



September 30, 2006

MEGAN J. BRENNAN  
VICE PRESIDENT, NORTHEAST AREA OPERATIONS

SUBJECT: Audit Report - Bridgeport, Connecticut, Processing and Distribution Facility  
Outgoing Mail Consolidation (Report Number NO-AR-06-010)

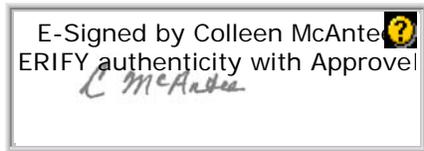
This report presents the results of our audit of the Bridgeport, Connecticut, Processing and Distribution Facility (Bridgeport P&DF) outgoing mail consolidation (Project Number 06YG012NO000). The U.S. Postal Service requested the audit and we conducted it in cooperation with the Northeast Area. The objective of this audit was to determine if the consolidation of Bridgeport P&DF outgoing mail processing operations was justified.

We concluded the Postal Service was justified in moving outgoing mail processing operations from the Bridgeport P&DF to the Stamford, Connecticut, Processing and Distribution Center (Stamford P&DC). The consolidation should have minimal impact on employees, make use of excess mail processing capacity, reduce labor costs, increase processing efficiency, and potentially improve delivery service. Transportation costs may increase slightly but the consolidation will allow expansion of Bridgeport P&DF carrier operations. The Postal Service implemented this consolidation during our audit. Consequently, we did not make recommendations pertaining to the consolidation itself, since our assessment supported management's actions.

We arrived at the same conclusion the Postal Service did in its area mail processing (AMP) proposal, although there were some methodology differences. In addition, we identified some weaknesses in management controls over the processing and approval of the AMP proposal. We made two recommendations in this report addressing these issues.

Management agreed with our recommendations and has taken action to address the issues in this report. Management's comments and our evaluation of these comments are included in this report.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have any questions or need additional information, please contact Robert J. Batta, Director, Network Operations - Processing, or me at (703) 248-2100.



Colleen A. McAntee  
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## EXECUTIVE SUMMARY

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### Introduction

At management's request, the U.S. Postal Service Office of Inspector General reviewed the proposed consolidation of outgoing mail processing operations at the Bridgeport, Connecticut, Processing and Distribution Facility (Bridgeport P&DF) into the Stamford, Connecticut, Processing and Distribution Center (Stamford P&DC). Our primary objective was to determine if the consolidation was justified. We also compared our results to the Postal Service's area mail processing (AMP) proposal. In addition, we examined management controls over the processing and approval of the AMP proposal.

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### Results in Brief

The Postal Service was justified in moving outgoing mail processing operations from the Bridgeport P&DF to the Stamford P&DC. The consolidation should have minimal impact on employees, make use of excess mail processing capacity, reduce labor costs, increase processing efficiency, and potentially improve delivery service. Transportation costs may increase slightly but the consolidation would allow expansion of Bridgeport P&DF carrier operations. The Postal Service implemented this consolidation during our audit. We are not making recommendations pertaining to the consolidation itself, since our assessment supported management's actions.

We arrived at the same conclusion the Postal Service did in its AMP proposal although there were some methodology differences. We are not making any recommendations on the methodology differences in this report. These are policy issues that apply to all AMP proposals, and we will address them in a separate report to Postal Service Headquarters.

We also identified some weaknesses in management controls over the processing and approval of the AMP proposal. We have included two recommendations addressing these issues.

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### Summary of Recommendations

We recommended that Postal Service maintain supporting documentation and use current data for future AMP proposals.

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**Summary of  
Management's  
Comments**

Management agreed with our recommendations. Regarding future AMP proposals, management agreed to maintain supporting documentation and use current data. Management requested we revise the report to acknowledge Postal Service's documented assessment of mail processing capacity and add information contained in the body of the report on employee impact to Appendix C. Management's comments, in their entirety, are included in Appendix G.

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**Overall Evaluation of  
Management's  
Comments**

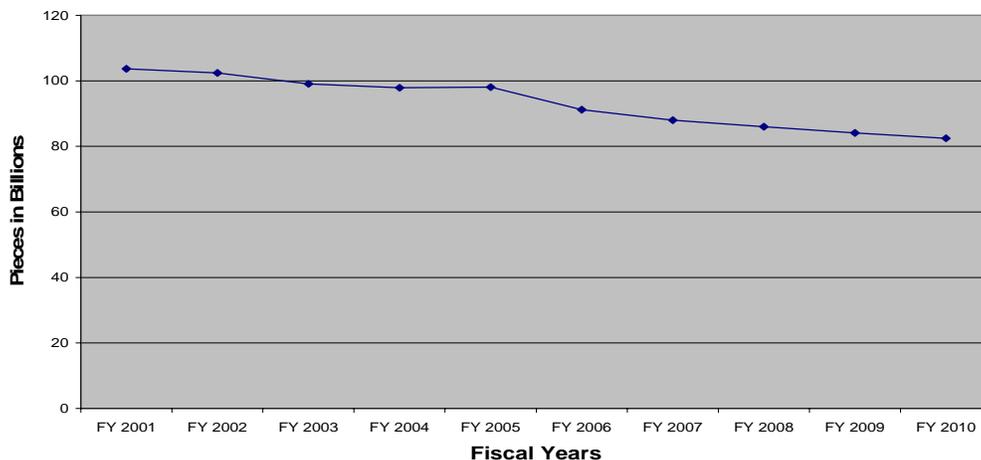
Management's comments are responsive to our recommendations and their actions taken should correct the issues identified in this report. Regarding management's request to modify the report, we added verbiage regarding the mail processing capacity assessment and provided more information in Appendix C.

