



November 10, 2010

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SUBJECT: Audit Report – Excess Space in Mail Processing Facilities in the Suncoast District (Report Number EN-AR-11-001)

This report presents the results of our audit of the U.S. Postal Service's efforts to optimize the mail processing network (Project Number 10XG031EN000). Our objective was to assess excess space in mail processing facilities in the Suncoast District. This self-initiated audit addresses financial and operational risks. See [Appendix A](#) for additional information about this audit.

Because of a severe economic downturn and electronic diversion of the mail, the Postal Service has experienced a substantial decline in mail volume resulting in excess mail processing capacity. Over the last 2 years, management has implemented two plant consolidations and one district consolidation in the Southeast Area to improve operational efficiency. These consolidations generated over 100,000 square feet (SF) of excess space in the Suncoast District.

[Conclusion](#)

The Postal Service has implemented various actions to streamline the plant network and eliminate excess capacity, but opportunities exist to improve the process and achieve additional cost savings. While the Postal Service has ongoing initiatives to optimize retail and delivery facility spaces, efforts to eliminate excess space in the mail processing network have been limited. The Postal Service could improve guidance on identifying and reporting excess space at mail processing facilities and develop accurate and reliable information in databases.

Based on our review and discussions with management, there are various opportunities to improve the use of space at plants in the Suncoast District. These opportunities include additional plant consolidations¹ or relocating retail operations into mail processing facilities, which could generate an average cost savings of approximately \$1.26 to \$1.93 million annually. See [Appendix B](#) for our detailed analysis.

¹ The Postal Service has initiated a feasibility study to evaluate the transfer of mail processing operations from the Daytona Beach, FL Processing and Distribution Facility (P&DF) with those performed at the Mid-Florida, FL Processing and Distribution Center (P&DC).

Congress recognized in the Postal Accountability and Enhancement Act of 2006² that the Postal Service has more facilities than it needs and strongly encouraged streamlining the network. The Postal Service's current financial situation makes it essential to review and eliminate excess capacity in the network. Effective management of excess space resulting from consolidations should reduce costs in support of the Postal Service's realignment initiatives.

Although there are many challenges associated with consolidating mail processing operations and closing unneeded plants and retail locations, the process is necessary due to declining mail volume and a growing deficit.

Postal Service Actions – Management recognized the need to effectively manage its real estate assets. In April 2008, the Postal Service initiated a facility optimization program (FOP) designed to address management of excess space in delivery and retail operations. In addition, managers in the Suncoast District periodically notify the Southeast Area Facilities Service Office (FSO) of existing excess space in mail processing facilities and suggest potential consolidation opportunities.

We recommend the vice president, Facilities:

1. Establish clear guidance for reporting excess space that could be optimized in mail processing facilities.

We recommend the vice president, Facilities, in coordination with the vice president, Southeast Area Operations:

2. Ensure that excess space information for mail processing facilities recorded in the Postal Service system databases is accurate and complete.
3. Review and implement the most effective space optimization options for the Manasota, Mid-Florida, and St. Petersburg mail processing facilities in the Suncoast District.

Management's Comments

² Public Law 109-435, Section 302, December 2006.

Management did not agree or disagree with recommendation 1, but stated they would review facilities to determine excess square footage. Management will update this data in the electronic Facilities Management System and has attached a flowchart of the revised process to their response. They expect every mail processing facility to undergo this review over the next 3 years.

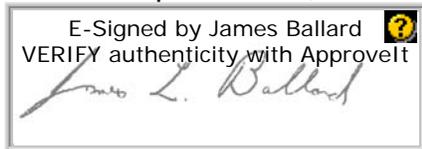
Management agreed with recommendations 2 and 3. For recommendation 2, management issued an updated policy letter on September 29, 2010 requiring quarterly reviews of the facility database for accuracy. Management will begin the reviews in fiscal year (FY) 2011 and district managers in the Southeast Area will certify them. For recommendation 3, management stated a study is underway for consolidating the Daytona Beach Processing and Distribution Center (P&DC) and moving its workload into the Mid-Florida P&DC. Management is also updating their Southeast Area Facility Optimization plans, including plans for the Manasota and St. Petersburg facilities. They believe the updated plans will determine the best possible use of the excess space. Management did not agree with the monetary impact of \$19.3 million because they believe we did not factor some costs into the estimate. See [Appendix D](#) for management's comments in their entirety.

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendations and corrective actions taken and planned should resolve the issues identified in the report. While management's comments regarding recommendation 1 do not specifically address policy, planned corrective actions to revise the process used to assess space in mail processing facilities will resolve this issue.

The OIG considers recommendation 3 significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action is completed. This recommendation should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation 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 A. Magalski, director, Network Optimization, or me at 703-248-2100.



For
Robert J. Batta
Deputy Assistant Inspector General
for Mission Operations
Attachment

cc: Steven J. Forte
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APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

In March 2009 testimony before Congress,³ the U.S. Government Accountability Office (GAO) recommended that the Postal Service take urgent action to streamline their mail processing and retail networks, as the agency no longer has sufficient revenue to cover the cost of maintaining its large network. Furthermore, the GAO stated it was necessary for the Postal Service to consider whether it was cost effective to retain underused facilities and take action to right size its network.

