



September 17, 2008

MICHAEL J. DALEY
VICE PRESIDENT, PACIFIC AREA OPERATIONS

SUBJECT: Audit Report – Mojave Post Office Facility Consolidation
(Report Number EN-AR-08-006)

This report presents the results of our audit of the Mojave, California, Post Office (PO) consolidation (Project Number 08XG021EN000). Our objectives were to determine why mail was not routed according to the approved Area Mail Processing (AMP) consolidation proposal, to assess transportation changes associated with the consolidation, and to determine why service performance was adversely affected. We conducted this review at the request of the Senior Vice President, Operations, and in cooperation with U.S. Postal Service officials. Click [here](#) to go to Appendix A for additional information about this audit.

Conclusion

Our review concluded the following.

- The Mojave PO's outgoing mail¹ volume was not routed to the Bakersfield Processing and Distribution Center (P&DC) according to the approved AMP because collection box pick-up times were not changed to reflect the AMP, resulting in a late mail arrival profile.² The Bakersfield P&DC could not process the increased mail volume in a timely manner because of this late mail arrival profile.
- Transportation changes to highway contract routes (HCR) were neither accurately reported nor consistent with the AMP. When Mojave PO employees processed HCR changes in the eBuy Service Change Request System³ (WebSCR), additional changes superseded the initial changes. Therefore, Mojave PO staff stopped entering the changes in the system.

¹ Outgoing mail is sorted within a mail processing facility and dispatched to another facility for additional processing or delivery.

² The mail arrival profile is the time the mail is received for processing. It is used to determine operational startups and staffing levels.

³ HCR data is initially entered as a request into the WebSCR database. It then is routed through several levels of approval. Once approved, it is entered into the Transportation Contract Support System (TCSS) database.

- The Mojave PO's service standard for mail destined for Bakersfield, Fresno, and Mojave, California, was not met when outgoing mail was routed to the Santa Clarita P&DC for processing. This occurred because the service standard for mail processed at the Santa Clarita P&DC was 2 days rather than overnight.

Mail Volume Transfer

The Mojave PO's outgoing mail was processed at the Santa Clarita P&DC instead of the Bakersfield P&DC, as approved in the AMP. There were multiple causes including:

- Pick-up times for collection boxes were not changed according to the AMP.
- The Bakersfield P&DC could not process the increased mail volume because of the late mail arrival profile.
- The Bakersfield P&DC experienced a high turnover among plant managers.

As a result, stakeholder confidence in network realignment initiatives may be jeopardized by deviations from the approved AMP. Click [here](#) to go to Appendix B for our detailed analysis of this issue.

The approved AMP has been implemented; therefore, we are not making a recommendation on this issue. Further, the new Handbook PO-408⁴ addresses deviations from the AMP, and training has been provided to ensure compliance with the new handbook. In addition, a permanent plant manager started work at the Bakersfield P&DC in March 2008.

Transportation

Changes in HCRs were neither accurately reported nor consistent with the Mojave AMP or post-implementation reviews (PIR).

When Mojave PO employees processed changes in the WebSCR system, additional changes superseded the initial changes. Therefore, Mojave PO staff stopped entering changes in the system. We also found that both PIRs⁵ reported transportation changes that did not appear in the TCSS reports.

As a result, Pacific Area and headquarters managers could not properly oversee transportation changes and costs. In addition, senior managers could not be assured that the Sierra Coastal Performance Cluster Manager was accountable for implementing approved AMP-related transportation changes. Click [here](#) to go to Appendix B for our detailed analysis of this issue.

⁴ Handbook PO-408, *Area Mail Processing Guidelines*, March 2008.

⁵ The first two PIRs, dated February 5 and October 2, 2007, were not approved by headquarters.

Service Standards and Service Performance

The AMP goal for maintaining First-Class Mail® (FCM) service was not met. Specifically, the standard for overnight mail service from the Mojave PO to Bakersfield, Fresno, and Mojave, California, was downgraded to 2-day service.