## INTRODUCTION

### Background

The U.S. Postal Service is attempting to right-size its domestic network in response to declines in First-Class Mail® volume, increased competition to traditional mail products from the private sector, increased automation and mail processing by mailers, and shifts in population demographics. Despite a recent increase in mail volume, the aggregate volume of First-Class Mail declined by 5 percent (or 5.5 billion pieces) from fiscal years (FY) 2001 to 2005. In addition, the Postal Service projects First-Class Mail volume will continue to decline. Figure 1 shows these trends. The mail volumes at the Bridgeport, Connecticut, Processing and Distribution Facility (Bridgeport P&DF) follow similar trends, while the Stamford, Connecticut, Processing and Distribution Center (Stamford P&DC) mail volumes increased over this period because of incorporating Bridgeport P&DF's various mail processing operations into its operations.

Figure 1. First-Class Actual (FY 2001-2005) and Projected (FY 2006-2010) Mail Volume



The Bridgeport P&DF is a Group 7 facility and the Stamford P&DC is a Group 4 facility.<sup>1</sup> Both are located in the Connecticut Customer Service District, Northeast Area. (See Appendix A for a map of the Northeast Area.) During

<sup>1</sup> In FY 2004, Group 4 plants processed between 623 million to 1.5 billion mailpieces, while Group 7 plants processed no more than 432 million mailpieces.

our review, the Bridgeport P&DF processed inbound<sup>2</sup> and outbound mail<sup>3</sup> for Bridgeport, Connecticut, and associate offices in the surrounding area. The Stamford P&DC processed inbound and outbound mail for Stamford, Connecticut, and associate offices in the surrounding area.

The *Transformation Plan* states the Postal Service is committed to improving its operational efficiency by consolidating mail processing operations, when feasible. In addition, the President's Commission<sup>4</sup> found the Postal Service had more facilities than needed and recommended optimizing the facility network by closing and consolidating unneeded processing centers.

The Postal Service uses the area mail processing (AMP) process to consolidate mail processing functions and to eliminate excess capacity, increase efficiency, and better use resources. The Postal Service defines AMP as "the consolidation of all originating and/or destinating distribution operations from one or more post offices into another automated or mechanized facility to improve operational efficiency and/or service." This process has been refined over 3 decades as mail processing has evolved from a manual and mechanized process to an automated one.

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**Objective, Scope, and  
Methodology**

At Postal Service management's request, we reviewed the AMP proposal to consolidate outgoing mail processing operations at the Bridgeport P&DF into the Stamford P&DC. Our primary objective was to determine if the consolidation was justified. We also compared the results of our analysis to the AMP proposal.

We examined the potential impact of the consolidation on employees, labor costs, delivery service, transportation, equipment, and space. We reviewed applicable network change guidelines, including Handbook PO-408, *Area Mail Processing (AMP) Guidelines*, and the *Area Mail Processing (AMP) Communications Plan*. We performed trend analyses of mail volume, workhours, and productivity for each facility and other analytical procedures as necessary.

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<sup>2</sup> Mail intended for the processing facility's delivery area.

<sup>3</sup> Outbound or outgoing mail is sorted within a mail processing center and dispatched to another facility for additional processing and delivery.

<sup>4</sup> The President's Commission on the United States Postal Service reported its findings on July 31, 2003.

In addition, we examined the management controls over the processing and approval of the AMP proposal.

We relied on Postal Service data systems, including the Breakthrough Productivity Initiative website, the Management Operating Data System, the Web Enterprise Information System, Activity Based Costing System, and the Enterprise Data Warehouse to analyze mail volume and workhours.<sup>5</sup> We also used data from the Transportation Contract Support System and Transportation Information Management Evaluation System to review transportation issues and data from the Service Standards Directory to review service commitments. We verified key data included in the AMP proposal with Postal Service records and reports. We did not verify all data used to support the AMP proposal due to time constraints but focused on those areas with the potential for greatest impact. We also checked the accuracy of data by confirming our analyses and results with Postal Service managers.

From Postal Service Headquarters, we obtained an analysis that used Evolutionary Network Development (END) simulation models to determine the feasibility of the Bridgeport AMP proposal.<sup>6</sup> The actual consolidation may result in differences from initial projections for workhour reductions, service standards and transportation and other projected costs.

We conducted this audit from November 2005 through September 2006, in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. We discussed our observations and conclusions with management officials and included their comments where appropriate.

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**Prior Audit Coverage**

We issued three prior reports, one on the *AMP Guidelines* and two on the efficiency of mail processing operations at the Main Post Office in Mansfield, Ohio, and at the Canton, Ohio, P&DC. The site-specific reviews included our

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<sup>5</sup> We used FY 2004 data to be consistent with data in the AMP proposal.

<sup>6</sup> We did not audit the END simulation model outputs or verify the analysis provided, nor did we assess how this specific AMP fit into the overall END strategy.

assessment of proposed consolidations. (For details of prior audit coverage, see Appendix B.)

## AUDIT RESULTS

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<b>Assessment of Consolidating the Bridgeport Processing and Distribution Facility's Outgoing Mail Processing Operations</b>	<p>The Postal Service realized that excess processing capacity existed within the domestic mail processing network of the Connecticut Customer Service District. To better use this capacity, the Postal Service consolidated the Bridgeport P&amp;DF's outgoing mail processing operations into the Stamford P&amp;DC.</p> <p>We concluded the Postal Service was justified in moving outgoing mail processing operations from the Bridgeport P&amp;DF into the Stamford P&amp;DC. The consolidation should minimally impact employees, make use of excess mail processing capacity, reduce labor costs, increase processing efficiency, and potentially improve delivery service. Transportation costs may increase slightly but the consolidation would allow expansion of the Bridgeport P&amp;DF's carrier operations.</p> <p>We arrived at the same conclusion the Postal Service did in its AMP proposal although there were some methodology differences. We are not making any recommendations at this time as the consolidation has already occurred. We will issue a separate report to Postal Service Headquarters addressing methodology differences, as these are policy issues that apply to all AMP proposals. (See Appendix C for a summary comparison of the AMP to our analysis.)</p> <p>Title 39 U.S.C. Chapter 4, Section 403 (a) states "The Postal Service shall plan, develop, promote, and provide adequate and efficient postal services . . ." Further, Handbook PO-408 sets forth guidelines for making changes to the processing network.<sup>7</sup></p>
<b>Employee Impact</b>	<p>We concluded consolidation of outgoing mail processing operations should result in no job losses for career employees<sup>8</sup> because of the attrition potential at both facilities. The AMP proposal stated the Postal Service was to eliminate 27 craft and six management positions at the Bridgeport facility. However, in calendar year 2006, 29 of the 95 employees (30 percent) at the Bridgeport P&amp;DF and</p>

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<sup>7</sup> Handbook PO-408 provides a framework for changes to the mail processing network; states that changes should support the Postal Service's strategic objectives and make optimum use of available resources; and establishes management's accountability for making decisions.

