



January 21, 2010

KERRY L. WOLNY
DISTRICT MANAGER, SIERRA COASTAL DISTRICT

SUBJECT: Management Advisory Report – Mojave Post Office Mail Processing
Changes (Report Number EN-MA-10-002)

This report presents the results of our review of the Mojave Post Office (PO) (Project Number 09XG032EN000). Our objective was to assess recent and proposed changes¹ to mail processing operations at the Mojave PO and compliance with applicable policies. This report responds to a congressional inquiry regarding concerns about expenses associated with changes to mail processing operations at the Mojave PO and impacts on service. This audit addresses operational risk. See [Appendix A](#) for additional information about this audit.

Conclusion

Sierra Coastal District management's analyses and business case supporting the changes made from November 2008 through February 2009 to destinating mail processing operations at the Mojave PO were reasonable. Management prepared a business case to move most of the destinating mail processing operations out of the Mojave PO. The business case projected annual savings of \$5,044,829, including transportation savings of \$470,375.

We found that several potential service standard downgrades could result from the changes, but management stated they made operational and transportation changes to ensure no service performance downgrades occurred. Although we could not validate the actions taken to eliminate the downgrades, intelligent mail barcodes² will provide an additional service measurement tool in the future. Management implemented these operational changes without completing an Area Mail Processing (AMP)³ study, since an AMP study was not required because the changes did not include all destinating operations at the Mojave PO. During our review, management announced they would conduct an AMP study for the Mojave PO, which will provide a more detailed and

¹ Recent change refers to a February 27, 2009, letter from Sierra Coastal District management to the vice president, Pacific Area Operations outlining the business case for transferring Mojave PO destinating mail processing operations to the Bakersfield and Santa Clarita Processing and Distribution Centers (P&DC). The proposed change refers to the business case management developed to move all mail processing operations out of the Mojave PO.

² The intelligent mail barcode will be used to sort and track letters and flats. It represents 20 digits of tracking data and up to 11 digits of ZIP Code™ information and is currently scheduled for implementation in March 2010.

³ AMP is the consolidation of all originating and/or destinating distribution operations from one or more post offices/facilities into other automated processing facilities for the purpose of improving operational efficiency and/or service.

complete analysis of the mail processing changes and subsequent impacts. We did not assess these proposed changes since they are in the review process.

Assessment of Recent and Proposed Changes to Mail Processing Operations at the Mojave PO

In February 2009, Sierra Coastal District management moved 80 percent of its destinating mail processing operations from the Mojave PO without conducting an AMP study, resulting in some potential First-Class Mail® (FCM) service standard downgrades and the involuntary reassignments of 81 Mojave PO employees. According to Sierra Coastal District management, mail volumes were down and processing the Lancaster and Palmdale POs' mail at the Mojave PO was not efficient or cost effective. Management did not complete an AMP study because they were not required to under Postal Service Handbook PO-408⁴ as they were not moving all mail processing operations from the Mojave PO.⁵ However, management prepared a business case that included components of an AMP study to move destinating mail processing operations out of the Mojave PO. The business case projected annual savings of \$5,044,829, including transportation savings of \$470,375. On September 10, 2009, management began an AMP study to examine moving all destinating mail operations from the Mojave PO to the Santa Clarita and/or Bakersfield P&DCs.

As a result of the November 2008 through February 2009 mail processing changes, there were nine potential service downgrades, 107 service upgrades, and the involuntarily reassignment of 81 Mojave PO employees to other positions within the district in accordance with Article 12 excessing requirements. Management complied with Article 12 of the National Agreement⁶ by following the notification processes and procedures with employees and the unions. Because management elected to begin an AMP study during our review, we are not making any recommendations in this report. See [Appendix B](#) for our detailed analysis of this topic.

⁴ *Area Mail Processing Guidelines*, March 2008.

⁵ According to an approved AMP, as of August 2007 all mail originating at the Mojave PO was sent to the Bakersfield P&DC for processing.

⁶ According to the National Agreement, a clerk craft employee involuntarily reassigned shall be entitled at the time of reassignment to file a written request to return to the first vacancy (at the same or lower salary level) in the craft and installation from which reassigned.