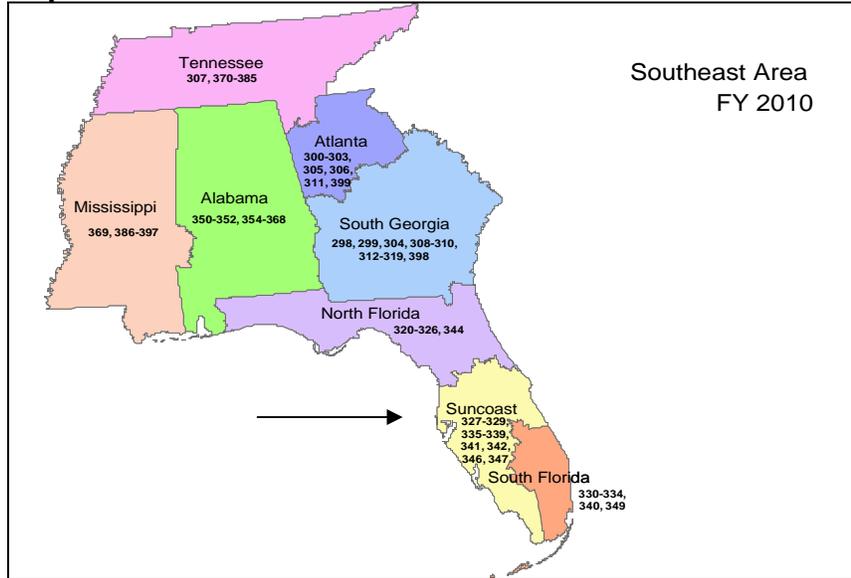
In April 2008, the Postal Service initiated the FOP to balance the portfolio of existing delivery facilities with the Postal Service's current and projected space needs. The FOP program includes the Postal Service Facility Space Optimization studies, also known as "Node studies," which management uses to identify consolidation opportunities.

On May 20, 2009, a senior Postal Service official testified before Congress that the primary driver of Area Mail Processing (AMP) consolidation activities over the last several years has been the steady decline of single-piece First-Class Mail® letters. From a business perspective, it is vital that the Postal Service pursue consolidation opportunities. According to the official, these consolidations will help the Postal Service contain costs and increase efficiency, both necessary to maintain strong service performance.

As of June 2010, the Southeast Area was leasing over 11 million SF of space at a cost of approximately \$105 million per year. The Suncoast District leases or owns 405 facilities, with over 5.8 million interior SF, in support of mail processing and delivery. The Suncoast District pays an annual rent of over \$18 million. All facilities addressed in this report are part of the Suncoast District in the Southeast Area (see Map 1).

³ GAO-09-475T, *Testimony before the Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, Committee on Oversight and Government Reform, House of Representatives*, dated March 25, 2009.

Map 1: Districts within the Postal Service Southeast Area



Two AMP consolidations and the consolidation of a district left over 100,000 SF of excess space at three P&DCs. In April 2008, the Postal Service implemented AMP consolidations at the St. Petersburg P&DC and in April 2010 at the Manasota P&DC. With completion of the AMP consolidations, 65,798 SF of excess space was created. In August 2009, the Postal Service realigned its Southeast Area Districts by eliminating the Central Florida District and its offices located at the Mid-Florida P&DC. The realignment created approximately 35,636 SF of excess space in the Mid-Florida P&DC.

Challenges Associated with Closures /Consolidations of Postal Service Facilities

The Postal Service encounters various challenges in their efforts to reduce costs through plant and retail network consolidations and realignments. Consolidating mail processing operations and closing unneeded plants and retail locations is controversial, but necessary because of declining mail volume and a growing deficit. Some of the challenges include:

- Strict Post Office (PO) closure and consolidation requirements outlined in the public law.⁴
- Strong resistance from local communities, employees, and lawmakers to closing and consolidating plant and retail facilities.
- Facilities with long-term leases, including some without termination clauses.

⁴ Title 39 U.S.C. Section 404(d).

OBJECTIVE, SCOPE, AND METHODOLOGY

Our audit objective was to assess excess space in mail processing facilities located in the Suncoast District. To accomplish our objective we:

- Reviewed the following criteria:
 - U.S. Postal Service *Administrative Support Manual*, Issue 13, July 1999.
 - U.S. Postal Service Handbook F66A, Investment Policies and Procedures – Major Facilities, January 2006.
 - U.S. Postal Service Handbook F66, General Investment Policies and Procedures, November 2005.
 - U.S. Postal Service Management Instruction – Facility Planning Concept, AS-520-96-9, November 1996.
 - U.S. Postal Service Area Mail Processing Guidelines, March 2008.
 - U.S. Postal Service Strategic Transformation Plan 2006–2010, September 2005.
- Interviewed Postal Service officials.
- Visited the following mail processing and retail facilities in the Suncoast District:
 - St. Petersburg P&DC.
 - Manasota P&DC.
 - Mid-Florida P&DC.
 - Tampa P&DC.
 - Orlando Logistics and Distribution Center.
 - St. Petersburg Main Post Office (MPO).
 - Sarasota Southgate Station.
 - Tallevast MPO.
 - Lake Mary MPO.
 - Sarasota MPO.
- Reviewed FY 2009 data from Postal Service management systems including the electronic Facilities Management System (eFMS), the Enterprise Data Warehouse (EDW), the Facilities Database System, and electronic Maintenance Activity Reporting & Scheduling System (eMARS) to determine excess space reported in the Suncoast District. To determine transportation costs, we reviewed FY 2009 data from the Transportation Contracting Support System (TCSS) and the Vehicle Information Transportation Analysis and Logistics System (VITAL).

- Measured excess space at the Manasota, Mid-Florida, and St. Petersburg P&DCs with the assistance of the facilities' industrial engineers and maintenance manager.
- Performed cost savings analyses of excess space and determined potential cost savings.
- Discussed our methodology with Southeast Area FSO management.