<sup>8</sup> Career employees include both management and craft employees.

112 of the 446 employees (25 percent) at the Stamford P&DC will be eligible to retire.

The AMP proposal did not address how the Postal Service would reduce staff. However, through our discussions, the Postal Service did advise that no career employees would lose their jobs. Employees would retire, or make voluntary or involuntary moves to other plants with open positions. (See Appendix C for a summary comparison of employee impact.)

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Mail Processing  
Capacity

We found there was enough excess capacity at the Stamford P&DC to handle the Bridgeport P&DF outgoing mail processing operations. The Bridgeport P&DF would transfer almost 40 million pieces (or about 14 percent) of its FY 2004 total pieces handled (TPH)<sup>9</sup> mail volume to the Stamford P&DC. Based on this reduction in volume, we estimate the Bridgeport P&DF could reduce mail processing craft workhours by 23,767 (14 full-time equivalent employees) and management workhours by 1,806 (1 full-time equivalent employee).<sup>10</sup>

The craft workhour reduction is based on eliminating 100 percent of the workhours associated with outgoing operations<sup>11</sup> and 14 percent of the workhours used to process both incoming and outgoing mail.<sup>12</sup> The management workhour reduction is based on reducing those hours by the same percentage as the volume of mail being transferred.<sup>13</sup>

The Stamford P&DC could absorb the additional workload without using additional workhours. The transfer of almost 40 million pieces to the Stamford P&DC represents just 3 percent of the Stamford P&DC FY 2004 TPH mail volume. In addition, in FY 2004, the Stamford P&DC had sufficient

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<sup>9</sup> TPH refers to the number of handlings necessary to distribute each piece of mail from the time of receipt to dispatch, including multiple handlings of each piece.

<sup>10</sup> Full-time equivalent employees are based on the FY 2004 work year of 1,754 hours for craft employees and 1,819 hours for supervisory employees rounded to the next highest whole number (i.e.,  $23,767/1754 = 13.55$  or 14 craft employees).

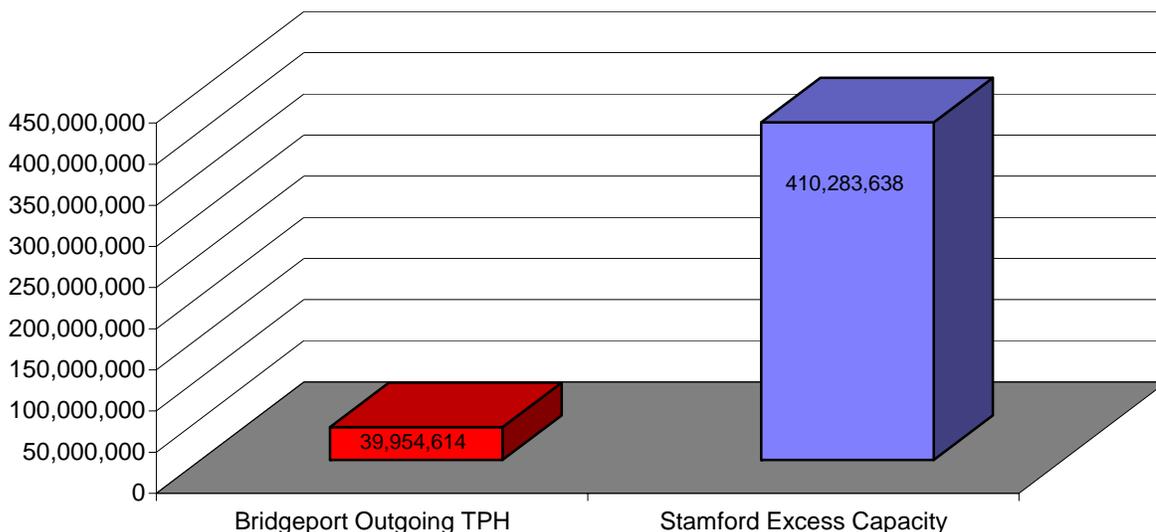
<sup>11</sup> These operations included 046, 271, 272, 831, 841, 881, 891, 892, 029, 030, 040, 100, 776, 010, 011, 014, 015, 017, 018, 020, 021, 02B, 066, 067, 110, 111, 120, 124, and 125.

<sup>12</sup> We reduced 14 percent (same percentage as the volume being transferred) of the Bridgeport P&DF workhours in operations 231, 131, and 585. In FY 2004, these workhours totaled 10,932. These workhours multiplied by 14 percent result in a 1,530 workhour reduction.

<sup>13</sup> In FY 2004, the Bridgeport P&DF used 12,897 management hours. The number of management hours (operations 701 and 927) multiplied by 14 percent equals 1,806.

capacity to process an additional 410 million TPH per year, which is 10 times what would be transferred. Chart 1 shows the Stamford P&DC excess capacity compared to Bridgeport P&DF outgoing mail volume.

Chart 1. FY 2004 Stamford P&DC Excess Capacity Compared to Bridgeport P&DF's Outgoing Mail Volume\*



\*Stamford P&DC excess capacity is based on the Stamford P&DC obtaining the top 10 Group 4 facility average TPH of 2,181 pieces per workhour.