This occurred because the service standard for mail processed at the Santa Clarita P&DC was 2 days to Bakersfield, Fresno, and Mojave, California. We were not able to review service performance for the Mojave PO and Bakersfield P&DC before and after the AMP because the Postal Service could not provide Origin-Destination Information System⁶ (ODIS) data for the period January 1 to April 15, 2006.

As a result, the Postal Service did not achieve its objective of implementing the Mojave AMP without FCM service downgrades. During the period January 2006 through August 2007, service standards were downgraded for six ZIP Code™ pairs and upgraded for 22 pairs. Click [here](#) to go to Appendix B for our detailed analysis of this issue.

The Postal Service implemented the approved AMP on August 20, 2007, and service performance for Bakersfield P&DC has improved significantly. Therefore, we are not making a recommendation on this issue.

We recommend the Vice President, Pacific Area Operations:

1. Strengthen accounting controls over highway contract routes by providing training for input of data in the WebSCR system along with additional management oversight.
2. Ensure transportation changes directed by the approved area mail processing consolidation proposal are accurately recorded in the post-implementation review.

Management's Comments

Management agreed with our recommendations and plans to provide training to Mojave PO and Pacific Area staff by October 1, 2008. Additionally, management plans to update the annual PIR with the finalized actual contracted transportation costs. Management also provided clarifying information for various issues in the report. We have included management's comments, in their entirety, in [Appendix E](#).

⁶ The ODIS provides information on revenue, volume, and weight. It also measures productivity and workload.

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendations and the corrective actions should resolve the issues identified in the report. The OIG considers recommendations 1 and 2 significant, therefore, they require OIG concurrence before closure. Consequently, the OIG requests written confirmation when management completes the corrective actions. The recommendations should not be closed in the follow-up tracking system until the OIG provides written confirmation that they can be closed. In addition, where appropriate we incorporated management's suggestions to clarify the report.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Michael A. Magalski, Director, Network Optimization, or me at (703) 248-2100.

E-Signed by Robert Batta 
VERIFY authenticity with ApproveIt


Robert J. Batta
Deputy Assistant Inspector General
for Mission Operations

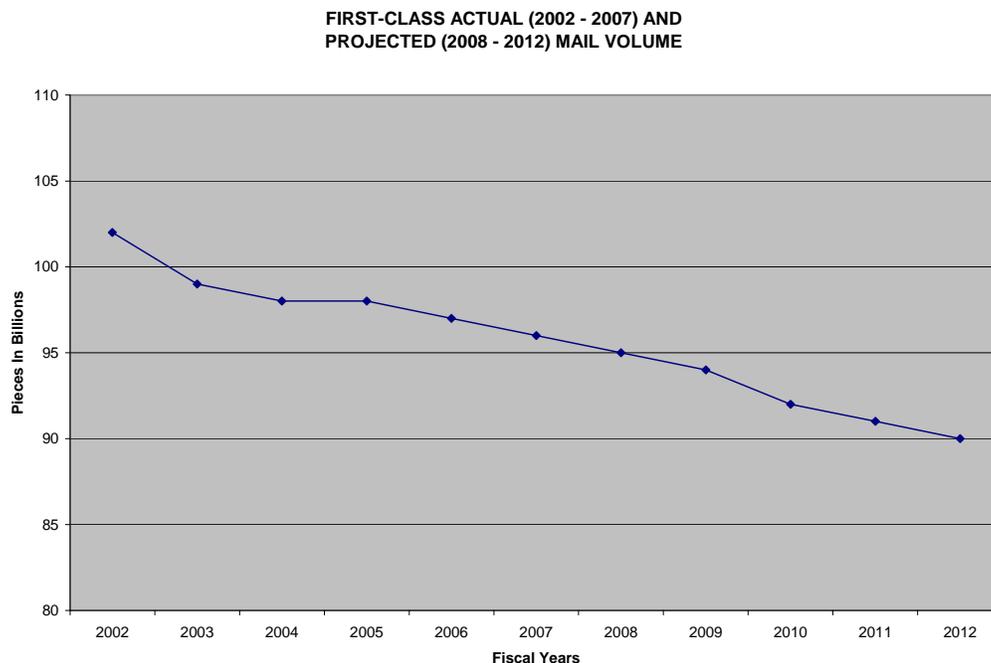
Attachment

cc: Patrick R. Donahoe
William P. Galligan, Jr.
Anthony M. Pajunas
David E. Williams, Jr.
Kerry L. Wolney
Katherine S. Banks