We conducted this performance audit from March through November 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 officials on September 22, 2010, and included their comments where appropriate. Management elected to waive an exit conference.

We did not audit the database systems, but performed a limited data integrity review to support our data reliance. We determined that with the exception of excess space measurements recorded for plants, eFMS data was sufficiently reliable for the purposes of this report. In lieu of using excess space data from the eFMS database, we measured excess space at the facilities with the assistance of the facilities' managers.

PRIOR AUDIT COVERAGE

Report Title	Report Number	Final Report Date	Report Results
<i>Use of Existing Postal-Owned Space</i>	SA-AR-07-006	2/27/2007	The Postal Service did not monitor or actively track and report underused and vacant space. As a result, there was no way to ensure the areas optimized the use of space to avoid future leasing costs. We recommended the Postal Service develop consistent procedures for communication among installation heads, district managers, and FSOs to identify and track underutilized and vacant space. Management agreed with the recommendation.
<i>Location of Southeast Area Office Space</i>	SA-MA-08-002	6/17/2008	The Postal Service may benefit from the Southeast Area office being located at other locations within the area they serve. Management agreed with the recommendation.

Report Title	Report Number	Final Report Date	Report Results
<i>Status Report on the Postal Service's Network Rationalization Initiatives</i>	EN-AR-10-001	1/7/2010	Between FYs 2005-2009, the Postal Service made progress in its effort to streamline its mail processing and transportation infrastructure; however, management was unable to adjust resources to offset mail volume declines fully, resulting in a deteriorating financial condition. Management took unprecedented action to reduce costs; additional opportunities remained to reduce excess capacity in the plant network. We recommended management develop and document specific criteria to identify consolidation opportunities; develop a periodic (annual) review process using a top-down methodology to ensure consistency in identifying consolidation opportunities; aggressively pursue P&DC and other plant facility closures to eliminate excess plant capacity. Management agreed with the first two recommendations and agreed in part with the third.
<i>Manasota Processing and Distribution Center Consolidation</i>	EN-AR-10-003	2/12/2010	The consolidation should increase efficiency, reduce processing costs, and improve service in support of the Postal Service's network streamlining efforts. Management agreed with the findings and recommendations.
<i>Lakeland Processing and Distribution Center Consolidation</i>	EN-AR-10-004	2/12/2010	The consolidation should increase efficiency, reduce processing costs, and improve service in support of the Postal Service's network streamlining efforts. There were no recommendations and management agreed with the conclusions.

Report Title	Report Number	Final Report Date	Report Results
<i>Facility Optimization: Northern New Jersey District</i>	DA-AR-10-008	8/25/2010	The Northern New Jersey District has 1.98 million SF in excess of needs suggested by workload. We estimated if the district initiates disposal action for the excess space we identified, there is a potential opportunity to realize \$157,963,990 over typical and remaining lease terms. Management agreed with our recommendations. However, management disagreed with the methodology used to calculate excess space, the cost factors used to value the excess space and the calculation of the monetary impact reported.
<i>Facility Optimization: Chicago District</i>	DA-AR-10-009	8/25/2010	The Chicago District has 740,529 SF in excess of needs suggested by workload. We estimated if the district initiates disposal action for the excess space we identified, there is a potential opportunity to realize \$23,517,019 over typical and remaining lease terms. Management agreed with our recommendations. However, management did not agree with the amount of excess space or the potential monetary impact reported and disagreed with the methodology used to calculate excess space, the cost factors used to value the excess space and the calculation of the monetary impact reported.
<i>Facility Optimization: New York District</i>	DA-AR-10-010	8/25/2010	The New York District has 2.4 million SF in excess of needs suggested by workload. We estimated if the district initiates disposal action for the excess space we identified, there is a potential opportunity to realize \$446,258,222 over typical and remaining lease terms. Management agreed with our recommendation to develop a more accurate process and additional metrics. However, management did not agree with the amount of excess space or the potential monetary impact reported and disagreed with the methodology used to calculate excess space, the cost factors used to value the excess space and the calculation of the monetary impact reported.

Report Title	Report Number	Final Report Date	Report Results
<i>U.S. Postal Service: Mail Processing Network Initiatives Progressing, and Guidance for Consolidating Area Mail Processing Operations Being Followed</i>	GAO-10-731	6/16/2010	The Postal Service expects an annual cost savings of approximately \$98.5 million for 29 AMP consolidations approved and implemented between October 2008 and March 2010. The Postal Service plans to make the AMP consolidation process an ongoing effort to reduce costs and increase efficiency.

APPENDIX B: DETAILED ANALYSIS

Reporting and Monitoring Excess Space in Mail Processing Facilities

We found that the Postal Service could improve management of excess space at mail processing facilities in the Suncoast District. The Postal Service has ongoing initiatives to enhance space optimization at carrier annexes and retail operation facilities. However, current practices for reporting and monitoring excess space at mail processing facilities in the Suncoast District do not allow for effective management of excess space.

- The Southeast Area FSO relies on district managers to identify and report excess space in mail processing facilities during district meetings by telephone or email instead of through a formal documented process supported by clear guidance.
- Excess space information for mail processing facilities reported in the Postal Service's electronic eFMS database was inaccurate. We measured excess space at three P&DC facilities with the assistance of the facilities' industrial engineers and maintenance managers. We found a total 101,434 SF of vacant excess space versus the 516,374 SF reported in the eFMS database. See Table 1 for reported and measured excess space:

Table 1: Excess Space Reported and Measured in Square Feet

Facility Name	Reported in eFMS	OIG Measurements
Manasota P&DC	192,340	56,562
Mid-Florida P&DC	206,536	35,636
St. Petersburg P&DC	117,498	9,236
Total	516,374	101,434

According to Postal Service officials, the reason for the wide disparity is that mail processing facilities excess space is reported based on delivery and retail operational metrics; however, a new initiative is underway to improve reporting of excess space at plants.