Moreover, the Stamford P&DC achievement to target productivity levels, compared with other similar-sized plants, indicated the Stamford P&DC should be able to absorb this workload without using additional workhours. For example, in FY 2004, based on TPH, the Stamford P&DC processed 1,646 mail pieces per workhour, achieved 64 percent of target productivity levels, and ranked 29<sup>th</sup> out of 48 similar-sized facilities. The average of the top 10 similar-sized facilities in FY 2004 was 2,181 pieces per workhour, with an achievement of 81 percent of target productivity levels. Absorbing the Bridgeport P&DF workload without any additional workhours would result in the Stamford P&DC obtaining a productivity of 1,698 mailpieces per workhour and an achievement of 66 percent of target productivity levels. This resulting productivity level is still below the top 10 average.

Our review of the Bridgeport P&DF AMP proposal indicated the Postal Service did not directly examine the Stamford

P&DC's capacity. The Postal Service concluded that sufficient capacity existed based on an assessment of machine requirements and the transfer of a small amount of mail relative to the Stamford P&DC overall mail processing volume. (See Appendix C for a summary comparison of mail processing capacity.)

Labor Costs

We determined consolidation would allow the Postal Service to reduce 23,767 craft and 1,806 management workhours. The AMP proposal showed reductions of 16,062 craft and 11,040 management workhours. Table 1 shows the AMP and U.S. Postal Service Office of Inspector General (OIG) staff and workhour changes.

**Table 1: Staff and Workhour Changes**

	<b>Craft Employees</b>	<b>Craft Workhours</b>	<b>Management Staff</b>	<b>Management Workhours</b>
<b>AMP</b>				
Bridgeport	-27	-28,871	-6	-11,040
Stamford	4	12,809		
<b>Net Change</b>	<b>-23</b>	<b>-16,062</b>	<b>-6</b>	<b>-11,040</b>
<b>OIG</b>				
Bridgeport	-14	-23,767	-1	-1,806
Stamford				
<b>Net Change</b>	<b>-14</b>	<b>-23,767</b>	<b>-1</b>	<b>-1,806</b>

The number of workhours and staffing in the AMP proposal differed from those in our analysis. In reconciling the AMP proposal with our analysis, we found:

- Reductions in staff of 27 craft employees did not equate to the 28,871 craft workhours the Postal Service proposed to reduce in the AMP proposal. The number of proposed staff reductions based on the FY 2004 work year would equate to 47,358 craft hours.<sup>14</sup> In addition, estimated staff reductions the AMP proposal appear to be excessive based on the volume of mail being transferred. For example, the Bridgeport P&DC planned to transfer 14 percent of its volume but reduce its staff by

<sup>14</sup> Based on workhour rates for FYs 2004-2006 found on the Postal Service website, a work year equates to 1,754 craft and 1,819 management hours. This would mean that a staff reduction of 27 craft employees would equal 47,358 workhours (27 times 1,754) and 10,914 (6 times 1,819) management workhours.

35 percent.<sup>15</sup> The AMP proposal did not cover the change in workload when calculating staff reductions. We found no supporting documentation that demonstrated the relationship between staff and workhour reductions.

- Management staff reductions also appeared excessive for the mail volume changes. For example, the AMP proposes a 60 percent reduction in management staff<sup>16</sup> for a 14 percent reduction in mail volume. Again, there was no explanation in the AMP proposal as to how the Postal Service determined this reduction.
- Craft workhour reductions in the AMP proposal did not always agree with our analysis. The Postal Service did not include all workhours for the Bridgeport P&DF's outgoing mail processing operations. In addition, they included some workhours associated with incoming operations. Appendix D compares our calculations for workhour reductions for each mail processing operation with the Postal Service's.

See Appendix C for a summary comparison of labor costs.

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Mail Processing  
Efficiency

We found consolidation of the Bridgeport P&DF's outgoing mail processing operations would also improve efficiency at the Stamford P&DC. The consolidation would allow the Stamford P&DC to use excess capacity and improve mail processing capabilities. In FY 2004, the Stamford P&DC had over 10,525 idle time hours on the delivery barcode sorter. The facility could use this idle time to process over 399 million letters<sup>17</sup> without using additional workhours. Additionally, the Stamford P&DC achievement to target productivity would increase from 64 percent to 66 percent if the facility did not use additional workhours to process the additional workload.

Our review showed that increases in mail volume would improve productivity at the Stamford P&DC. For example, the Stamford P&DC had previously absorbed all Saturday outgoing mail for the Bridgeport P&DF with no increase in workhours. As a result, the Stamford P&DC experienced a

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<sup>15</sup> 27 reduced craft positions divided by 77 total craft positions at the Bridgeport P&DF.

<sup>16</sup> Six reduced management positions divided by a total management staff of 10 at the Bridgeport P&DF.

<sup>17</sup> 93 percent of the almost 40 million pieces being transferred to the Stamford P&DC for processing were letters.

30 percent increase in productivity for Saturday mail compared to average weekday productivity. The Stamford P&DC processed an average of 968 First Handling Pieces (FHP) per workhour on Saturday compared to an average of 746 FHPs on weekdays. Appendix E displays the Stamford P&DC productivity by day of the week. In addition, the Stamford P&DC is scheduled to receive a delivery input output sub-system,<sup>18</sup> which will further improve efficiency by combining several other mail processing operations.

Processing mail at the Stamford P&DC would also be less expensive compared to processing mail at the Bridgeport P&DF. For example, in September 2004, it cost \$32.71 to process 1,000 pieces of letter mail at the Stamford P&DC compared to \$46.62 at the Bridgeport P&DF. This cost difference of nearly 43 percent reflects the ability of Stamford P&DC to process mail more efficiently. Appendix F shows the cost to process mail from October 2003 to September 2004.

Our review of the Bridgeport P&DF AMP proposal indicates the Postal Service did not examine the potential effects of consolidation on processing efficiency. The Postal Service, however, does assume that some efficiency gains would be achieved when transferring mail processing to another facility. (See Appendix C for a summary comparison of mail processing efficiency.)

