



September 17, 2010

LINDA J. WELCH  
VICE PRESIDENT, SOUTHEAST AREA OPERATIONS

SUBJECT: Audit Report – Southeast Area Processing and Distribution Center  
Consolidations (Report Number EN-AR-10-006)

This report presents the results of our audit of Southeast Area Processing and Distribution Center<sup>1</sup> (P&DC) consolidation opportunities (Project Number 10XG024EN000). Our objective was to assess opportunities for full P&DC consolidations<sup>2</sup> in the Southeast Area. This self-initiated audit addresses strategic, financial, and operational risks. See [Appendix A](#) for additional information about this audit.

Because of external factors such as a severe economic downturn and electronic diversion of mail, the Postal Service has experienced a substantial decline in mail volume. As a result, excess capacity is growing in the mail processing network. Pursuing full consolidation opportunities would help eliminate excess capacity and generate cost savings.

### Conclusion

Southeast Area management has aggressively pursued partial P&DC consolidations, but none that resulted in a facility closure. Between July 1, 2008, and July 1, 2010, they completed eight partial consolidations and approved one additional consolidation for implementation. Independent modeling and extensive coordination with management validated many of the consolidations either implemented or approved, but also indicated the potential for a full consolidation opportunity at the Daytona P&DF. Additionally, significant excess space exists for consolidation or alternate use at the Birmingham P&DC. As a result of this proposed full consolidation and use of excess space, we estimate the Postal Service could save approximately \$34 million over 10 years.

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<sup>1</sup> Processing facilities could include Processing and Distribution Facilities (P&DFs) and some Post Offices that process mail. For consistency we refer to processing facilities as P&DCs.

<sup>2</sup> Full consolidations result in facility closures while partial consolidations transfer operations between facilities, but do not result in facility closures.

## Full Consolidation Opportunities

Opportunities exist for full consolidations in the Southeast Area. While management has aggressively pursued partial consolidations, they have not implemented a full consolidation that resulted in a facility closure. According to management, several factors contributed to the lack of P&DC closures including potential impacts on overnight service and stakeholder concerns.

In collaboration with management, the U.S. Postal Service Office of Inspector General (OIG) developed an independent model to assess opportunities for mail processing facility consolidations. The results of our model validated many of the consolidations either implemented or considered. Also, the model indicated the potential for full consolidation of the Daytona Beach P&DF into the Mid-Florida P&DC and the Huntsville P&DF into the Birmingham P&DC and its associated annex.

Both of these consolidation opportunities ranked high on the OIG's consolidation model (see [Appendix B](#) for more information on the modeling results). Additional coordination with management and visits to the facilities confirmed the potential for consolidation. Based on the model and our site visits, we found the facilities were within a reasonable proximity of each other (less than 100 miles), the consolidation would result in a net upgrade in service, excess machine capacity exists at the gaining facility, and there is excess floor space to accommodate any additional equipment needed for full consolidation.

The Postal Accountability and Enhancement Act of 2006 (The Postal Act of 2006)<sup>3</sup> strongly encourages the Postal Service to expeditiously move forward in its streamlining efforts. This includes rationalizing the mail processing facility network and removing excess processing capacity and space.

These consolidations should increase efficiency and reduce overall processing costs in support of the Postal Service's network streamlining efforts. Additionally, the consolidations could result in an annual cost savings of \$4,786,592. See [Appendix C](#) for our calculation of monetary impact.

Postal Service Actions – Management was pursuing a partial consolidation of originating mail from the Daytona Beach P&DF into the Mid-Florida P&DC; however, they subsequently placed the initiative on hold. During the audit, management agreed to conduct a feasibility study in accordance with Handbook PO-408<sup>4</sup> for a full consolidation of the Daytona Beach P&DF into the Mid-Florida P&DC.

Management also agreed excess space exists at the Birmingham P&DC and its annex; however, they felt consolidating the Huntsville P&DF into the Birmingham P&DC was less likely to be successful. See [Appendix B](#) for our detailed analysis of this topic.

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<sup>3</sup> Public Law 109-435, December 2006

<sup>4</sup> Handbook PO-408, *Area Mail Processing Guidelines*, March 2008.

