



September 23, 2008

WILLIAM C. RUCKER III  
MANAGER, OPERATIONS SUPPORT, SOUTHWEST AREA

SUBJECT: Audit Report – Oklahoma City Processing and Distribution Center Activation  
(Report Number NO-AR-08-009)

This report presents the results of our audit on the adequacy of the activation of the new Oklahoma City Processing and Distribution Center (P&DC) (Project Number 08XG036NO000). Our objective was to determine if the U.S. Postal Service was in compliance with activation requirements related to mail processing at the Oklahoma City P&DC. This audit is the second in a series and was conducted in cooperation with the Southwest Area. Click [here](#) to go to Appendix A for additional information about this audit.

### Conclusion

Overall, the Oklahoma City P&DC activation team did a commendable job of overseeing the opening of the new facility, complying with 10 of the 11 activation requirements in the *Facility Activation – Master Plan*, dated July 21, 2003. However, the team did not develop an operating plan and corresponding mail arrival profile prior to the site activation. As a result, the Postal Service may not have effectively matched personnel to mail volume, requiring subsequent adjustments to staffing levels and increasing the risk of mail delays and service degradation. During the audit, the Postal Service team completed their operating plan and mail arrival profile for the Oklahoma City P&DC.

### **Compliance with Activation Requirements**

The site activation team successfully completed 10 of the 11 requirements in the *Facility Activation – Master Plan*. Those activation steps included:

- Establishing an activation coordinator/committee.
- Determining staffing levels.
- Identifying training and equipment requirements.
- Creating an employee orientation and a supervisor's guide.
- Implementing acceptance of business mail at the facility.
- Reviewing the contingency planning.
- Tracking the Decision Analysis Report (DAR) return on investment.

Further, 793 employees were successfully placed in new positions in the organization, and mail processing operations from four former facilities were successfully integrated into a single new facility to more efficiently process the mail and better serve the community.

As a result of the Southwest Area's efforts to obtain new or float<sup>1</sup> equipment, Oklahoma City P&DC employees were able to enter a turn-key facility<sup>2</sup> on their first day of operation. When the former Oklahoma processing facilities closed, their equipment was returned to the original locations throughout the nation as needed to replace what was diverted to the Oklahoma City P&DC. The Southwest Area also organized a move team made up of district maintenance volunteers to assist with the equipment movement and installation which freed local Oklahoma maintenance employees to continue day-to-day operations. As a result of these actions and additional efforts by Oklahoma District employees, Postal Service management stated they are on target to achieve the return-on-investment (ROI) required by the DAR.

Although the Oklahoma City P&DC activation team did a commendable job on most of the activation requirements, they did not complete or update the operating plan which included a mail arrival profile. Click [here](#) to go to Appendix B for our detailed analysis of this topic.

### Cause

Management did not have sufficient staff or time to develop an operating plan and the mail arrival profile. Instead, they utilized machine end-of-run and other reports to develop their staffing needs.

### Effect

As a result, the Oklahoma City P&DC may not have effectively matched personnel to mail volume requiring subsequent adjustments to staffing levels and increasing the risk of mail delays and service degradation. A review of service scores from the activation date until July 2008 shows significant fluctuations continue in 2- and 3-day External First-Class Measurement System (EXFC)<sup>3</sup> scores. During the audit, the Postal Service team completed their operating plan and mail arrival profile for the Oklahoma City P&DC.

We recommend the Manager, Operations Support, Southwest Area, in future site activations:

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<sup>1</sup> Float equipment is equipment that is in limited use by a facility and can be borrowed on a short term basis by another facility with a special need, such as undergoing an activation.

<sup>2</sup> Turn-key facility is a facility ready for immediate use.

<sup>3</sup> EXFC is the system the Postal Service uses to determine service performance of the mail from the time mail enters the mail stream until it is delivered.

1. Provide oversight during transitions to ensure completion of the operating plan and mail arrival profile.

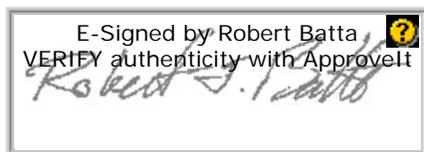
### Management's Comments

Management agreed with the recommendation. Management's comments in their entirety are included in [Appendix E](#).

### Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General considers management's comments responsive to the recommendation and corrective actions should resolve the issues identified in the report.