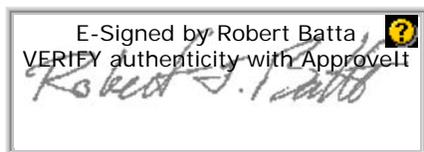
Management's Comments

Management agreed with the accuracy of the report. Management also stated that it is completing the proposed AMP study and has not made a decision on the movement of destinating operations for the Mojave PO. In addition, management stated that no service downgrades occurred with the movement of Lancaster and Palmdale mail. See [Appendix E](#) for management's comments, in their entirety.

Evaluation of Management's Comments

Management's actions to complete an AMP study should resolve the issues identified in this report. The U.S. Postal Service Office of Inspector General will monitor the study and may assess the service implications of mail processing changes at the Mojave PO in the future.

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 Directorate, or me at (703) 248-2100.



Robert J. Batta
Deputy Assistant Inspector General
for Mission Operations

cc: Patrick R. Donahoe
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APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

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 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 Post-Implementation Reviews (PIR). 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 revised *AMP Guidelines* in March 2008. The Postal Service uses the AMP process to consolidate mail processing functions, eliminate excess capacity, increase efficiency, and make better use of resources.

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, management realigned mail processing and sent all mail originating at the Mojave PO to the Bakersfield P&DC for processing, according to the approved AMP. The AMP covered the 3-digit ZIP Code 935.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to assess recent and proposed changes to mail processing operations at the Mojave PO and their compliance with applicable policies. To accomplish the objective, we interviewed managers and conducted site visits to the Mojave PO and the Santa Clarita P&DC where mail volumes were impacted. We performed a limited review of Article 12 procedures the Postal Service followed to excess employees from the Mojave PO. We also reviewed documentation management provided, including business case components of an AMP. We evaluated service performance after the mail processing operations were moved.

We relied on several Postal Service data systems: the Enterprise Data Warehouse (EDW), Web Service Standard Directory, and the Transportation Contract Support

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

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

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

System. We did not test controls over these systems; however, we validated data during discussions with management. We conducted this review from July 2009 through January 2010 in accordance with the President's Council on Integrity and Efficiency, *Quality Standards for Inspections*. We discussed our observations and conclusions with management officials on October 27, 2009, and included their comments where appropriate.

PRIOR AUDIT COVERAGE

Report Title	Report Number	Final Report Date	Report Results
<i>Mojave Post Office Facility Consolidation</i>	EN-AR-08-006	9/7/2008	Sierra Coastal District management did not route Bakersfield P&DC mail according to the approved AMP. Additionally, transportation changes were not accurately reported and service standards were not met for three sectional center facilities (Bakersfield, Fresno, and Mojave) in the Sierra Coastal Performance Cluster.
<i>Marysville Processing and Distribution Facility Consolidation</i>	EN-AR-08-003	4/16/2008	Sacramento District management did not route mail in accordance with the approved AMP due to service performance issues at the AMP-approved site (Sacramento P&DC). Additionally, the two PIRs and the AMP did not report the rerouted mail and service impacts.
<i>Review of the Automated Area Mail Processing Worksheets</i>	EN-MA-08-001	10/19/2009	The Postal Service's revisions to AMP guidance have resulted in significant improvements. However, the report outlines concerns with the planned methods of calculating potential workhour and transportation savings and other disclosure items, including communications, service, performance indicators, and supervisory ratios.

APPENDIX B: DETAILED ANALYSIS

Assessment of Recent and Proposed Changes to Mail Processing Operations at the Mojave PO

In fiscal year (FY) 2009, the Postal Service moved mail processing operations for the Mojave PO to the Santa Clarita P&DC. The Sierra Coastal District started moving mail processing operations out of the Mojave PO in November 2008 when they moved Lancaster PO Standard Mail to the Santa Clarita P&DC for processing. In January 2009, Sierra Coastal District management began processing all of the Lancaster and Palmdale POs' delivery point sequence FCM volume at the Santa Clarita P&DC. The mail volume from the two POs was approximately 80 percent of the Mojave PO's mail volume. According to district management, mail volumes were down and processing the Lancaster and Palmdale POs' mail at the Mojave PO was not efficient or cost effective. See [Appendix C](#) for a timeline of mail processing changes at the Mojave PO.