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

The Postal Service operates in a challenging business environment because of declining FCM volume, increasing competition with traditional mail products from the private sector, increasing automation and mail processing by mailers, and shifting population demographics. To address these challenges, the Postal Service continually seeks opportunities to streamline operations, reduce costs, increase operational effectiveness, and improve service. Despite an increase in mail volume during fiscal year (FY) 2005, the aggregate volume of FCM declined by 6.3 percent (6.5 billion pieces) from FYs 2002 to 2007. In addition, the Postal Service projects that FCM volume will continue to decline. Figure 1 shows these trends.



In addition, eCommerce and electronic messaging are slowly replacing personal paper-based correspondence and will continue to influence the volume of single-piece FCM. As FCM volume declines, the total number of mailpieces delivered to each address could decline as well.

The Postal Service's strategic objectives are defined in its *Strategic Transformation Plan*,⁷ which states that the agency is committed to improving its operational efficiency by consolidating mail processing operations when feasible. In addition, the President's

⁷ *Strategic Transformation Plan, 2006-2010, Annual Progress Report, December 2006.*

Commission⁸ found the Postal Service had more facilities than needed and recommended optimizing the facility network by closing and consolidating unneeded processing centers. The Postal Accountability and Enhancement Act⁹ (Postal Act of 2006) further encourages the Postal Service to continue streamlining its processing and distribution network to eliminate excess costs.

Handbook PO-408 provides a framework for consolidating operations in the mail processing network and performing PIRs. Issued in April 1995, these guidelines state that consolidations should improve operational efficiency and service, make optimum use of available resources, and ensure management's accountability for consolidating operations. The Postal Service issued a revised version of the AMP guidelines in March 2008.

The Postal Service uses the AMP process to consolidate mail processing functions and to eliminate excess capacity, increase efficiency, and make better use of 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 Bakersfield P&DC, Santa Clarita P&DC, and Mojave PO are part of the Sierra Coastal Performance Cluster in the Pacific Area. The performance cluster is approximately 43,820 square miles in size. In January 2006, management initially consolidated a majority of the originating mail from the Mojave PO to the Santa Clarita P&DC. In August 2007, mail processing was realigned and all mail originating at the Mojave PO was sent to the Bakersfield P&DC for processing, according to the approved AMP. The AMP proposal was for the 3-digit ZIP Code 935.

In an August 2007 memorandum, the Senior Vice President, Operations, expressed concerns about the implementation of the Mojave AMP and requested that the OIG review it because there appeared to be material deviations between the approved AMP submitted by the Pacific Area and the changes actually implemented.

The approved AMP stated that all mail originating from the Mojave PO was to be consolidated into the Bakersfield P&DC. The first PIR reported that 75 percent of the outgoing mail, approximately 104,012 pieces daily, was transferred to the Santa Clarita P&DC for processing rather than to the Bakersfield P&DC, as stated in the approved AMP. This deviation affected overnight service to Bakersfield, Fresno, and Mojave, California, for collection mail originating at the Mojave PO.

⁸ *The President's Commission on the United States Postal Service* reported its findings on July 31, 2003.

⁹ *Postal Accountability and Enhancement Act*, Public Law 109-435, dated December 20, 2006.

Additionally, transportation trips were not added to meet service standards, as planned. PLANET® Code seeding¹⁰ tests conducted by the Pacific Area showed that routing the Mojave PO's mail to the Santa Clarita P&DC caused a downgrade in service performance. As a result, the Pacific Area realigned all the mail back to the Bakersfield P&DC for processing as of August 2007.