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Delivery Service

We determined delivery service should improve as a result of the consolidation. Our analysis showed there would be 361 upgrades with only 58 downgrades, resulting in a net service improvement of 303 upgrades. We identified no downgrades for First-Class Mail. Table 2 shows our analysis of delivery service changes.

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<sup>18</sup> A delivery input output subsystem is an automated machine that distributes letter mail and has the ability to lift and send letter images to a remote encoding center for resolution.

**Table 2. Analysis of Delivery Service Changes**

<b>OIG Analysis of 3-Digit Pairings</b>			
	<b>Upgrades</b>	<b>Downgrades</b>	<b>Net</b>
Priority Mail®	9	0	9
First Class Mail	29	0	29
Periodicals	67	0	67
Packages	212	(53)	159
Standard Mail®	44	(5)	39
<b>Totals</b>	<b>361</b>	<b>(58)</b>	<b>303</b>

In comparison, the AMP proposal identified improvements in delivery service for 13 First-Class Mail three-digit pairings serviced by the Bridgeport P&DF and indicated there would be no downgrades to service commitments in the other classes of service. The AMP analysis primarily focused on First-Class and Priority Mail service. (See Appendix C for a summary comparison of delivery service.)

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Transportation

We found the \$234,350 in transportation savings identified in the AMP proposal were not supported. The Postal Service used data from the 2001 AMP proposal. Our analysis of the AMP data found expired transportation contracts, contracts unrelated to the consolidation, and an omitted contract the Postal Service should have considered. We brought these discrepancies to the Postal Service’s attention. Management conducted a new transportation evaluation and revised the estimated transportation savings to show a cost of about \$13,000, which was in agreement with our estimate. (See Appendix C for a summary comparison of transportation.)

The Bridgeport P&DF and Stamford P&DC are within 23 miles of each other on a major interstate highway and this close proximity facilitates the consolidation of mail processing operations.

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Other Benefits

We also found this consolidation could result in an additional benefit. Moving the Bridgeport P&DF outgoing mail processing operation to the Stamford P&DC would

reduce workroom floor congestion and allow the Postal Service to centralize carrier operations. We found crowded conditions throughout the Bridgeport P&DF, including the dock, staging areas, and various workstations. The Postal Service planned to use the vacated space for carrier operations located at various associated offices.

The AMP did not consider this additional benefit in its analysis. (See Appendix C for a summary comparison of other benefits.)

We are not making any recommendations since our assessment supported management's actions and the consolidation has already occurred. We will issue a separate report to Postal Service Headquarters addressing methodology differences as these are policy issues that apply to all AMP proposals.

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<b>Management's Comments</b>	Management requested we revise the report to (1) acknowledge Postal Service's documented assessment of mail processing capacity, and (2) add information contained in the body of the report on employee impact to Appendix C.
<b>Evaluation of Management's Comments</b>	<p>We have considered management's comments regarding capacity and employee impact, and have the following comments.</p> <p>Regarding capacity, management stated they did assess mail processing capacity based on machine requirements. The Northeast Area prepared the AMP proposal "Equipment Relocation" worksheet, which determines equipment needs for the gaining and losing facilities. We acknowledge this worksheet may allow management to infer that sufficient capacity exists at the macro-level and we adjusted the report to reflect this assessment.</p> <p>Regarding employee impact, management requested that information addressed in the text of the report also be included in Appendix C and we made the requested change.</p>

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**Management Controls** While comparing our results with the AMP proposal, we noted weaknesses in management controls over the processing and approval of the AMP proposal. Specifically, we found:

- Headquarters, area, and district managers were asked to review the AMP proposal and provide comments and concerns, but did not detect they had used outdated data for service commitments, transportation, and associated annual cost worksheets. Similar issues have been brought to the attention of the Vice President, Network Operations Management, in a prior audit; therefore, no further recommendation is required.
- Documentation supporting the projected savings and costs in the AMP proposal was not always available. Specifically, the Postal Service did not maintain supporting documentation for projected impacts on service commitments, transportation, and annual associated costs.
- Data used in the AMP proposal were not always up to date. The Postal Service had not updated the data on First-Class Mail service commitments, transportation, and annual associated costs worksheets since the 2001 proposal.<sup>19</sup>

Handbook PO-408 requires management to keep all supporting documentation on file until completion of the post-implementation review. Supporting documentation should include, at a minimum, the methodology used.

Internal control weaknesses and delays in implementing the AMP contributed to these deficiencies. The Postal Service also acted quickly to implement the AMP proposal without ensuring it was prepared properly. As a result, the Postal Service incurred the risk of making an incorrect decision.

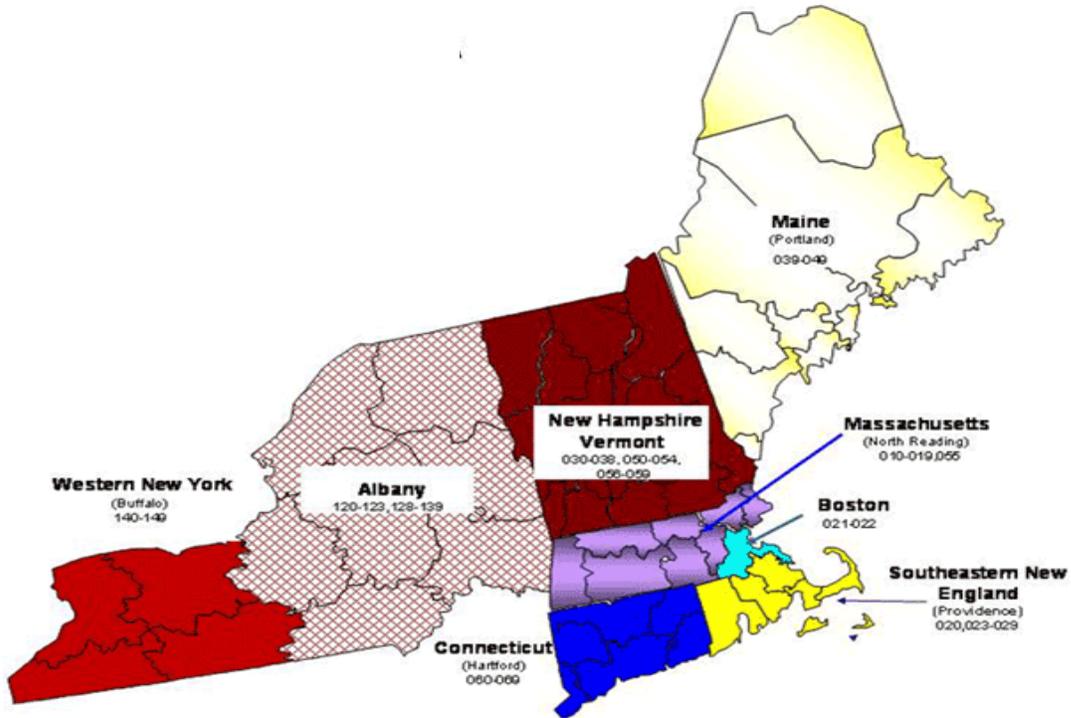
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<sup>19</sup> The 2001 AMP proposal was never implemented.