We recommend the vice president, Southeast Area Operations:

1. Complete the full consolidation feasibility study on the Daytona Beach Processing and Distribution Facility into the Mid-Florida Processing and Distribution Center and take action to eliminate excess space in the Mid-Florida Processing and Distribution Center.
2. Determine alternate uses of excess space at the Birmingham Processing and Distribution Center and annex.

### Management's Comments

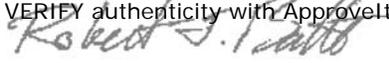
Management agrees with the findings and recommendations, but could not confirm the monetary impact. Specifically for recommendation 1, management initiated a feasibility study for a full consolidation of the Daytona Beach P&DC into the Mid-Florida P&DC. Management stated they could not confirm the monetary impact until a final decision is made on the study, which they should complete by November 28, 2010. Additionally, for recommendation 2, management agreed to determine best use of excess space at the Birmingham P&DC and its annex by Quarter 3, Fiscal Year (FY) 2011. See [Appendix D](#) for management comments in their entirety.

### Evaluation of Management's Comments

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

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

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Michael 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  
Steven J. Forte  
Corporate Audit and Response Management

## APPENDIX A: ADDITIONAL INFORMATION

### BACKGROUND

Excess capacity exists in the Postal Service's mail-processing infrastructure due to declines in First-Class Mail volume,<sup>5</sup> increased competition to traditional mail products from the private sector, increased automation, increased mailer participation in discounts for mail preparation, and shifts in population demographics. These factors, coupled with an aging processing infrastructure and network redundancies, make operating efficiently difficult. Management has recognized the need for a comprehensive redesign of its distribution and transportation network and is continually looking for opportunities to improve its efficiency by making better use of space, staffing, equipment, and transportation.

As part of the Postal Service's *Strategic Transformation Plan, 2006-2010*, the Postal Service articulated an initiative to improve its processing and transportation network. The charter of the initiative was to create a flexible logistics network that reduces Postal Service and customer costs, increases operational effectiveness, and improves consistency of service.

On December 20, 2006, the Postal Act of 2006 was signed into law encouraging the Postal Service to continue to streamline its networks. In June 2008, the Postal Service submitted its Network Plan to Congress, as required by the Postal Act of 2006. The plan described the Postal Service's strategy for rationalizing its mail processing and transportation networks. One of the core elements of the strategy is rationalizing the P&DC network.

The Postal Service is actively examining opportunities to increase efficiency by consolidating mail processing operations at its 268 P&DCs, allowing better use of its resources. Between October 1, 2005, and July 1, 2010, the Postal Service implemented 42 area mail processing (AMP) consolidations; however, only two resulted in facility closures.

### OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to assess the opportunity for full P&DC consolidations in the Southeast Area. To accomplish our objective we:

- Reviewed completed and planned Postal Service mail processing facility consolidations.
- Examined criteria used to develop consolidation opportunities.

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<sup>5</sup> Mail volume decreased by more than 25.6 billion pieces in FY 2009.

- Assessed additional opportunities for full facility closures in the Southeast Area.
- Developed an independent consolidation model and applied its key indicators to identify opportunities for full processing facility consolidations. The indicators included: location, service, excess floor space, Delivery Barcode Sorter (DBCS) machine requirements, facility type, breakthrough productivity initiative (BPI),<sup>6</sup> mail processing efficiency, and opportunity cost.<sup>7</sup>
- Interviewed managers and obtained feedback on key indicators and criteria used for consolidation opportunities.
- Determined whether factors prevent the Postal Service from pursuing full consolidation opportunities.
- Conducted site visits in June 2010 at the Daytona Beach P&DF, the Jacksonville P&DC and Annex, the Mid-Florida P&DC, the Huntsville P&DF, the Gainesville P&DF, the Montgomery P&DF, and the Birmingham P&DC and Annex.

Map 1. Southeast Area Site Visits



<sup>6</sup> Initiative to help focus and structure process improvement efforts to drive productivity growth.

<sup>7</sup> Opportunity hours are workhours used in excess of target workhours. Opportunity costs are calculated using the opportunity hours times the average labor rate for clerks and mailhandlers.

We limited the scope of the audit to mail processing facilities in the Southeast Area and relied on mail processing data from October 1, 2008, through September 30, 2009.