Excess Space Guidance and Database Information

Postal Service guidance⁵ for identifying and reporting excess space in mail processing facilities is not clear. The guidance does require that management report all excess space in Postal Service buildings or undeveloped sites and addresses disposal or sale of excess Postal Service-owned property, but does not address optimization of excess space in mail processing facilities.

⁵ *Administrative Service Manual* 13, Chapter 5, Sections 513 and 517, Facilities and Equipment, July 13, 1999, updated with *Postal Bulletin* revisions through November 19, 2009.

Because the guidance is not clear, FSO personnel must rely on managers to bring excess space information to their attention to enable them to take necessary action. As a result, FSO personnel are not always able to document and monitor the amount of excess space to ensure timely disposition or use.

Further, excess space information in the Postal Service's eFMS database for mail processing facilities is inaccurate. As a result, it is not a reliable source for identifying the amount of excess space in these facilities. Postal Service officials were aware of the discrepancies and stated they plan to correct the facility databases with accurate measurements from all mail processing facilities in the Suncoast District. Inaccurate and incomplete information in the Postal Service system database may hinder effective and timely disposition of excess space.

Impacts of Plant Consolidations

The lack of clear guidance and inaccurate excess space information in mail processing facilities does not allow for effective usage and timely disposition of excess space generated from Postal Service realignment initiatives. Network realignment initiatives, such as AMP consolidations, could create excess space in mail processing facilities. As a result, the Postal Service may be missing opportunities to optimize space utilization, reduce future lease costs, and realize additional consolidation savings.

Potential Opportunities for Cost Savings

The Postal Service has an opportunity to save approximately \$19.3 million by consolidating Post Offices, branches, carrier annexes, and/or stations within a 10-mile radius of one of three P&DC's with excess space. There is usable excess space at the Manasota, Mid-Florida, and St. Petersburg P&DCs in the Suncoast District to consolidate retail and carrier facilities. Table 2 shows the percentage of interior SF at the P&DCs that the OIG team identified as excess space during the review. The table also shows the period of time excess space was available prior to our visit.

Table 2: Impacted Mail Processing Facilities

P&DC	Total Percentage of Excess Space	Time Excess Space was Available Prior to OIG Review
Manasota	21%	0 months
Mid-Florida	11%	7 months
St. Petersburg	6%	23 months

Potential relocations of retail and carrier operations to mail processing facilities could generate savings ranging from approximately \$12.7 to \$19.3 million over a 10-year period. We identified nine potential relocation opportunities that could generate savings.

In determining potential savings and relocation opportunities, we reviewed the following:

- Type of facility (Post Office, branch, station, or annex).
- Distance from the P&DC (within a 10-mile radius).
- Excess usable space at the P&DC.
- Interior square footage required by the relocating facility.
- Type of property (owned or leased).

In determining net present value cash flow (see [Appendix C](#)), we reviewed and analyzed the following:

- Property value in terms of ownership and leased term years of the facility.
- Utility costs associated with the moving facility.
- Changes to transportation costs.
- Staffing changes for labor.
- Build-out costs associated with implementing optimization actions.

In determining potential relocation requirements, we reviewed and considered the following:

- Availability and space for PO boxes.
- Space for carrier stations.
- Workroom floor requirements.
- Parking for customers and employees.

[Potential Usage of Excess Space at the Manasota P&DC](#)

There is a valid business case for moving delivery and retail operations into excess space located at the Manasota P&DC, which had approximately 56,600 SF of excess space available. See Table 3 for potential relocation opportunities and savings. See [Appendix C](#) for monetary impact calculations

Table 3: Potential Manasota P&DC Consolidation Candidates

Facility Name	Type of Facility	Distance from P&DC (Miles)	Interior Square Feet Required for Relocation	Type of Property	Potential Present Value of Savings Over 10 Years
Sarasota Southgate Station	Station	9.0	6,794	Leased	\$2,397,406
Sarasota Glengarry Station	Station	8.0	28,896	Leased	\$2,947,122

Relocating either the Sarasota Southgate Station or the Sarasota Glengarry Station into the Manasota plant would generate savings, but the greater opportunity would be to relocate the Sarasota Glengarry Station. Table 4 shows existing functions and floor plan requirements for the two facilities.

Table 4: Potential Candidates Floor Plan Requirements

Facility Name	Retail Counter	Lobby	P.O. Boxes	Workroom Floor	Carrier Stations
Sarasota Southgate Station	X	X	X	X	X
Sarasota Glengarry Station	X	X	X	X	X

Option A: Move the Sarasota Southgate Station delivery and retail operations into the Manasota P&DC. This option could save approximately \$2.4 million over a 10-year period and appears to be a good cost savings opportunity. The Sarasota Southgate Station building is leased property. Management could relocate the current staff to the Manasota P&DC. The Manasota P&DC was designed to include a delivery and retail unit. We included \$800,000 in build-out costs when determining the potential savings.

Option B: Move the Sarasota Glengarry Station into the Manasota P&DC. This option could save over \$2.9 million over a 10-year period and appears to be the best cost savings opportunity.

Due to the amount of available excess space, either one of the above options may be feasible for the Manasota P&DC. The Postal Service could pursue other potential opportunities in addition to moving the Southgate and Glengarry Stations. However, we elected not to address them in this report because of their distance from the P&DC.