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<b>Recommendations</b>	We recommend the Vice President, Northeast Area Operations:  <ol style="list-style-type: none"><li>1. Maintain supporting documentation used to prepare the area mail processing proposal, including methodology and assumptions, until completion of the post-implementation review.</li><li>2. Use the most current data available on future area mail processing proposals.</li></ol>
<b>Management's Comments</b>	Management agreed with our recommendations. Management plans to maintain supporting documentation and use current data in all future AMP proposals.
<b>Evaluation of Management's Comments</b>	Management's comments are responsive to our recommendations. Management's actions should correct the issues identified in this report.

## APPENDIX A NORTHEAST AREA MAP



## APPENDIX B PRIOR AUDIT COVERAGE

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

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

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

## APPENDIX C COMPARISON OF AREA MAIL PROCESSING PROPOSAL TO OFFICE OF INSPECTOR GENERAL ANALYSIS

	AMP	OIG
Employee Impact	Did not address how staff reductions would be accomplished. However, through our discussions, management did advise that no career employees would lose their jobs. Management also indicated that employees would retire, or make voluntary or involuntary moves to other plants with open positions.	Determined there would be no employee job loss.
Mail Processing Capacity	Did not directly examine the Stamford P&DC capacity. Management estimated capacity based on machine requirements of the gaining facility.	Determined the Stamford P&DC had the capacity to process an additional 410 million mailpieces annually.
Labor Costs	Determined a net reduction of 16,062 craft workhours (loss of 28,871 at Bridgeport P&DF and gain of 12,809 at Stamford P&DC).	Determined a reduction of 23,767 craft workhours at Bridgeport P&DF. No additional workhours at Stamford P&DC.
Mail Processing Efficiency	Did not examine the potential effects of the consolidation on processing efficiency.	Determined the Stamford P&DC performance achievement to target productivity levels should increase from 64 percent to 66 percent. Also, the cost to process mail at the Stamford P&DC is less than Bridgeport P&DF.
Delivery Service	Found 13 upgrades, no downgrades.	Found 361 upgrades, 58 downgrades, for a net of 303 upgrades.
Transportation	Estimated \$234,000 in savings.	Estimated \$13,000 in additional costs.
Other Benefits	Did not address other benefits.	Determined a reduction in floor congestion would allow centralization of carrier operations.