The Postal Act of 2006 requires the Postal Service to establish a facilities plan, which must include information on cost-saving network realignment initiatives. Specifically, the law requires the Postal Service to submit an annual report to Congress on how its decisions have affected or will affect network rationalization plans. The report must include actions taken to reduce excess capacity within the network and the overall estimated costs and cost savings.

OBJECTIVES, SCOPE, AND METHODOLOGY

This report focuses on the Mojave PO consolidation. Our objectives were to determine why mail was not routed according to the approved AMP consolidation proposal, to assess transportation changes associated with the consolidation, and to determine why service performance was adversely affected. We reviewed applicable guidelines and documents, including Handbook PO-408, the Mojave AMP, and the corresponding PIRs. We also conducted interviews with plant, performance cluster, area, and headquarters personnel.

We did not validate all costs, savings, or service performance associated with the consolidation of originating mail processing operations from the Mojave PO to the Bakersfield P&DC. We were unable to review and compare the impacts on service performance before and after the AMP because the Mojave PO is not an External First-Class measurement¹¹ (EXFC) site and ODIS data was not available for January 1 to April 15, 2006 (pre-AMP data).

This AMP proposal for consolidating mail processing operations was submitted to Postal Service Headquarters for approval and implementation in FY 2006, and our data analysis focused on the same time frames management used. We relied on data obtained from the Enterprise Data Warehouse, the 24-hour clock indicators, and the Service Standard Directory. We did not audit these systems, but performed a limited review of data integrity to support our reliance on the data. See [Appendix C](#) for a timeline of events in the consolidation.

We conducted this performance audit from January through September 2008 in accordance with generally accepted government auditing standards and included such

¹⁰ A PLANET (Postal Alpha-Numeric Encoding Technology) Code is a 12-digit barcode. The Postal Service's barcode sorting equipment reads the barcode and makes mail processing information (such as when and where the mail was processed) available. PLANET Codes applied to selected mailpieces can help track the path of the mailpiece.

¹¹ EXFC is a measurement system used by Postal Service to measure FCM service performance.

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 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 officials on July 16, 2008, and included their comments where appropriate.

PRIOR AUDIT COVERAGE

As indicated below, in the last 3 years, we have issued three reports that addressed AMP policies. Management addressed prior OIG audit recommendations in revisions to AMP policy.

Report Title	Report Number	Final Report Date	Report Results
<i>Marysville Processing and Distribution Facility Consolidation</i>	EN-AR-08-003	4/16/08	The Sacramento District manager did not route mail volume in accordance with the approved AMP because of service performance issues at the Sacramento P&DC. Additionally, the rerouted mail and service impacts were not reported in the PIRs and the AMP.
<i>Review of the Automated Area Mail Processing Worksheets</i>	EN-MA-08-001	10/19/07	The Postal Service's revisions to AMP guidance have resulted in significant improvements. However, the report discussed concerns with the planned methods of calculating potential workhour and transportation savings and other disclosure items, including communications, service, performance indicators, and supervisory ratios.
<i>Area Mail Processing Guidelines</i>	NO-AR-06-001	12/21/05	The AMP process was fundamentally sound, appeared credible, and provided a PIR process that assessed results from mail processing consolidations. However, AMPs were not processed or approved in a timely manner, PIRs were not always conducted, and stakeholders' resistance affected the approval process.

APPENDIX B: DETAILED ANALYSIS

Mail Volume Transfer

Mail volume was not routed in accordance with the approved AMP. Specifically, 75 to 100 percent of the consolidated mail, approximately 104,000 to 139,000 pieces daily, was processed at the Santa Clarita P&DC instead of the Bakersfield P&DC during the period January 2006 to August 2007. See [Appendix C](#) for a timeline of events in the consolidation.

This occurred because:

- Collection times for some of the collection boxes in the Sierra Coastal Performance Cluster were not changed according to the AMP. See [Appendix D](#) for a map of the Sierra Coastal Performance Cluster showing where the collection boxes are located.
- The Bakersfield P&DC could not process the increased mail volume in combination with the late mail arrival profile.
- The Bakersfield P&DC experienced a high turnover among plant managers. The Bakersfield P&DC has had 22 plant managers in the last 5 years.