In a February 27, 2009, letter to the vice president, Pacific Area Operations, Sierra Coastal District management provided a business case outlining the rationale for transferring Mojave PO mail processing operations to the Santa Clarita P&DC. Although approval¹⁰ was not granted until after the mail was moved, the key elements of the business case supporting the movement of the mail appear to be reasonable for reducing costs and excessing employees. District management considered processing consistencies, equipment standardization, economies of scale, achievement of service objectives, and customer satisfaction. The goal of the business case was to lower costs and increase efficiency. Management projected a total annual savings of \$5,044,829 and a one-time cost of \$107,212. See Table 1 for a list of projected savings:

Table 1: Total Projected Savings for Mojave Workload Transfer

Function 1 Workhour Savings	\$ 3,160,614
Executive and Administrative Schedule Workhour Savings	200,000
District Transportation Savings	470,375
Area Transportation Savings	313,840
Maintenance Savings	900,000
Total/ Annual Savings	\$ 5,044,829
Total One-Time Costs	\$ 107,212

On April 24, 2009, the Pacific Area office gave permission to the district to proceed with workload migrations into the Santa Clarita and Bakersfield P&DCs as requested. Additionally, the Pacific Area office instructed the district to baseline current mail

¹⁰ Management is not required to obtain approval prior to making an operational change.

processing operations for further analysis. Management planned to assess the results of the transfer of the Mojave PO mail processing operations to the Santa Clarita P&DC over the next year.

The Postal Service's policy is to conduct an AMP study if all originating and/or destinating mail processing is moved from a facility. Management decided not to complete an AMP study because they were not moving all destinating mail processing from the Mojave PO. However, management developed a business case in April 2009 outlining their proposal to move destinating mail processing operations from the Mojave PO.

We reviewed key components of the district management's business case and found it to be reasonable for reducing transportation costs and excessing employees.

Service

According to the Postal Service SSD,¹¹ there were service standard changes associated with mail transferred from the Mojave PO to the Santa Clarita P&DC. Service standards were upgraded for 107 ZIP Code pairs and downgraded for nine ZIP Code pairs. The downgrades were for the Lancaster and Palmdale PO (ZIP Code 935) mail volume that was moved from the Mojave PO to the Santa Clarita P&DC. Table 2 shows a list of the potential service standard changes to Mojave mail processed at the Santa Clarita P&DC.

¹¹ A web-based system that provides mail class service standards information to internal customers via the Postal Service's intranet. A service standard is an expectation of the Postal Service to deliver a mailpiece to its intended destination within a prescribed number of days following proper deposit by a postal customer. The system allows users to maintain service standards between all originating and destination ZIP Code pairs for all classes of mail except Express Mail®.

Table 2: Service Standard Changes to Mojave Mail Processed at the Santa Clarita P&DC