We conducted this performance audit from February through September 2010 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 August 23, 2010, and included their comments where appropriate.

We relied on data obtained from Facilities Management System, End-of-Run Report, Service Standard Directory, Activity-Based Costing, and Enterprise Data Warehouse Postal Service Systems. In addition, we used software to determine driving distances between facilities. We assessed the reliability of the data by comparing data to source documentation, conducting facility site visits, and discussing the data with management. We determined that the data were sufficiently reliable for the purposes of this report.

**PRIOR AUDIT COVERAGE**

<b>Report Title</b>	<b>Report Number</b>	<b>Final Report Date</b>	<b>Report Results</b>
<i>Post-Implementation Reviews of the Marina P&amp;DC Area Mail Processing (AMP) Consolidation</i>	EN-AR-07-004	8/14/2007	The Postal Service consolidated all mail processing operations from the Marina P&DC into the Los Angeles and Long Beach P&DCs. Although our audit disclosed the support and accuracy of the post-implementation review could be improved, the efficiencies associated with the consolidation resulted in considerable savings. Our analysis provided confirming evidence for reduced workhours, sale of the facility, considerable cost savings, and improved productivity. Management agreed with our recommendations.
<i>Kansas City, KS P&amp;DC Consolidation</i>	EN-AR-08-001	1/14/2008	The Postal Service consolidated all mail processing operations from the Kansas City, KS P&DC to the Kansas City, MO P&DC. The AMP consolidation proposal was generally accurate and supported. However, we identified discrepancies in workhour savings, executive and administrative schedule personnel savings, transportation costs, and annual associated savings. The AMP proposal, supporting documentation, and our analysis provided confirming evidence for the consolidation, including opportunities to achieve savings, eliminate excess capacity, and maintain service. Management agreed with our recommendations.
<i>Status on the Postal Service's Network Rationalization Initiative</i>	EN-AR-10-001	1/7/2010	The Postal Service has made some progress in streamlining its mail processing and transportation infrastructure. However, limited progress has been made in implementing AMP consolidations (only two have resulted in full facility closures). Stakeholder opposition and resistance to consolidations with First-Class Mail (FCM) service downgrades were the primary factors that delayed or resulted in the disapproval of AMPs. Management agreed with our recommendations.

Report Title	Report Number	Final Report Date	Report Results
<i>Financial Crisis Demands Aggressive Actions (Government Accountability Office [GAO] Report)</i>	GAO-10-538T	3/18/2010	The GAO has placed the Postal Service's financial condition and outlook on their High-Risk List. Several key actions were identified during this testimony including consolidating retail and processing networks. Specifically, the GAO stated the need to remove excess capacity in retail and mail processing facilities, maximize use of lower cost retail alternatives, and reduce the network of retail facilities.
<i>Strategies and Options to Facilitate Progress toward Financial Viability (GAO Report)</i>	GAO-10-455	4/2010	Making progress toward the Postal Service's financial viability would primarily involve taking action on strategies and options to right-size operations, cut costs, and increase revenue. Options in the mail processing area include closing major mail processing facilities, relaxing delivery standards to facilitate closures, and introducing discounts for destination-entry FCM. The Postal Service does not need and cannot afford to maintain its costly excess infrastructure capacity. Management agreed with most of the key findings.

## APPENDIX B: DETAILED ANALYSIS

### Full Consolidation Opportunities

Opportunities exist for full consolidations in the Southeast Area. Management has aggressively pursued partial facility consolidations but none that resulted in a facility closure. Between July 1, 2008, and July 1, 2010, they have completed eight partial consolidations and approved one additional consolidation for implementation.

The Postal Act of 2006 strongly encourages the Postal Service to expeditiously move forward in its streamlining efforts. This includes rationalizing the Postal Service's facilities network and removing excess processing capacity and space.

Consolidation opportunities exist due to:

- Declines in mail volume.
- Excess equipment capacity.
- Increased competition.
- Shifts in population demographics.
- Excess space available at processing facilities.
- Close proximity of processing facilities to each other.

Additionally, according to management, they did not pursue full consolidations because of potential impacts on overnight service and stakeholder concerns.

### Consolidation Model

We developed a model using eight indicators to assess opportunities for full consolidations in the plant network (see Table 1). We worked collaboratively with management to develop the indicators but independently ran the model and assessed results. We recognize that local knowledge is critical to validating and implementing model results.