[Potential Usage of Excess Space at the Mid-Florida P&DC](#)

There is a valid business case for moving delivery and retail operations into the Mid-Florida P&DC, which has approximately 35,600 SF of excess space. Table 5 lists the four Retail and Delivery units that management could relocate to the Mid-Florida P&DC. See [Appendix C](#) for the monetary impact calculation.

Table 5: Potential Mid-Florida P&DC Consolidation Candidates

Facility Name	Type of Facility	Distance from P&DC (Miles)	Interior SF Required for Relocation	Type of Property	Potential Present Value of Savings Over 10 Years
Lake Mary Main Office	Post Office	2.7	19,080	Owned	\$2,464,875
Longwood Main Office	Post Office	7.5	17,142	Owned	\$4,586,523
Lake Monroe Main Office	Post Office	4.0	2,432	Owned	\$753,002 ⁶
Sanford Carrier Annex	Carrier Annex	8.0	19,977	Leased	\$754,188

⁶ We pulled the data from the eMARS because eFMS data was missing.

The Postal Service has an opportunity to relocate the Lake Mary MPO or Longwood MPO or consolidate a combination of facilities such as the Lake Monroe and Sanford Carrier Annex with potential savings of over \$4.5 million for a 10-year period. Table 6 shows functions and floor plan requirements for the four facilities.

Table 6: Potential Candidates Floor Plan Requirements

Facility Name	Retail Counter	Lobby	P.O. Boxes	Workroom Floor	Carrier Stations
Lake Mary Main Office	X	X	X	X	X
Longwood Main Office	X	X	X	X	X
Lake Monroe Main Office	X	X	X		
Sanford Carrier Annex				X	X

See below for potential relocation options:

Option A: Move the Lake Mary MPO into the Mid-Florida P&DC. This option could save approximately \$2.5 million for a 10-year period. The Suncoast district manager is already considering this option.

Illustration 1 – Sign at Mid-Florida P&DC Providing Directions to the Nearest POs



The sign in Illustration 1 directs customers to visit retail facilities within 3 miles of the Mid-Florida P&DC.

Option B: Relocate the Longwood MPO into the Mid-Florida P&DC, which could save approximately \$4.5 million over a 10-year period.

Option C: Move the Lake Monroe MPO and the Sanford Carrier Annex into the Mid-Florida P&DC. This could save approximately \$1.5 million over a 10-year period. The excess space in the Mid-Florida P&DC could accommodate both units.

Due to the amount of available excess space, only one of the above options may be feasible for the Mid-Florida P&DC. In addition, the Postal Service is considering a full consolidation of the Daytona Beach P&DF into the Mid-Florida P&DC. These options may not be applicable if the consolidation takes place.

Potential Usage of Excess Space at the St. Petersburg P&DC

While the Postal Service has already initiated action to consolidate the St. Petersburg Central Station into the St. Petersburg P&DC, we concluded that there is a valid business case for an additional consolidation. The P&DC has an MPO with available retail space.

The P&DC facility will have 9,236 SF of potential excess space after moving the carriers in from the St. Petersburg Central Station, according to a Southeast Area Node Study. An additional consolidation opportunity exists for the remaining excess space.

There are over ten stations less than 10 miles from the St Petersburg P&DC. Of those stations, either the Cross Roads Station or the Gulfwinds Station could be relocated to the St. Petersburg P&DC to generate additional savings. See [Appendix C](#) for the monetary impact calculation.

Table 7 lists the Central Station and the additional two stations that management could relocate into the St. Petersburg P&DC⁷.

Table 7: Potential St. Petersburg P&DC Consolidation Candidates

Facility Name	Type of Facility	Distance from P&DC (Miles)	Interior Square Feet Required for Carriers	Type of Property	Potential Present Value of Savings Over 10 Years
St. Petersburg Central Station	Station	3.0	7,490	Leased	\$8,778,225
St. Petersburg Cross Roads Station	Station	4.0	8,530	Owned	\$11,862,484
St. Petersburg Gulfwinds Station	Branch	3.0	6,580	Owned	\$9,960,701

We concluded that if the Suncoast District initiated consolidation actions, there is an opportunity to realize savings of over \$11 million over a 10-year period.

Combining retail functions and processing facility functions could lead to substantial savings and efficiencies for the delivery and retail operations. See Table 8 for functions and floor plan requirements.

⁷ The St. Petersburg P&DC has a MPO with a retail counter and lobby.

Table 8: Potential Candidates Floor Plan Requirements

Facility Name	Retail Counter	Lobby	P.O. Boxes	Workroom Floor	Carrier Stations
St. Petersburg Central Station			X	X	X
St. Petersburg Crossroads Station			X	X	X
St. Petersburg Gulfwinds Station			X	X	X

See below for potential candidate relocation options:

Option A: Move St. Petersburg Central Station into the St. Petersburg MPO and P&DC. The Postal Service could save approximately \$8.8 million over a 10-year period. The St. Petersburg plant has a Delivery and Retail unit at the P&DC. Therefore, the facility would only have to relocate the Post Office boxes and carrier section to the plant. The Postal Service is already considering this option.

Option B: Move St. Petersburg Crossroads Station into the St. Petersburg MPO and P&DC. This could save approximately \$12 million over a 10-year period.

Option C: Move the St. Petersburg Gulfwinds Station into the St. Petersburg MPO and P&DC. The Postal Service could save approximately \$10 million over a 10-year period.