		Priority Mail	FCM	Periodicals	Package Services	Standard Mail
Destination ZIP Code	Destination Name	Change in Service				
900	Los Angeles, CA	Upgrade	Upgrade	Upgrade	-	Upgrade
901	Los Angeles, CA	Upgrade	Upgrade	Upgrade	-	Upgrade
902	Inglewood, CA	Upgrade	Upgrade	Upgrade	-	Upgrade
903	Inglewood, CA	Upgrade	Upgrade	Upgrade	-	Upgrade
904	Inglewood, CA	Upgrade	Upgrade	Upgrade	-	Upgrade
905	Long Beach, CA	Upgrade	Upgrade	Upgrade	-	Upgrade
906	Long Beach, CA	Upgrade	Upgrade	Upgrade	-	Upgrade
907	Long Beach, CA	Upgrade	Upgrade	Upgrade	-	Upgrade
908	Long Beach, CA	Upgrade	Upgrade	Upgrade	-	Upgrade
910	Pasadena, CA	Upgrade	Upgrade	Upgrade	Upgrade	Upgrade
911	Pasadena, CA	Upgrade	Upgrade	Upgrade	Upgrade	Upgrade
912	Pasadena, CA	Upgrade	Upgrade	Upgrade	Upgrade	Upgrade
913	Van Nuys, CA	Upgrade	Upgrade	Upgrade	Upgrade	Upgrade
914	Van Nuys, CA	Upgrade	Upgrade	Upgrade	Upgrade	Upgrade
915	Van Nuys, CA	Upgrade	Upgrade	Upgrade	Upgrade	Upgrade
916	Van Nuys, CA	Upgrade	Upgrade	Upgrade	Upgrade	Upgrade
917	Industry, CA	Upgrade	Upgrade	Upgrade	-	Upgrade
918	Industry, CA	Upgrade	Upgrade	Upgrade	-	Upgrade
919-921	San Diego, CA	-	-	-	-	3 Upgrades
922-925	San Bernardino, CA	-	-	-	-	4 Upgrades
926	Santa Ana, CA	Upgrade	Upgrade	Upgrade	-	Upgrade
927	Santa Ana, CA	Upgrade	Upgrade	Upgrade	-	Upgrade
928	Anaheim, CA	Upgrade	Upgrade	Upgrade	-	Upgrade
930	Oxnard, CA	Upgrade	Upgrade	Upgrade	-	Upgrade
931	Santa Barbara, CA	-	-	-	-	Upgrade
932	Bakersfield, CA	Downgrade	Downgrade	Downgrade	-	Upgrade
933	Bakersfield, CA	Downgrade	Downgrade	Downgrade	-	Upgrade
934	Santa Barbara, CA	-	-	-	-	Upgrade
935	Mojave, CA	Downgrade	Downgrade	Downgrade	-	Upgrade
TOTAL UPGRADES		22	22	22	7	34
TOTAL DOWNGRADES		3	3	3	0	0

Sierra Coastal District management stated they made operational and transportation changes to ensure there were no service downgrades associated with mail transferred from the Mojave PO to the Santa Clarita P&DC. Although we could not validate the actions taken to eliminate the downgrades, intelligent mail barcodes will provide an additional service measurement tool in the future.

We used the EDW to review External First-Class Measurement (EXFC)¹² service performance for FY 2009. We could not review prior EXFC service performance before

¹² An external, independent measurement system the Postal Service uses to measure service performance. The system provides quarterly estimates of FCM service performance.

the changes were made because Mojave was a non-EXFC facility at that time. The service performance measurements for overnight, 2-Day, and 3-Day service became available in FY 2009. EXFC data for FYs 2009 and 2010 show that FCM service performance appears to have improved since transferring the mail from the Mojave PO to the Santa Clarita P&DC. See [Appendix D](#) for service performance trends.

Transportation Savings

Projected transportation savings reported in the Mojave Workload Transfer letter to the Pacific Area office were not fully supported. The Sierra Coastal District projected cost savings of approximately \$470,375 for the elimination of contracts, detours, and trips going to the Mojave PO. However, we could not validate management's projection because district management was not able to provide supporting documentation. On August 1, 2009, Santa Clarita P&DC transportation management submitted three service change requests for highway contract routes from the Mojave PO to the Santa Clarita P&DC totaling \$76,618. These service change requests are part of management's projected transportation savings.

Table 3: Proposed Highway Contract Route Changes for Mojave Workload Transfer

Proposed Start Date	Highway Contract Route	Proposed Savings
8/1/2009	93527	\$0
8/1/2009	93537	46,407
8/1/2009	93566	30,211
Total		\$76,618

Compliance with Applicable Policies – Employee Impacts

Prior to submitting the business case, the Sierra Coastal District anticipated the need to excess employees from the Mojave PO and began securing positions for impacted employees. On February 27, 2009, the Sierra Coastal District requested authorization to involuntarily reassign 61 clerks and 16 maintenance employees pursuant to provisions of Article 12.5.C.5 of the National Agreement and four executive and administrative schedule employees. The following positions were impacted:

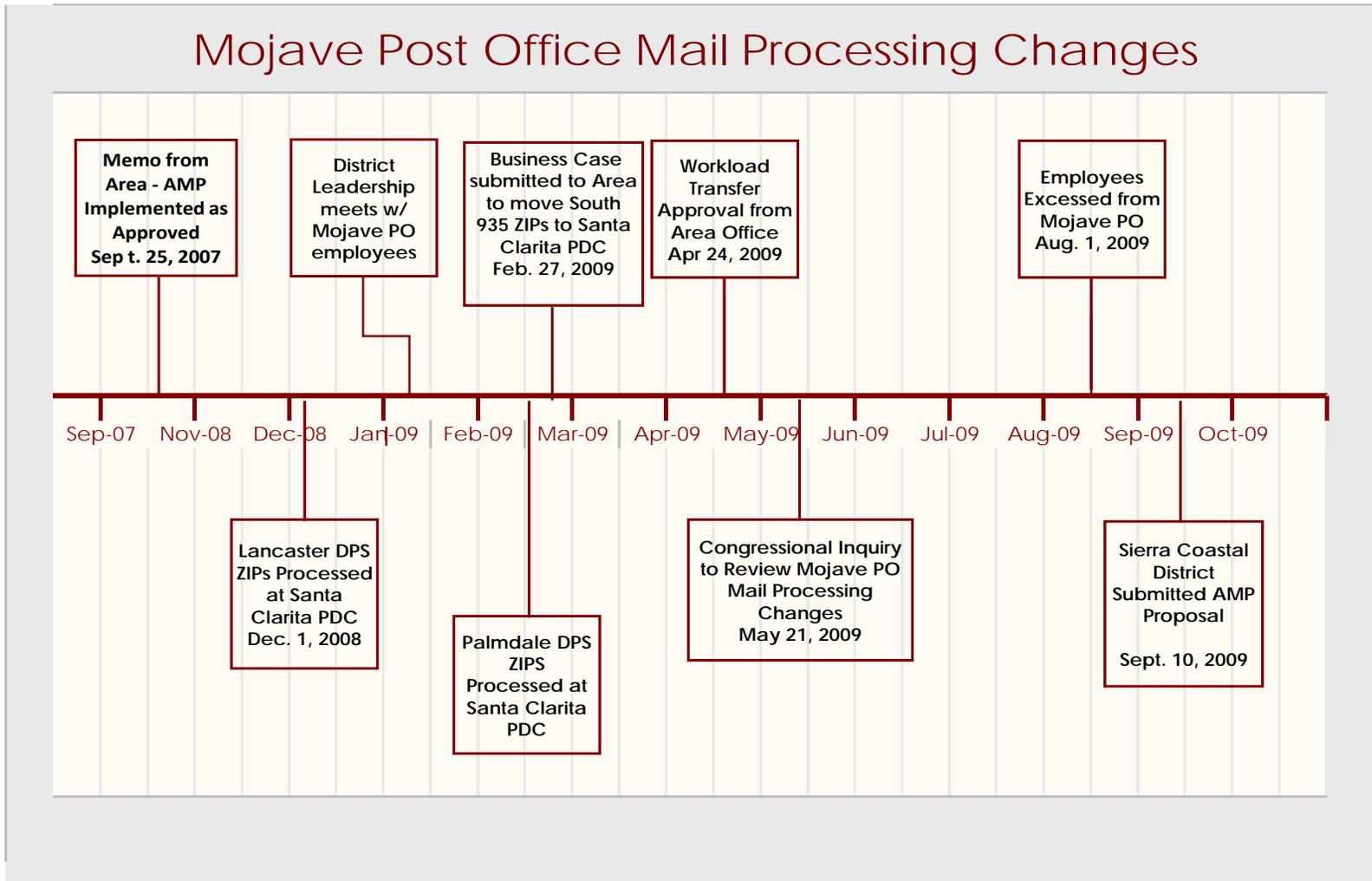
- Thirty-eight full-time clerks
- Twenty-three part-time flexible (PTF) clerks
- Nine electronic technicians
- Three maintenance mechanics
- One maintenance support clerk
- Three custodians
- Three customer service supervisors