These deviations from the approved AMP may jeopardize stakeholder confidence in network realignment initiatives in the Sierra Coastal Performance Cluster. The AMP has since been implemented as initially approved. Collection box pick-up times were changed in April 2007, and all Mojave PO outgoing mail was realigned to the Bakersfield P&DC as of August 2007.

Transportation

Transportation HCR changes were neither accurately reported nor consistent with the Mojave AMP or PIRs. Specifically, the first two PIRs submitted to Postal Service Headquarters, dated February 5 and October 2, 2007, stated that in order to maintain service commitments to customers in the 935 ZIP Codes, the Sierra Coastal Performance Cluster would add transportation trips. However, a review of the TCSS reports by headquarters managers showed that these trips were not added.

This occurred because numerous transportation changes took place during the period January 2006 through August 2007 and the additional changes superseded the initial changes. The Mojave PO staff initially submitted HCR changes for approval and input into TCSS. Eventually, the Mojave PO staff stopped submitting changes. See Table 1 for a list of transportation route changes and the number of days between each event.

Table 1. Mojave PO Route Changes for Outgoing Mail

Date	Event	Number of days
1-9-06	75 percent of Mojave PO outgoing mail moved to Santa Clarita P&DC and 25 percent to Bakersfield P&DC for processing	-
4-16-06	Mojave AMP implementation date	-
5-8-06	90 percent of Mojave PO outgoing mail moved to Santa Clarita P&DC and 10 percent to Bakersfield P&DC	22
6-30-06	100 percent of Mojave PO outgoing FCM moved to Bakersfield P&DC	53
7-10-06	100 percent of Mojave PO outgoing FCM moved to Santa Clarita P&DC	10
8-8-06	100 percent of Mojave PO FCM and 75 percent of Mojave PO priority mail moved to Santa Clarita P&DC	29
9-14-06	100 percent of all Mojave PO outgoing mail moved to Santa Clarita P&DC	37
8-20-07	Realignment – 100 percent of Mojave PO outgoing mail volume moved to Bakersfield P&DC	340

As a result, area and headquarters managers did not have accurate data with which to oversee transportation changes and costs. Additionally, Pacific Area and headquarters personnel did not have assurance that the Sierra Coastal Performance Cluster Manager was accountable for implementing AMP-related transportation changes.

Service Standards and Service Performance

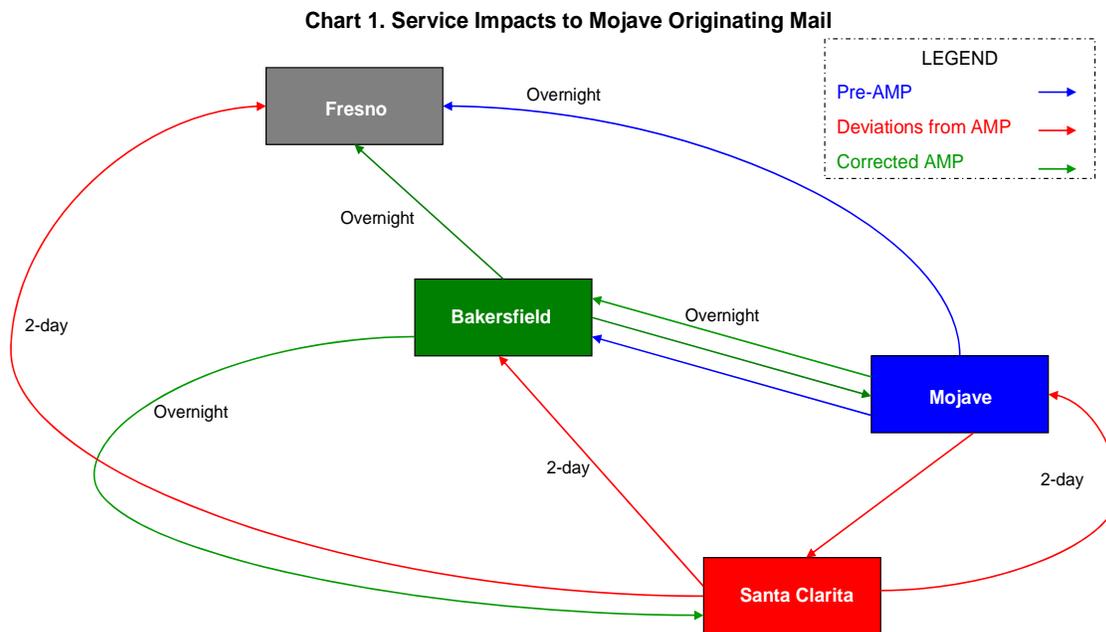
Mojave service standards were not met when mail was routed to the Santa Clarita P&DC for processing. Specifically, overnight mail service from the Mojave PO to Bakersfield, Fresno, and Mojave, California, was downgraded from overnight to 2-day service. Table 2 below shows the ZIP Codes that received downgraded service standards.