After moving the St. Petersburg Central Station, only one of the other two options may be feasible due to the amount of available excess space.

APPENDIX C: MONETARY IMPACTS

Funds Put To Better Use

Manasota P&DC

Project year Fiscal year	10-Year Total 2011 - 2020		10-Year Total 2011 - 2020
Sarasota Southgate Station- Option A		Sarasota Glengarry Station - Option B	
<u>Lease Expires 08/2013</u>		<u>Lease Expires 10/2018</u>	
Lease Savings	\$1,538,218	Lease Savings	\$601,642
Utility Savings	\$316,148	Utility Savings	\$640,807
Transportation Savings	\$602,173	Transportation Savings	\$1,899,002
Labor		Labor	
Custodial Savings	\$1,547,413	Custodial Savings	\$1,547,413
Build-Out Cost	(\$800,000)	Build-Out Cost	(\$800,000)
Total	\$3,203,952	Total	\$3,888,865
<i>Discounted at Postal Service cost of capital</i>	\$ 2,397,406	<i>Discounted at Postal Service cost of capital</i>	\$2,947,122
2010 Present value of cost savings	\$2,397,406	2010 Present value of cost savings	\$2,947,122

Mid-Florida P&DC

Project year Fiscal year	10-Year Total 2011 - 2020		10-Year Total 2011 - 2020		10-Year Total 2011 - 2020
Lake Mary MPO – Option A		Longwood MPO– Option B		Lake Monroe MPO & Sanford Carrier Annex– Option C	
<u>Owned</u>		<u>Owned</u>			
Appraised Property Value	\$1,500,000	Purchase Value	\$3,200,579	MPO - Owned, Purchase Value	\$658,935
Utility Savings	\$315,572	Utility Savings	\$440,343	Annex – Lease Expires 05/2021 - Savings	\$0
Transportation Savings	\$342,324	Transportation Savings	\$814,874	Utility Savings	\$417,738
Labor		Labor		Labor	
Custodial Savings	\$1,563,325	Custodial Savings	\$1,563,325	Custodial Savings	\$781,662
Build-Out Cost	(\$800,000)	Build-Out Cost	(\$800,000)	Build-Out Cost	(\$800,000)
Total	\$2,921,221	Total	\$5,219,120	Total	\$1,891,378
<i>Discounted at Postal Service cost of capital</i>	\$2,464,875	<i>Discounted at Postal Service cost of capital</i>	\$4,586,523	<i>Discounted at Postal Service cost of capital</i>	\$1,507,190
2010 Present value of cost savings	\$2,464,875	2010 Present value of cost savings	\$4,586,523	2010 Present value of cost savings	\$1,507,190

St Petersburg P&DC

**Excess Space in Mail Processing Facilities
in the Suncoast District**

EN-AR-11-001

Project year Fiscal year	10-Year Total 2011 - 2020		10-Year Total 2011 - 2020		10-Year Total 2011 - 2020
St Petersburg Central Station – Option A		St Petersburg Cross Roads Station – Option B		St Petersburg Gulfwinds Station– Option C	
<u>Leased- Expires 04/2013</u>		<u>Owned</u>		<u>Owned</u>	
Lease Savings	\$2,011,738	Purchase Value	\$2,317,181	Purchase Value	\$2,865,006
Utility Savings	\$504,385	Utility Savings	\$521,139	Utility Savings	\$485,165
Transportation Savings – PVS Driver	\$830,866	Transportation Savings – PVS Driver	\$830,866	Transportation Savings – PVS Driver	\$830,866
<u>Labor</u>		<u>Labor</u>		<u>Labor</u>	
Clerk Savings – (9) positions over 2 yrs.	\$7,211,101	Clerk Savings – (13) positions	\$10,253,249	Clerk Savings – (9) positions over 2 yrs.	\$7,211,101
Custodial Savings – (1) position	\$781,662	Custodial Savings – (1) position	\$781,662	Custodial Savings– (1) position	\$781,662
Build-Out Cost	(\$300,000)	Build-Out Cost	(\$300,000)	Build-Out Cost	(\$300,000)
Total	\$11,039,753	Total	\$14,404,097	Total	\$11,873,800
<i>Discounted at Postal Service cost of capital</i>	\$8,778,225	<i>Discounted at Postal Service cost of capital</i>	\$11,862,484	<i>Discounted at Postal Service cost of capital</i>	\$9,960,701
2010 Present value of cost savings	\$8,778,225	2010 Present value of cost savings	\$11,862,484	2010 Present value of cost savings	\$9,960,701

Potential Savings Range

P&DC Name	Potential Candidates For Consolidation/Relocation	Options	Savings	Minimum Potential Savings	Maximum Potential Savings
Manasota	Sarasota Southgate Station	A	\$2,397,406	\$2,397,406	
Manasota	Sarasota Glengarry Station	B	\$2,947,122		\$ 2,947,122
Mid-Florida	Lake Mary MPO	A	\$2,464,875		
Mid-Florida	Longwood MPO	B	\$4,586,523		4,586,523
Mid-Florida	Lake Monroe MPO and the Sanford Carrier Annex	C	\$1,507,190	1,507,190	
St. Petersburg	St. Petersburg Central Station	A	\$8,778,225	8,778,225	
St. Petersburg	St. Petersburg Cross Roads Station	B	\$11,862,484		11,862,484
St. Petersburg	St. Petersburg Gulfwinds Station	C	\$9,960,701		
TOTAL				\$12,682,821	\$19,396,129

Factors Considered in Determining Monetary Impacts:

Property Values - Ownership of Facility and Term Years

We categorized all facilities in the district and reviewed them by ownership – leased versus owned property. We considered what is in the best interest of the Postal Service related to facilities with leases of two or more years remaining.