**Table 1. Consolidation Model Indicators**

<b>Model Indicators</b>	<b>Definition</b>
Distance (miles)	Distance between facilities in miles
Net Service Changes	The change in time it takes mail to get from deposit at origin to delivery at destination.
Excess Floor Space (square feet)	Excess space on the workroom floor at the gaining facility.
Additional DBCS Machines needed	DBCS machines needed at the gaining facility to process mail volume from the losing facility.
Leased or Owned Facilities	Whether the losing facility is leased or owned by Postal Service
BPI Efficiency Scores (percentage)	How efficiently a facility processes mail.
Mail Processing Efficiency Scores <sup>8</sup> (percentage)	Additional mail volume a facility could process while performing at 80-percent efficiency.
Efficiency Opportunity Cost (percentage)	Difference between earned hours <sup>9</sup> and actual hours at cost.

The results of our model validated many of the consolidations either implemented or considered but also indicated the potential for full consolidation of the Daytona Beach P&DF into the Mid-Florida P&DC (see Table 2 for details). Discussions with management further validated this opportunity. The Postal Service was pursuing a partial consolidation of originating mail from the Daytona Beach P&DF into the Mid-Florida P&DC; however, in response to our modeling results management placed the partial consolidation initiative on hold. Additionally, the Birmingham P&DC and its associated annex have excess space that may provide an opportunity for a consolidation or alternate use.

<sup>8</sup> Excess capacity available based on 80-percent efficiency.

<sup>9</sup> Earned hours are target workhours based on BPI categories.

**Table 2. Network Consolidation Model Ranking**

#	Losing Facility	Gaining Facility	Score per OIG Model (Based on 100 Points)
FLORIDA			
1	Daytona Beach P&DF	Mid-Florida P&DC	87 <sup>10</sup>
2	Daytona Beach P&DF	Orlando P&DC	73
3	Daytona Beach P&DF	Jacksonville P&DC	71
ALABAMA			
1	Huntsville P&DF	Birmingham P&DC	86
2	Montgomery P&DF	Birmingham P&DC	83

**Daytona Beach P&DF into the Mid-Florida P&DC**

Based on our consolidation model results, site visits to the facilities, and discussions with management we determined that a full consolidation of the Daytona Beach P&DF into the Mid-Florida P&DC may be possible. Specifically, the Mid-Florida P&DC has sufficient space and mail processing capabilities to fully consolidate the Daytona Beach P&DF’s more than 746 million annual mailpieces (FY 2009 volume rounded).

According to a Postal Service analysis, the Mid-Florida P&DC has approximately 32,000 square feet of unused space. During our visit to the Mid-Florida P&DC, we noted two large contiguous spaces not being used; one space measured approximately 9,608 square feet (see Picture 1) and the other approximately 5,586 square feet.

**Picture 1. Mid-Florida P&DC (9,608 Excess Square Feet)**



<sup>10</sup> Each scenario is ranked on a 100-point scale based on the eight indicators. Higher points represent consolidation scenarios with less risk to the Postal Service.

We applied the eight indicators in our consolidation model to reach our conclusions (see Table 3).

**Table 3. Consolidation Model Indicators**

Model Indicators	Daytona Beach P&DF	Mid-Florida P&DC
Miles Between Facilities	53	53
Net Service Changes	---	Upgrade
Excess Floor Space (square feet)	---	32,143
Additional DBCS Machines Needed	---	4
Leased or Owned Facilities	Owned	Owned
BPI Efficiency Scores (percentage)	64	58
Mail Processing Efficiency Scores (percentage)	19	27
Efficiency Opportunity Cost (percentage)	40	46

Various challenges exist in implementing a full consolidation of the Daytona P&DF into the Mid-Florida P&DC. These challenges include relocation of Daytona’s carrier operations, box units, and Bulk Mail Entry Unit. Additional challenges include service standards/impacts and flats<sup>11</sup> processing.

