the District or Area CPMS coordinators have the ability to manually track changes to collection times.

If you have any questions or require additional information regarding our responses to the first three recommendations, please contact David Williams, Manager, Processing Operations at 202-268-4305. Please refer any questions regarding our response to recommendation #4 to Jim Kiser, Manager, Delivery Operations at 202-268-6853.


Tony Pajdas
Vice President
Network Operations


Kathy Adsworth
Acting Vice President
Delivery and Retail

cc: Mr. Galligan
Mr. Williams
Mr. Kiser
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Mr. Phelps