Utility Costs Associated with Relocation

We used EDW to obtain the utility and fuel expenses from the Financial Performance Report, and used annual expenses for FY 2009.

Transportation Costs Associated with Route Changes

We used the TCSS database to pull the Highway Contract Routes to obtain transportation costs associated with the Manasota and Mid-Florida P&DCs. We used the VITAL for the Postal Vehicle Service routes associated with the St Petersburg P&DC and we used the Decision Analysis Report (DAR) Workhour Rates for FYs 2009 - 2011 to obtain cost for PVS personnel rates.

Labor and Maintenance Costs Associated with Relocation

We used DAR Workhour Rates for FYs 2009 - 2011 to obtain maintenance cost for custodial personnel rates. We realized that some delivery and retail units use the custodians from the P&DC.

Build-Out Costs Associated with Implementing Optimization Actions

The \$300,000 build-out cost for the St. Petersburg P&DC was approved in the Postal Facility Space Optimization studies in the Southeast Area. The Southeast Area furnished the Manasota and Mid-Florida build-out costs. During our interview with Southeast Area management, they stated the cost would be from \$500,000 to \$800,000. We used build-out costs of \$800,000 in our analyses for the Manasota and Mid-Florida P&DCs.

Costs Associated with Relocating Carriers

Although we were unable to determine the costs associated with moving the carriers, we limited our relocation candidates to within a 10-mile radius from the plants to minimize the costs and impacts.

APPENDIX D: MANAGEMENT'S COMMENTS

TOM A. SAMRA
VICE PRESIDENT, FACILITIES



November 3, 2010

Lucine Willis
Director, Audit Operations
1735 North Lynn Street
Arlington, VA 22209-2020

SUBJECT: Response to OIG Draft Audit
Excess Space in Mail Processing Facilities in the Suncoast District
(Report Number EN-AR-11-DRAFT)

Thank you for the opportunity to review and respond to the findings referenced in the Draft Audit Report, Excess Space in Mail Processing Facilities in the Suncoast District (Report Number EN-AR-11-Draft).

Recommendation #1:

Establish clear guidance for reporting excess space that could be optimized in mail processing facilities.

Management Response:

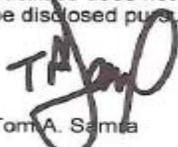
Facilities in conjunction with Networks and Engineering has develop a revised process whereby each mail processing facility will be reviewed by Networks, Engineering and Facilities to determine the existing operation in the building, the required space for that operation and the excess square footage in the building. This data will be updated in the eFMS system under the building space survey tab. A flowchart for this process is attached and will be released to the field by November 15, 2010. It is expected that over the next 3 years every mail processing facility will undergo this review.

Recommendation # 2 and # 3:

We are in agreement with the response for recommendation # 2 and # 3 provided to the OIG by the Southeast Area Vice president.

Freedom of Information Act (FOIA):