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



Robert J. Batta  
Deputy Assistant Inspector General  
for Mission Operations

### Attachments

cc: Patrick R. Donahoe  
William P. Galligan  
David E. Williams  
Ellis A. Burgoyne  
Katherine S. Banks

## APPENDIX A: ADDITIONAL INFORMATION

### BACKGROUND

The Postal Service has seen a decline in the total mail volume of 3.2 percent through the first two quarters of fiscal year (FY) 2008, resulting in a net loss of over \$700 million. In July 24, 2008, testimony before Congress, the Deputy Postmaster General stated,

The Postal Law of 2006 has changed the way we're regulated. However, it doesn't change our basic mission — to bind the nation together through the correspondence of our people and to provide prompt, reliable and efficient mail services.

He concluded,

Consolidations or closures are part of a strategy to serve the overall needs of the postal system and its customers nationwide.<sup>4</sup>

In 1966, the Postal Service constructed the former Oklahoma City P&DC, containing 229,410 square feet of floor space. Additional processing facilities used to supplement operations at the P&DC were the Mail Processing Annex established in 1986, and a P&DC Surface Hub leased in 1997. The former P&DC has limited space and also has some structural damage requiring repair. While numerous repair projects have been performed to maintain safety and allow for continued operations, additional repairs estimated to cost \$8.1 million were still needed.

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<sup>4</sup> Statement of Deputy Postmaster General before the Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, of the Committee on Oversight and Government Reform, U.S. House of Representatives, July 24, 2008.



Former Oklahoma City P&DC

Therefore, the Board of Governors approved a new replacement facility in April 2006. The new \$101 million building has 830,665 square feet of working and office space, a 29,684 square foot vehicle maintenance facility (VMF), and a 12,000 square foot warehouse. The Express Mail® processing operation from the air mail facility, the surface mail hub, the mail processing annex, and the Oklahoma District offices were also transitioned to the new facility. Click [here](#) to go to Appendix C for additional information about the consolidation.



New Oklahoma City P&DC

The Oklahoma City P&DC was activated in May 2008, and processes approximately 3.7 million pieces of mail daily for ZIP Code areas 730-731, 734-738, and 748. With the new facility, the Postal Service will be able to consolidate mail processing operations that were performed in four separate buildings. Additionally, the VMF and Oklahoma District offices will be integrated into this new facility. Management stated the new facility would improve operational efficiencies, provide better service to customers and reduce labor intensive activities.

### **OBJECTIVE, SCOPE, AND METHODOLOGY**

Our objective was to determine if the Postal Service was in compliance with activation requirements at the Oklahoma City P&DC related to mail processing. To achieve this objective, we analyzed the facility activation plan, mail volumes, service scores, trends in delayed mail, training records, and transportation schedules. We interviewed Postal Service officials and employees, and used computer-processed data from the following systems.

- Web Enterprise Information System
- Enterprise Data Warehouse

We did not test controls over these systems. However, we checked the reasonableness of results by confirming our analyses and results with Postal Service managers and multiple data sources.

We conducted this performance audit from June through September 2008 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 August 7, 2008, and included their comments where appropriate.

**PRIOR AUDIT COVERAGE**

<b>Report Title</b>	<b>Report Number</b>	<b>Final Report Date</b>	<b>Monetary Impact</b>	<b>Report Results</b>
<i>Activation of the Philadelphia Processing and Distribution Center</i>	NO-AR-08-004	July 10, 2008	None	The Postal Service did not implement some key activation steps resulting in significant delayed mail and service degradation.

## [APPENDIX B: ACTIVATION COMPLIANCE](#)

The Postal Service successfully completed 10 of the 11 activation requirements in the *Facility Activation-Master Plan*, and stated they were on target to achieve the ROI stated in the DAR. However, the team did not develop an operating plan and corresponding mail arrival profile prior to the site activation. Instead, management used end-of-run and other reports to develop their staffing needs. While these reports may provide some assistance in determining mail volumes as processed through the machinery, an up-to-date operating plan and mail arrival profile allow for Postal Service managers to better match staffing needs with existing mail flows.

As a result, the Postal Service may not have effectively matched personnel to mail volume, requiring subsequent adjustments to staffing levels and increasing the risk of mail delays and service degradation. A review of service scores from the activation date until July 2008 indicated overnight scores have recently shown an upward trend, however, significant fluctuations continue in 2- and 3-day EXFC scores. During the audit, the Postal Service team completed their operating plan and mail arrival profile for the Oklahoma City P&DC. Click [here](#) to go to Appendix D for service scores.

The table below summarizes the activation steps contained the *Facility Activation – Master Plan*, dated July 21, 2003, and their implementation status.