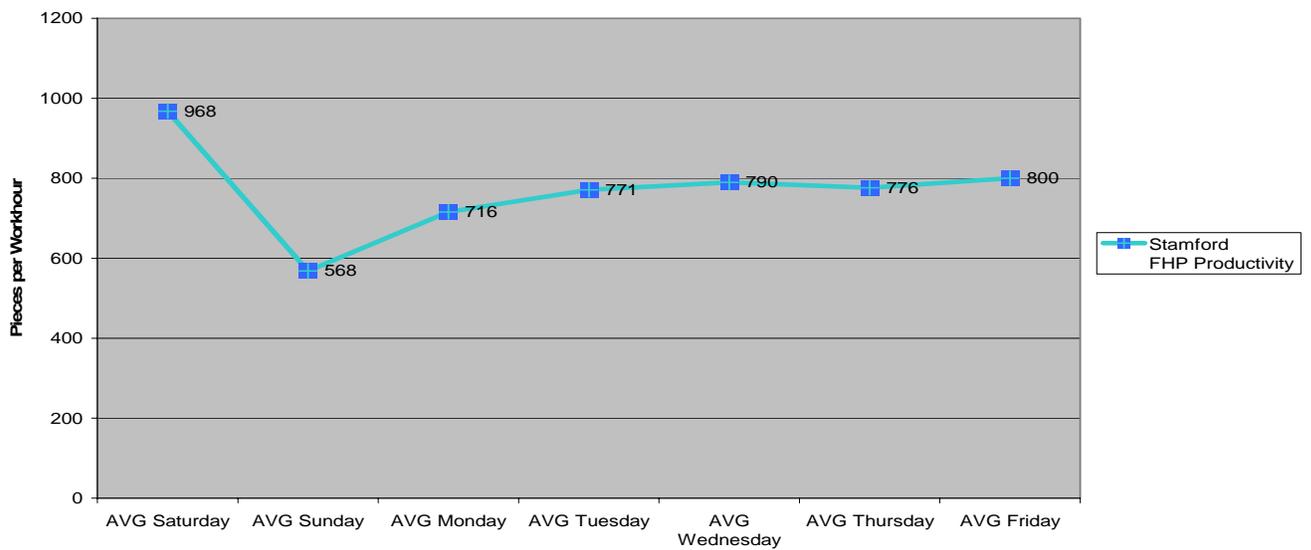
## APPENDIX D. CRAFT HOUR REDUCTION RECONCILIATION

OPER. NO.	OPERATION	OIG	AMP
46	ISS - RETURN TO SENDER	(5)	
271	DBCS/DIOSS OSS O/G PRIMARY	(2,774)	(2,632)
272	DBCS/DIOSS OSS O/G SECONDARY	(116)	(161)
831	MLOCR-OUTGOING PRIMARY	(21)	(21)
841	MLOCR CHUNKY MOD - O/G PRIMARY	(104)	
881	MLOCR-ISS - OUTGOING PRIMARY	(1,738)	(1,803)
891	DBCS/DIOSS BCS O/G PRIMARY	(124)	(187)
892	DBCS/DIOSS BCS O/G SECONDARY	(92)	(136)
893	DBCS/DIOSS BCS MANAGED MAIL		(8)
894	DBCS/DIOSS BCS I/C SCF PRIMARY		(16)
<b>Total LDC 11</b>		<b>(4,975)</b>	<b>(4,964)</b>
145	AFSM 100 - ATHS/AI - I/C PRI		(75)
146	AFSM 100 - ATHS/AI - I/C SEC		(41)
425	FSMOCR INCOMING PRIMARY		(88)
426	FSMOCR INCOMING SECONDARY		(791)
<b>Total LDC 12</b>		<b>0</b>	<b>(995)</b>
30	MANUAL LTR-OUTGOING PRIMARY	(5,821)	(5,779)
40	MANUAL LTR-OUTGOING SECONDARY	(1,016)	(1,040)
43	MANUAL LTR-STATE DISTRIBUTION		(16)
200	MANUAL PARCELS-INCOMING		(1,012)
<b>Total LDC 14</b>		<b>(6,836)</b>	<b>(7,847)</b>
776	LETTER MAIL LABELING MACHINE	(194)	(214)
<b>Total LDC 15</b>		<b>(194)</b>	<b>(214)</b>
10	HAND CANCELLATIONS	(70)	(77)
11	MICRO MARK		(3)
14	FLYER	(792)	(1,402)
15	ADV FACER CANCELLER SYS	(1,475)	(1,447)
17	CANCELLING OPERATIONS MISC	(1,243)	(145)
18	COLLECTION MAIL SEPARATION	(115)	
20	METERED MIXED PREPARATION	(2,707)	(2,570)
35	FLAT MAIL PREPARATION		(1,020)
110	OPENING UNIT - OUTGOING PREF	(340)	(164)
111	OPENING UNIT - OUTGOING PREF	(6)	(6)
114	MANUAL TRANSPORT/WEIGH (IN-HOUSE)		(15)
120	POUCHING - OUTGOING	(12)	(12)
123	POUCHING - INCOMING		(53)
124	DISPATCH UNIT - OUTGOING	(3,476)	
125	DISPATCH UNIT - OUTGOING	(6)	
180	OPENING UNIT - INCOMING PREF		(197)
225	PLATFORM - MAIL FLOW CONTROL		(1,629)
231	EXPEDITER	(929)	
<b>Total LDC 17</b>		<b>(11,171)</b>	<b>(8,740)</b>
109	DAMAGED PARCEL REWRAP		(106)
131	EXPRESS MAIL DISTRIB	(111)	
340	STANDBY - MAIL PROCESSING		(492)
560	MISC ACTIVITY - MAIL PROC		(4,908)
585	REGISTRY SECTION	(485)	
607	STEWARDS - CLERKS - MAIL PROC		(277)
612	STEWARDS-MAIL HANDLER - MAIL PROC		(130)
677	ADMIN & CLER - PROCESSING & DISTRIB		(198)
<b>Total LDC 18</b>		<b>(596)</b>	<b>(6,111)</b>
<b>CRAFT TOTALS</b>		<b>(23,773)</b>	<b>(28,871)</b>
DIFFERENCE		(5,098)	