- One maintenance manager

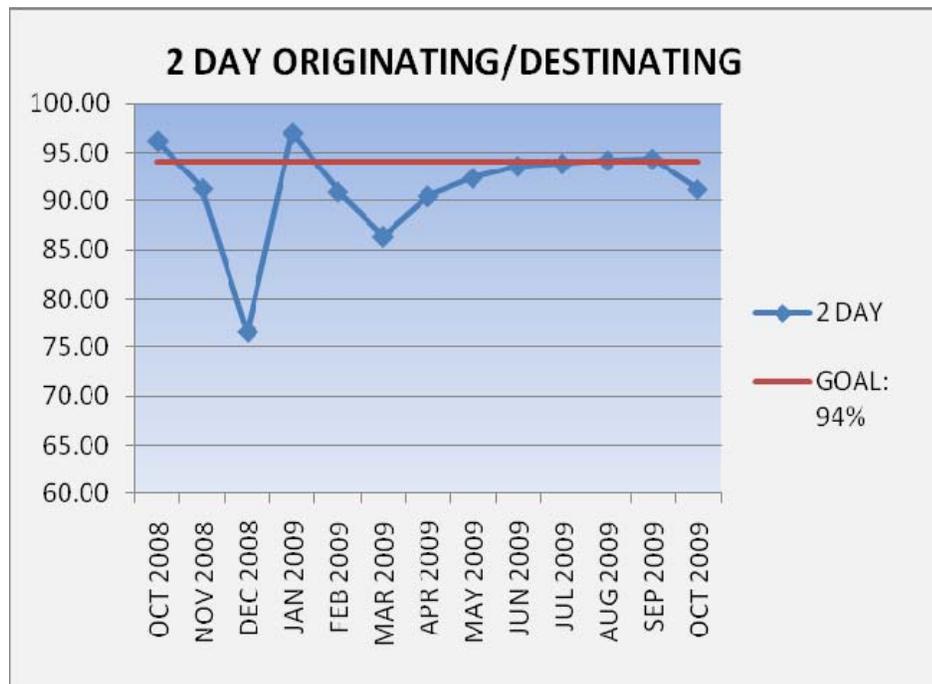
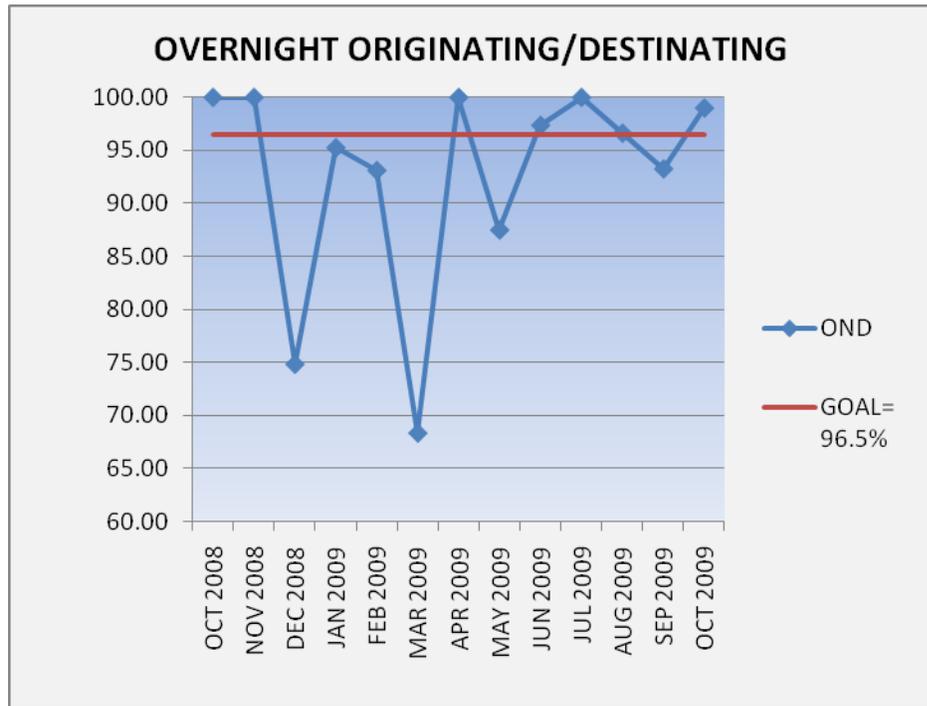
Management withheld 75 full-time carrier vacancies, seven part-time regular clerk vacancies, nine custodial vacancies, 11 vacant PTF-carrier positions, and 10 PTF-clerk positions within a 50-mile commute of the Mojave PO. After these positions became vacant, the district withheld them to ensure a pool of positions was available for the excessed employees. We found the following actions indicating the Postal Service complied with Article 12 requirements when excessing the employees:

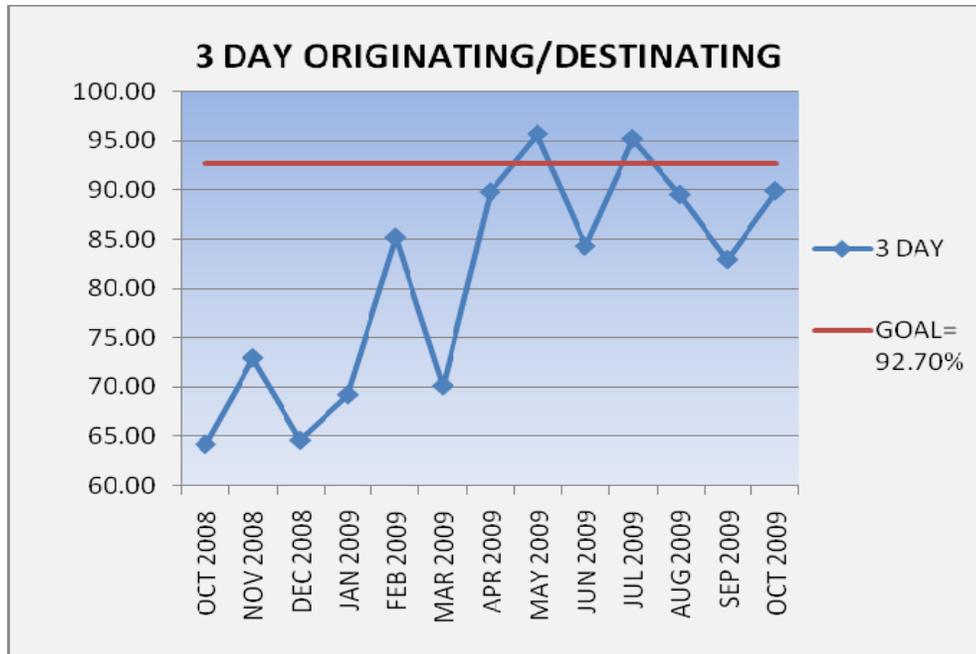
- January 14, 2009 – District leaders held town hall meetings with Mojave PO employees.
- June 21, 2009 – District leaders met with local American Postal Workers Union (APWU) and the Mojave PO postmaster (PM) to review excessing timeline.
- June 22, 2009 – the Mojave PO PM issued excessing letters and conducted a stand-up talk with the local APWU.
- July 1, 2009 – the district complement coordinator sent job award preference postings to the Mojave PO PM.
- July 25, 2009 – the district management issued award letters and reporting instructions to excessed employees.
- August 29, 2009 – Postal Service Notice of Personnel Action Forms (Postal Service Form 50) for Mojave PO employees were processed.

APPENDIX C: MOJAVE PO MAIL PROCESSING CHANGES TIMELINE



APPENDIX D: MOJAVE PO SERVICE PERFORMANCE





APPENDIX E: MANAGEMENT'S COMMENTS

DISTRICT MANAGER
SIERRA COASTAL DISTRICT

We Deliver For You, Every Piece, EveryDay!



January 6, 2010

MEMORANDUM FOR: LUCINE M. WILLIS
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Transmittal of Draft Management Advisory Report – Mojave Post Office Mail Processing Changes (Report Number EN-MA-10)

Thank you for the opportunity to review and comment on the subject draft audit report.

The Sierra Coastal District believes that the data provided in the report is reasonably accurate enough to be useful in assessing what took place. The proposed AMP study is still being completed, as such, no decision on the permanent movement of destinating operations for Mojave has been made.

I'd like to note that there are no recommendations in the report to respond to. Additionally, the cost savings cited in the report are rough estimates based on volume and staffing of almost a year ago. They should not be used to assess the potential savings if Mojave destinating is ultimately AMP'd. Lastly, I'd like to reiterate that NO service downgrades were created by the movement of Lancaster and Palmdale mail.

We do not believe that this report contains any proprietary or business information and may be disclosed pursuant to the Freedom of Information Act.

A handwritten signature in black ink, appearing to read "Kerry L Wolny".

Kerry L Wolny, District Manager
Sierra Coastal Customer Service & Sales

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