Table 2. Changes to Service Standards for Mojave PO Mail Processed at the Santa Clarita P&DC

Destination ZIP Code	Destination Name	Change in Service
932	Bakersfield, CA	Downgrade
933	Bakersfield, CA	Downgrade
935	Mojave, CA	Downgrade
936	Fresno, CA	Downgrade
937	Fresno, CA	Downgrade
938	Fresno, CA	Downgrade
TOTAL		6

This occurred because the standard for mail processed at the Santa Clarita P&DC was 2-day service to Bakersfield, Fresno, and Mojave, California. Chart 1 shows service

standard changes that occurred when the mail was routed to the Santa Clarita P&DC for processing.

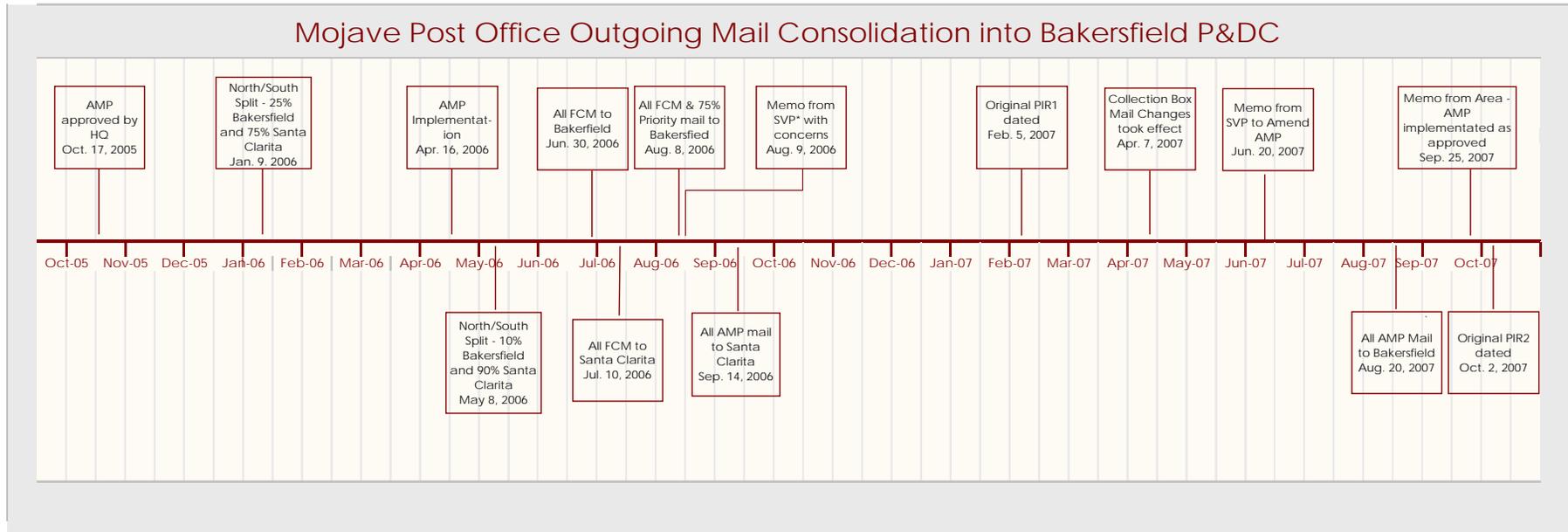


We were unable to review and compare the impacts on service performance before and after the AMP because Mojave is not an EXFC site and pre-AMP data was not available from ODIS. Performance clusters will be able to measure service performance more accurately when the Postal Service implements the Intelligent Mail Barcode.¹²

Because Mojave PO’s overnight service standards were not met, the Postal Service did not achieve its objective of implementing the Mojave AMP without FCM service downgrades during the period January 2006 through August 2007. In fact, service standards were downgraded for six ZIP Code pairs and upgraded for 22 pairs.

¹² The Intelligent Mail Barcode will be used to sort and track letters and flats. It contains 20 digits of tracking data and up to 11 digits of ZIP Code information. It is scheduled for implementation in May 2009.