- **Service Standards/Impacts:** Based on current service standards, there would be a net upgrade of 1,536 (or 22 percent) ZIP Code pairs. These ZIP Code pairs include all classes of mail. However, FCM service would be adversely impacted. Specifically, overnight services would be downgraded to 2-day service in eight ZIP Code pairs. In addition, 2-day service would be downgraded to 3-day service in 46 ZIP Code pairs. The cost benefit of a full consolidation may justify consideration of the downgrades and/or a change in service standards for the impacted ZIP Codes (see Table 4).

**Table 4. Daytona’s Full Consolidation Service Impacts**

Daytona Beach P&DF into Mid-Florida P&DC Service Impacts					
Service Upgrades Overnight	Service Downgrades Overnight	Service Upgrade All Other FCM	Service Downgrade All Other FCM	Service Upgrades Total	Service Downgrade Total
8	8	0	46	1,536	267

<sup>11</sup> The general term for flat-size mail, so called because the large mail is sorted without bending it so that the mail remains flat.

- **Flats Processing:** The Mid-Florida P&DC currently sends its flats to Orlando Logistics & Distribution Center for processing. The consolidation of the Daytona P&DF into the Mid-Florida P&DC may present a challenge to timely flats processing.

Management agreed a full consolidation may be possible and announced a full consolidation feasibility study on June 25, 2010. The consolidation of the Daytona Beach P&DF into the Mid-Florida P&DC could increase efficiency and reduce overall processing costs in support of Postal Service’s network streamlining efforts. Also, the full consolidation could result in an additional cost savings of approximately \$34 million over 10 years for the Postal Service.

### Huntsville P&DF into the Birmingham P&DC

Based on our consolidation model results, site visits to facilities, and discussions with management we determined that a full consolidation of the Huntsville P&DF into the Birmingham P&DC and its associated annex may be possible. Specifically, the Birmingham P&DC and its annex have sufficient space to bring additional equipment in order to process the more than 1 billion annual mailpieces (FY 2009 volume rounded) the Huntsville P&DF processes.

The Birmingham P&DC and its associated annex have approximately 40,000 square feet of excess space (see Table 5). Specifically, the Birmingham P&DC has a 7,000-square foot mezzanine with a freight elevator that currently stores empty equipment (see Picture 2). The mezzanine has the space to accommodate some mail processing operations or other non-mail processing activity currently located on the main workroom floor that may create space for additional mail processing equipment. Additionally, the Birmingham Annex has 30,225 square feet of excess space and much of the space stores empty equipment.

**Table 5. Birmingham P&DC Excess Square Feet**

Excess Floor Space (Sq. Ft.)		
Birmingham P&DC Plant	Birmingham P&DC Mezzanine	Birmingham P&DC Annex
2,559	7,000	30,225

**Picture 2. Birmingham Mezzanine (7,000 Excess Square Feet)**



We used eight indicators in our consolidation model to reach our conclusions (see Table 6).

**Table 6: Consolidation Model Indicators**

Model Indicators	Huntsville P&DF	Birmingham P&DC and Annex
Miles between facilities	92	92
Net Service Changes	---	Upgrade
Excess Floor Space (square feet)	---	39,784 <sup>12</sup>
Additional DBCS Machines Needed	---	4
Leased or Owned Facilities	Owned	Owned/Leased <sup>13</sup>
BPI Efficiency Scores (percentage)	68	59
Mail Processing Efficiency Scores (percentage)	15	27
Efficiency Opportunity Cost (percentage)	34	45

Management agreed there was excess space at the Birmingham P&DC and annex but expressed concerns with the consolidation of Huntsville P&DF into the Birmingham P&DC. They noted the following challenges in implementing a full consolidation of the Huntsville P&DF into the Birmingham P&DC:

<sup>12</sup> Excess floor space in Table 6 Includes excess space at the Birmingham P&DC, its mezzanine, and the associated annex.

<sup>13</sup> The Birmingham P&DC in a Postal Service owned facility and the annex is a leased facility.

- Meeting overnight service standards because of possible late mail arrival.
- Processing mail in a two-story operation.
- Usability and layout of excess space at the annex.
- Inefficiencies due to possibly splitting same mail operations between the plant and its annex.
- Age and condition of facility and equipment.

Considering a full consolidation of the Huntsville P&DF into the Birmingham facility could possibly increase efficiency and reduce overall processing costs. However, if the consolidation is not in the best interests of the Postal Service, management should identify alternate use for the excess space or terminate the leases at the Birmingham P&DC annex.