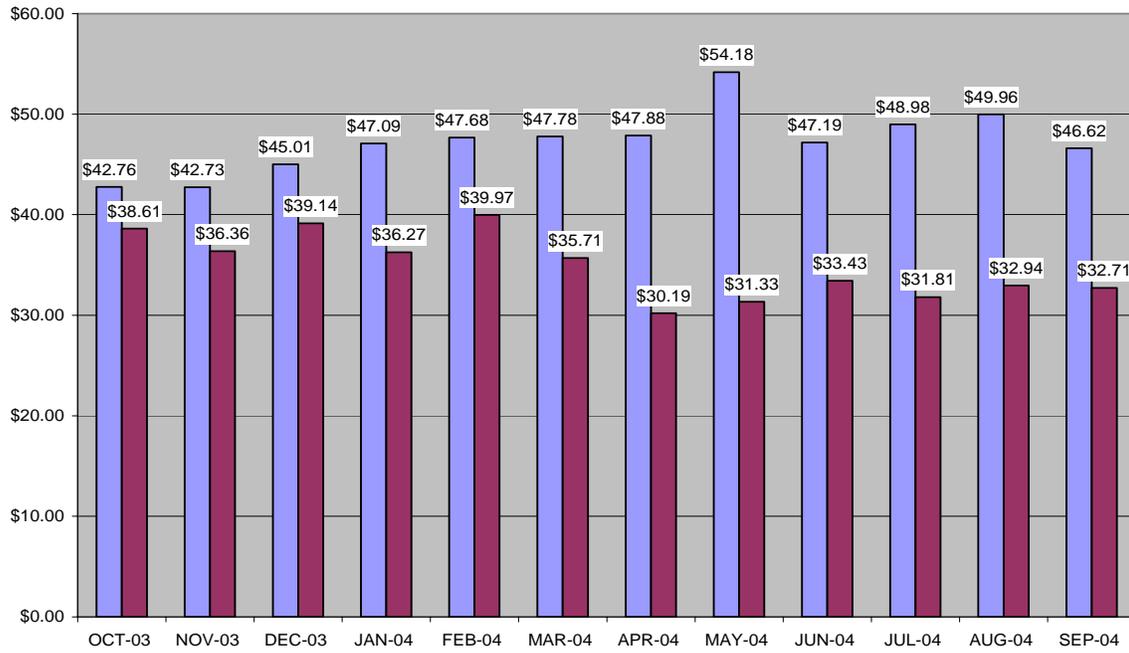
## APPENDIX D (CONTINUED) CRAFT HOUR REDUCTION RECONCILIATION

<b>ACRONYMS</b>	
ADMIN & CLER - PROCESSING & DISTRIB	Administrative & Clerical - Processing & Distribution
ADV FACER CANCELLER SYS	Advanced Facer Canceler System
AFSM	Automated Flat Sorting Machine
ATHS/AI	Automatic Tray Handling System/Automatic Induction
BCS	Bar Code Sorter
DACS	Delivery Bar Code Sorter
DIOSS	Delivery Input Output Sub-System
EXPRESS MAIL DISTRIB	Express Mail Distribution
FSMOCR	Flat Sorting Machine Optical Character Reader
I/C	Incoming
I/C PRI	Incoming Primary
I/C SEC	Incoming Secondary
INCOMING PREF	Incoming First-Class and Periodical Mail
ISS	Input Sub-System
LDC	Labor Distribution Codes
MANUAL LTR	Manual Letter
MISC ACTIVITY - MAIL PROC	Miscellaneous Activity - Mail Processing
MLOCR	Multi-Line Optical Character Reader
O/G	Outgoing
OPER	Operation
OSS	Output Sub-System
OUTGOING PREF	Outgoing First-Class and Periodical Mail
SCF	Section Center Facility

### APPENDIX E FIRST HANDLING PIECE PRODUCTIVITY BY DAY OF WEEK STAMFORD PROCESSING AND DISTRIBUTION CENTER FISCAL YEARS 2004 AND 2005



### APPENDIX F COST PER 1,000 PIECES, FIRST HANDLING PIECES LETTERS



## APPENDIX G. MANAGEMENT'S COMMENTS

MEGAN J. BRENNAN  
VICE PRESIDENT, NORTHEAST AREA OPERATIONS



September 29, 2006

Ms. Kim H. Stoud  
Director, Audit Reporting  
1735 North Lynn Street  
Arlington, Virginia 22209-2020

**SUBJECT: *Transmittal of Draft Audit Report – Bridgeport, Connecticut,  
Processing & Distribution Facility Outgoing Mail Consolidation  
(Report Number NO-AR-06-DRAFT)***

Dear Ms. Stoud:

In response to the transmittal of Draft Audit Report – Bridgeport, Connecticut, Processing & Distribution Facility Outgoing Mail Consolidation (Report Number NO-AR-06-DRAFT) Northeast Area comments are as follows:

Recommendation:

- 1) Maintain supporting documentations used to prepare the area mail processing proposal, including methodology and assumptions, until completion of the post implementation review.

Response:

The Northeast Area concurs with the recommendation. Effective with the current round of Area Mail Processing studies July 2006, the Northeast Area now requires supporting documentation to be filed at both the local Performance Cluster and at the Northeast Area Office. This redundancy ensures that this documentation is always available for review subsequent to Area Mail Processing implementation. The Northeast Area has this in place for all studies currently underway.

- 2) Use the most current data available on future area mail processing proposals.

Response:

The Northeast Area concurs with the recommendation and understands the importance of using the most up to date information. The Bridgeport Area Mail Processing Study was unique considering the lapse of time between the initial submission and its actual implementation spanning a several year period of time. During FY 2006 the Northeast Area implemented an area review process to discuss all Area Mail Processing packages with the respective Performance Clusters and to have discussion and debate of the data and methodologies used in preparing the study. This process will ensure current data is available and used in the Area Mail Processing proposals.

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Additionally, the Northeast Area has the following comments regarding this report:

**Mail Processing Capacity:**

The report is inconsistent in its comments regarding assessment of the consolidation of the Bridgeport Processing & Distribution facility. In the body of the report, page 4 paragraph 1, the report acknowledges the Postal Service realized excess processing capacity existed within the mail processing network of the Connecticut Customer Service District. On page 4, paragraph 3 the reports states the "We arrived at the same conclusion the Postal Service did in its AMP proposal although there were some methodology differences." Page 6, page 7, and appendix C hold contrary statements. Page 6-7 "Our review of the Bridgeport P&DF proposal indicated the Postal Service did not directly examine the Stamford P&DC capacity, but assumed sufficient capacity existed." In fact, the AMP worksheets directly address Postal Service's documented assessment of mail processing capacity by defining machine requirements for the consolidation of Bridgeport Processing & Distribution volumes into Stamford P&DC. Based on this the Northeast Area is requesting that the report be revised to acknowledge Postal Service documented assessment of mail processing capacity while different from the OIG assessment bore the same basic conclusion of excess capacity in the Stamford P&DC.

**Employee Impact:**

Page 5 of this report states "The AMP proposal did not address how the Postal Service would reduce staff. However, through our discussions, the Postal Service did advise that no career employees would lose their jobs. Employees would retire, or make voluntary or involuntary moves to other plants with open positions." Appendix C does not include all of this information. The Northeast Area is requesting that Appendix C be revised to reflect the information contained in the body of the report.

We appreciate the cooperation and courtesies provided by your staff during this review and the opportunity to provide comments regarding this report. If you have any questions or need any additional information, please contact Kristin Seaver, Manager, In-Plant Support Northeast Area at (860)285-7116 or Liz Doell, Manager, Finance Northeast Area at (860)285-7109.



*for*

Megan J. Brennan

cc: Steve Phelps, HQ Mgr. Corp. Response  
Scott Colvin, OIG  
Elizabeth Doell, NEA Manager, Finance  
Dan Pierce, NEA Manager, Accounting  
Rick Uluski, NEA MOPS  
Kristin Seaver, NEA Manager, In-Plant Support  
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