APPENDIX C: MOJAVE POST OFFICE CONSOLIDATION/REALIGNMENT TIMELINE

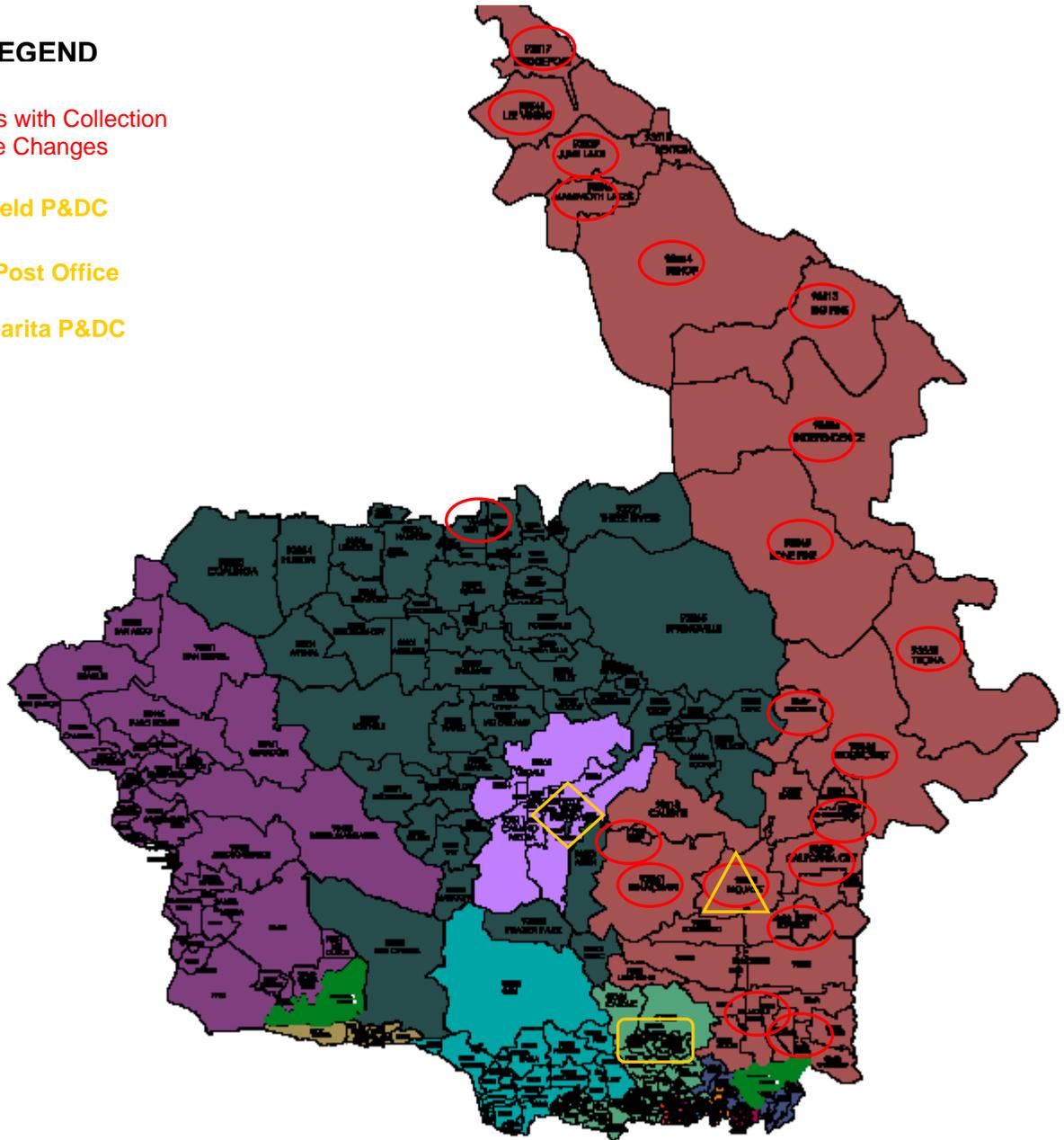


* SVP = Senior Vice President, Operations

APPENDIX D: SIERRA COASTAL PERFORMANCE CLUSTER

LEGEND

-  Locations with Collection Box Time Changes
-  Bakersfield P&DC
-  Mojave Post Office
-  Santa Clarita P&DC



APPENDIX E: MANAGEMENT'S COMMENTS

MICHAEL J. DALEY
VICE PRESIDENT, PACIFIC AREA OPERATIONS



September 5, 2008

ROBERT J. BATTÀ
DEPUTY ASSISTANT INSPECTOR GENERAL FOR MISSION OPERATIONS
OFFICE OF THE INSPECTOR GENERAL

SUBJECT: Area Response, Draft Audit Report – Mojave Post Office Facility Consolidation (Report Number EN-AR-08-DRAFT)

This provides management comments to the above referenced draft audit report. The Pacific Area thanks the audit team for their efforts in reviewing the Mojave Post Office Consolidation process. The draft report contained two recommendations specific to the Vice President, Pacific Area Operations.

Recommendation

Strengthen accounting controls over highway contract routes by providing training for input of data in the Transportation Contract Support System database along with additional management oversight.

Comments

Management agrees that accounting controls over highway contract routes should be supported with training and additional management oversight.



There were numerous transportation and other related changes tested and implemented prior to August 20, 2007 in order to identify the optimum schedules and supporting adjustments necessary to sustain the expected service performance and 24 hour clock requirements for this mail. The input of formal SCRs was suspended locally while management