### ACTIVATION STEPS IMPLEMENTATION

Mail Processing Activation Steps	Implemented
Activation Coordinator/Committee	Yes
Forecast Required Equipment	Yes
Staffing Requirements	Yes
Employee Orientation	Yes
Business Mail Entry Unit**	Yes
Decision Analysis Report Compliance^	Yes
Contingency Planning	Yes
Supervisor's Guide – Operations	Yes
Maintenance Training (In Advance)	Yes
Update Operating Plan	<b>No</b>
Train Staff in New Skills	Yes

**Notes**

\*\*Business mail entry unit is an acceptance unit for bulk mailers.

^The sponsor or requesting organization prepares a DAR recommending an investment and providing the approving authority with adequate information to make a prudent business decision. The DAR explains the background and purpose of the program and fully documents costs and benefits estimates. Costs must be supported with documentation showing the calculations and the basis for all assumptions. Revenue projections or volume changes should be supported by a market analysis that outlines the justification with supporting volume changes, price increases, and impact on the total market.

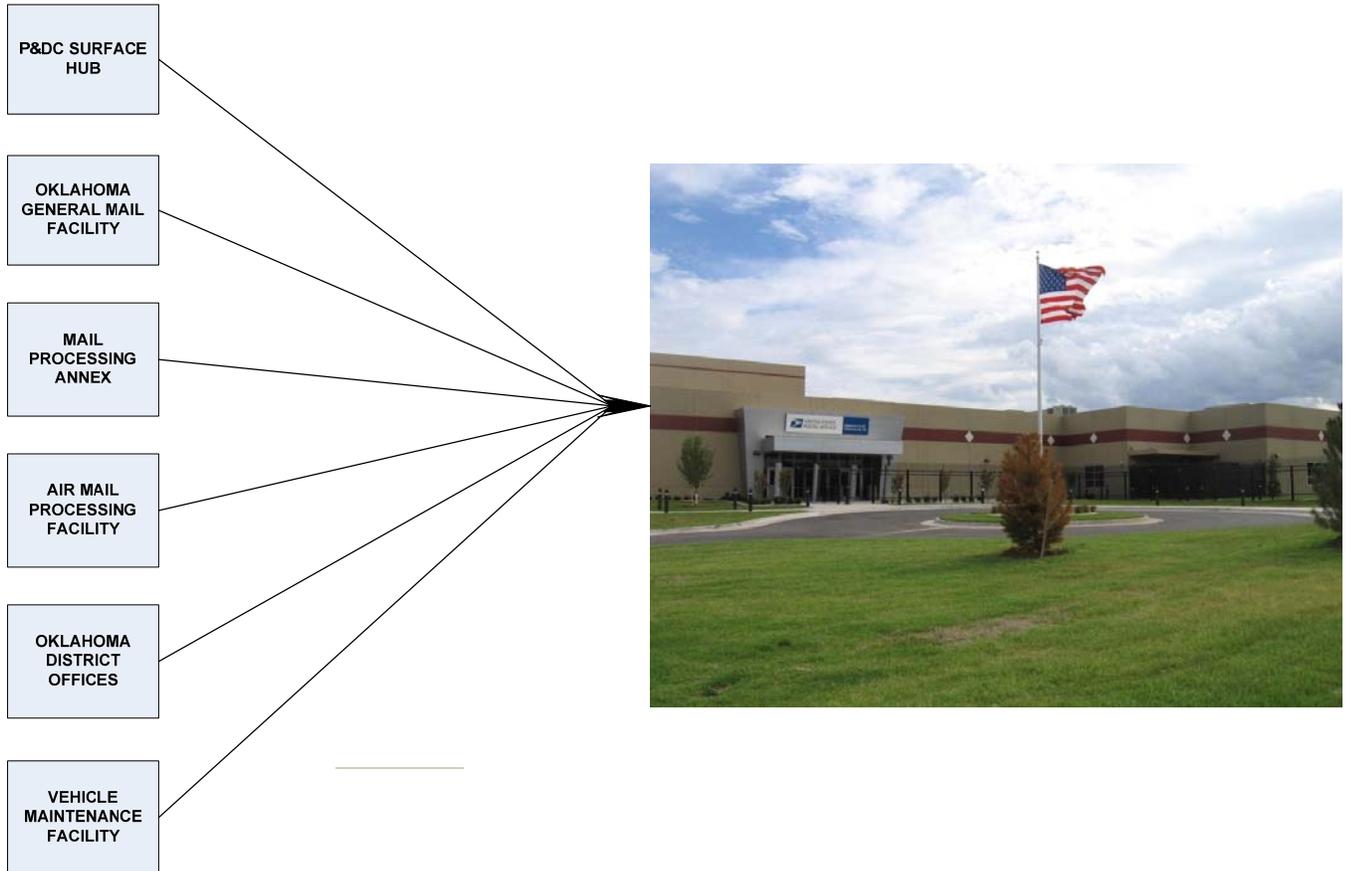
Additionally, the Southwest Area was able to obtain new or used float equipment, enabling employees to enter a turn-key facility on their first day of operation. When the former Oklahoma City processing facilities closed, the equipment was returned to those locations around the country as needed to replace what was diverted to the Oklahoma City P&DC. The Southwest Area also organized a move team made up of district maintenance volunteers to assist with the equipment movement and installation which freed local Oklahoma maintenance employees to continue day-to-day operations.