**APPENDIX C: MONETARY IMPACTS**

<b>Finding</b>	<b>Impact Category</b>	<b>Amount</b>
Daytona Beach P&DF into Mid-Florida P&DC	Funds Put to Better Use <sup>14</sup>	\$33,984,345
	<b>TOTAL</b>	<b>\$33,984,345</b>

**NOTE:**

**Daytona Beach P&DF into Mid-Florida P&DC:**

The consolidation of the Daytona Beach P&DF into the Mid-Florida P&DC could result in an annual cost savings of \$4,786,592. Specifically, we calculated cost avoidance for eliminating 18 maintenance positions (31,086 annual workhours), 26 mailhandler positions (45,510 annual workhours), and two Executive and Administrative Schedule (EAS) positions (3,553 annual workhours). Taking attrition rates into account, we estimated the maintenance and EAS positions could be eliminated in FY 2011, while the mailhandler position eliminations would require a phase-in period of four years beginning in FY 2011. Additionally, the calculated cost avoidance includes estimated net fair market value of the facility and utility costs savings. It does not include potential increased annual costs for transportation, one-time costs for employee relocation or equipment relocation. All costs were escalated using appropriate factors published by the Postal Service. We calculated the Present Value of cash flow savings over a ten-year period, beginning in FY 2011. This amounted to \$39,695,992.

We reduced this amount by the cost savings identified by management in the approved originating AMP package (first-year savings \$656,868). Management does not project their AMP annual savings. However, for consistency we projected the \$656,868 over 10 years (savings escalated and discounted) resulting in a projected savings of \$5,711,647. The OIG will claim the difference in the amount of \$33,984,345 as monetary impact.<sup>15</sup>

<sup>14</sup> Funds that could be used more efficiently by implementing recommended actions.

<sup>15</sup> Postal Service numbers do not take into account escalation and discount rates.

## APPENDIX D: MANAGEMENT'S COMMENTS

LINDA J. WELCH  
VICE PRESIDENT, AREA OPERATIONS  
SOUTHEAST AREA



September 13, 2010

LUCINE M. WILLIS  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Southeast Area Processing and Distribution  
Center Consolidations (Report Number EN-AR-10-Draft)

The Southeast Area (SEA) appreciated the opportunity to collaborate with the OIG on the consolidation opportunities identified in the modeling programs by both the USPS and the OIG.

**Recommendation #1:**

*Complete the full consolidation feasibility study on the Daytona Beach Processing and Distribution Facility into the Mid-Florida Processing and Distribution Center and take action to eliminate excess space in the Mid-Florida Processing and Distribution Center.*

**Management Response:**

The SEA concurs with the need to capture under-utilized space in the Mid-Florida P&DC and has begun the study of a full closure of the Daytona Beach (Florida) Processing and Distribution Center into that facility. Both the Suncoast District and the North Florida District are currently collaborating to complete the required documentation. The current timeline as defined by the AMP guidelines is to complete the data collection and submit a recommendation from the Vice President, Area Operations, Southeast Area, within the next month.

The decision will be based upon the data with the AMP process only. The value of the facility along with additional property consolidation opportunities are ancillary to the AMP decision as a potential one-time savings.

Once the recommendation is forwarded to the Senior Vice President, Operations, USPS Headquarters will review and issue a concurrence or denial. That decision should be no later than the end of Quarter I, FY-2011.

Since the review process is not complete, we cannot confirm or negate potential savings.

**Recommendation #2:**

*Determine alternate uses of excess space at the Birmingham Processing and Distribution Center and Annex.*

**Management Response:**

The SEA concurs that space exists in both the Birmingham Plant and Annex for alternative use. The challenge becomes determining how to best utilize the space. The SEA will need to explore several options and will propose those options no later than the beginning of Quarter 3, FY-2011. Alternatives will be explored for use of the space at both the P&DC and the Annex and will include facility and processing consolidation opportunities

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**Freedom of Information Act (FOIA)**

The Southeast Area does not believe this report contains any proprietary or business information which may not be disclosed pursuant to the Freedom of Information Act.

If you have any questions or need additional information, please contact Carl J. Iannazzo, Manager, In-Plant Support, at 901-747-7429.



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