made those adjustments, not because they were cumbersome to enter, or that the responsible managers were unfamiliar with how to enter them, but because they would have been obsolete in short order due to the number of ongoing changes and would not have reflected the ultimate transportation solutions identified.



11255 RANCHO CARMEL DR
SAN DIEGO CA 92197-0100
858-674-3100
FAX: 858-674-3101
www.usps.com

Recommendation

Ensure that transportation changes directed by the approved area mail processing consolidation proposal are accurately recorded in the post-implementation review.

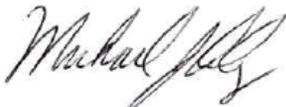
Comments

Management agrees that transportation changes directed by the approved area mail processing consolidation proposal should be accurately recorded in the post-implementation review.

The original approved Mojave AMP proposal and subsequent Post Implementation Reviews (PIRs) were completed prior to the final codification of the extensive input and suggested changes from Postal and OIG staff reflected in the PO-408 revisions ultimately issued in March 2008.

The transportation data supplied and reported in both PIR reports accurately reflected the annualized transportation costs in place at that time. While reflective of "extra" trips scheduled to support the AMP implementation, the transportation in use was in fact being run as extras. The actual costs incurred and reported for the period of the PIR reporting cycles were as extra trips.

Those trips are being converted to scheduled transportation. As the actual contracted costs are finalized, the annual PIR will be updated and resubmitted to HQ for approval.



Michael J. Daley