**FLOAT EQUIPMENT USED IN OKLAHOMA CITY P&DC**

<b>EQUIPMENT TYPE<sup>5</sup></b>	<b>NUMBER OF PIECES RECEIVED</b>	<b>LOCATION RECEIVED FROM</b>
AFCS with BDS	2	Baton Rouge, LA
DIOSS-C	1	San Juan, PR
DIOSS	2	Houston, TX Little Rock, AR
AFSM 100	1	Houston, TX
UFSM 1000	1	Baton Rouge, LA
APPS	1	North Houston, TX
IPSS	1	Built by Southwest Area from spare parts
DBCS-6	3	Albuquerque, NM
	1	Texarkana, TX
	1	Lufkin, TX
	1	Alexandria, LA

<sup>5</sup> Equipment Type: AFCS with BDS – Advance Facer Cancellor System with Biohazard Detection System, DIOSS – C Delivery Input Output Subsystem, AFSM – Automated Flat Sorting Machine, UFSM – Universal Flat Sorter Machine, APPS – Automated Package Processing System, IPSS – Image Processing Subsystem, DBCS – Delivery Bar Code Sorter

**APPENDIX C: OKLAHOMA CITY PROCESSING AND  
DISTRIBUTION CENTER CONSOLIDATION**



Note: The Oklahoma District offices were added to the DAR without additional expense effective August 21, 2006. The Customer Service Section is still operating at the Oklahoma Air Mail Facility.

**APPENDIX D: OKLAHOMA CITY PROCESSING AND DISTRIBUTION CENTER AND  
NATIONAL EXTERNAL FIRST-CLASS MEASUREMENT SYSTEM SERVICE SCORES**<sup>6</sup>

Redacted

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<sup>6</sup> White arrow in each of the charts depicts the date of the Oklahoma City P&DC site activation, May 28, 2008.

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## APPENDIX E: MANAGEMENT'S COMMENTS

MANAGER, IN-PLANT SUPPORT  
SOUTHWEST AREA



September 16, 2008

LUCINE M. WILLIS  
DIRECTOR AUDIT OPERATIONS

Subject: Oklahoma City P&DC Activation Audit NO-AR-08-DRAFT

This letter is being written in response to the Activation Audit performed at the new Oklahoma City P&DC. The audit revealed that 10 of 11 activation requirements had been met. The lack of an operating plan and volume arrival profile was identified as a requirement that had not been met.

We are in agreement with the finding that a full Volume Arrival Profile study was not completed prior to the facility activation. Work has been completed by local management to modify the facility operating plan to reflect operations as they have been established in the new facility, and as noted in the Activation Audit this was completed prior to the completion of the review. There are no other site activations in progress at his time and all facilities have current operating plans in place effective August 1, 2008

We are also in agreement that Area oversight is necessary to ensure that all activation requirements have been met and for the future we will ensure the operating plan is updated. At present no additional activations are planned.

A review of Web Enterprise Information System PQ 4 FY 2008 EXFC scores shows the following for Oklahoma District:

- Overnight: highest score ever in a 5 year period
- 2 Day: 2<sup>nd</sup> highest score ever in a 5 year period
- 3 Day: 3<sup>rd</sup> highest score ever for a 5 year period.

Based on these results and the completion of the facility operating plan we believe all activation requirements have now been met. Please contact Mike Maxton at (214) 819-8610 if you have any additional questions concerning the Activation Audit of the Oklahoma P&DC.

A handwritten signature in black ink, appearing to read "Mike Maxton".

Mike Maxton

cc: Cliff Rucker, Manager Operations Support  
Julie Gosdin, District Manager, Oklahoma City

7800 N STEMMONS FWY #900  
DALLAS, TX 75247-9997  
214-819-8610  
FAX: 214-905-9227