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

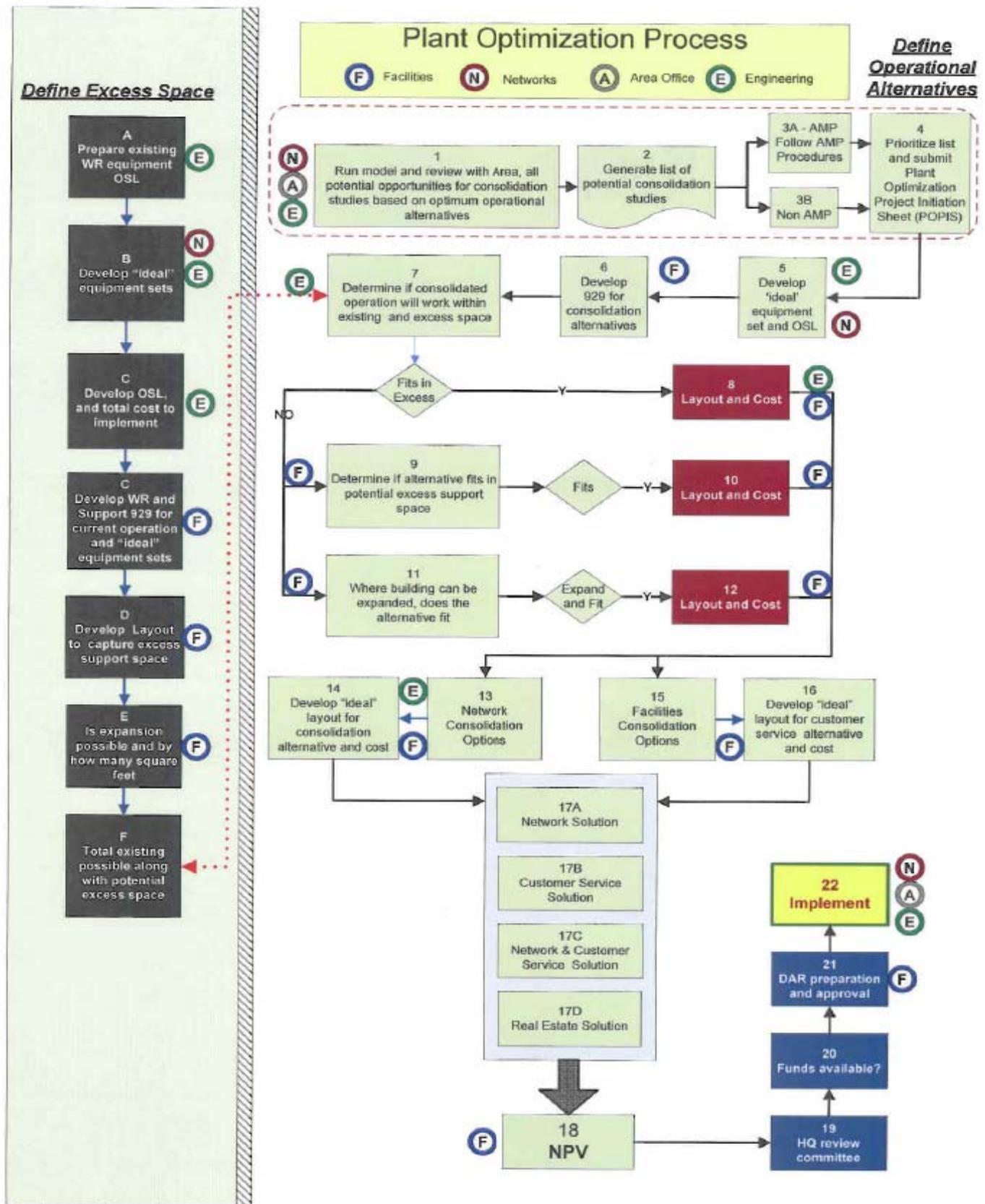


Tom A. Samra

Attachment

cc: Jamie Gallagher, A/Manager, Corporate Audit and Response Management
Carolyn Chambers, Manager, Operations Support

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LINDA J. WELCH
VICE PRESIDENT, AREA OPERATIONS
SOUTHEAST AREA



October 29, 2010

Lucine Willis
Director, Audit Operations
1735 North Lynn Street
Arlington, VA 22209-2020

SUBJECT: Response to OIG Draft Audit
Excess Space in Mail Processing Facilities in the Suncoast District
(Report Number EN-AR-11-DRAFT)

Thank you for the opportunity to review and respond to the findings referenced in the Draft Audit Report, Excess Space in Mail Processing Facilities in the Suncoast District (Report Number EN-AR-11-DRAFT).

The Southeast Area agrees with many of the recommendations. However, we do not agree with the cited monetary impact of \$19.3 million. It appears significant monetary and service-related costs were not factored into the impact estimates. Specifically, costs involved in moving carrier operations, transportation costs and staffing impacts must be more fully studied.

Recommendation #2:

Ensure that excess space information for mail processing facilities recorded in the Postal Service system databases is accurate and complete.

Management Response:

On September 29, 2010, the Southeast Area issued an updated policy letter, requiring quarterly reviews to be certified by the District Managers, with that certification to be sent to the Area Vice President. See attachment.

Recommendation #3:

Review and implement the most effective space optimization options for the Manasota, Mid-Florida, and St. Petersburg mail processing facilities in the Suncoast District.

Management Response:

The Southeast Area agrees there are opportunities to improve the use of excess space in the Suncoast District. In fact, we are reviewing plant and retail locations with space inefficiencies.

An AMP study is now underway, with consideration being given to the full or partial closure of the Daytona Beach facility, moving workload into the Mid-Florida facility. Based on the outcome of this study, we plan to fully utilize excess space in Mid-Florida.

We are updating our Southeast Area Facility Optimization plans, which include the Manasota and St. Petersburg facilities. We believe these updated plans will determine the best possible use of the excess space in the Suncoast District. Southeast Area Manager of Operations Support, Carolyn Chambers, will review those updated plans by the end of PQ-3 of FY-2011, and move forward with actions deemed advantageous.

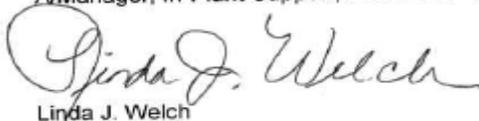
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Page 2

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 Mary Mahnke, A/Manager, In-Plant Support, at 901-747-7429.



Linda J. Welch

Attachment

cc: Jamie Gallagher, A/Manager, Corporate Audit and Response Management
Carolyn Chambers, Manager, Operation Support
Mary Mahnke, A/Manager, In Plant Support

SOUTHEAST AREA



September 29, 2010

DISTRICT MANAGERS

SUBJECT: Facilities Database Certification

The accuracy of Facility Database (FDB) information continues to impact business decisions made by the U.S. Postal Service. The obligation to maintain quality information necessitates that FDB is reviewed for accuracy more than once a year.

A FDB review process that ensures we provide accurate and certification process will be required throughout the fiscal year beginning in FY 2011. Each quarter District Managers will certify to the **Area Vice President** that each facility has reviewed, updated and certified each module within FDB for accurate and current information. Certification will be required to be completed by the end of the first month of each quarter.

Local office, district and area personnel have strategic responsibility to facilitate information accurately through FDB. Internal and external applications use FDB as a resource for publication through various media outlets. An example of usage of FDB data is USPS.com, which publishes retail locations and hours of operations along with products and services available at each location.

The need for accuracy of the data within FDB cannot be overemphasized. Our customers rely on the information in making decisions to purchase our products and services. The revenue associated with our internet channels is growing significantly. Applications like *Click-N-Ship*, *USPS.com*, the Passport Acceptance and Photo Program, Post Office Box renials and others all rely heavily on the data within FDB.

Should your district FDB coordinator have questions regarding the process of certifying modules within FDB please contact Rodney Hirtzer at 901-747-7658.

A handwritten signature in cursive script that reads "Donnie Collins".

Donnie J. Collins
Manager, Delivery Programs Support

cc: Linda J. Welch
Carolyn Chambers

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