



September 22, 2009

MEGAN J. BRENNAN
VICE PRESIDENT, EASTERN AREA OPERATIONS

SUBJECT: Audit Report – Canton Processing and Distribution Facility Outgoing Mail Consolidation (Report Number NO-AR-09-011)

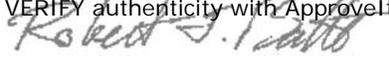
This report presents the results of our audit of the consolidation of the Canton Processing and Distribution Facility's (P&DF) outgoing mail operation to the Akron Processing and Distribution Center (P&DC) (Project Number 09XG029NO000). The report responds to a Congressional request. Our audit objective was to determine whether the consolidation of outgoing mail operations was a prudent business decision. This audit addresses operational risk. See [Appendix A](#) for additional information about this audit.



Conclusion

Consolidating the Canton P&DF outgoing mail processing operations¹ into the Akron P&DC was a prudent business decision. Our analysis showed the consolidation minimally impacted employees, improved service, reduced costs through improved efficiency, and addressed community concerns. Since our findings support the consolidation, we are not making any recommendations. Postal Service management agreed with the findings, but chose not to comment because there were no recommendations. See [Appendix B](#) for our detailed analysis of this topic.

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.

E-Signed by Robert Batta 
VERIFY authenticity with ApproveIt


Robert J. Batta
Deputy Assistant Inspector General
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¹ The Canton P&DF will transfer approximately 96 million pieces of mail per year to the Akron P&DC.

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

The U.S. Postal Service is facing one of the most difficult challenges in its history. There has been a continual decline in First-Class Mail[®] (FCM) volume over the past decade. This has resulted in a decline in mail volume of more than 9 billion pieces during 2008. Furthermore, projections for the remainder of fiscal year (FY) 2009 suggest mail will continue to decline by 27 billion mail pieces (13 percent) resulting in a net loss of \$7 billion.

While the Postal Service has reduced expenses by \$773 million in the first 5 months of FY 2009, this reduction was not sufficient to fully offset the decline in mail volume and rising workers' compensation and retirement costs. In recent testimony before Congress,² the U.S. Government Accountability Office (GAO) recommended that urgent action was needed to streamline the mail processing and retail networks, as the Postal Service no longer has sufficient revenue to cover the cost of maintaining its large network of processing and retail facilities. Furthermore, the GAO stated it was necessary for the Postal Service to consider whether it was cost-effective to retain underutilized facilities and to take action to right size its network.

Through Area Mail Processing (AMP) guidelines, the Postal Service streamlines operations by consolidating mail processing functions. Automated processing of mail has provided opportunities to take advantage of consolidations, including consolidations of:

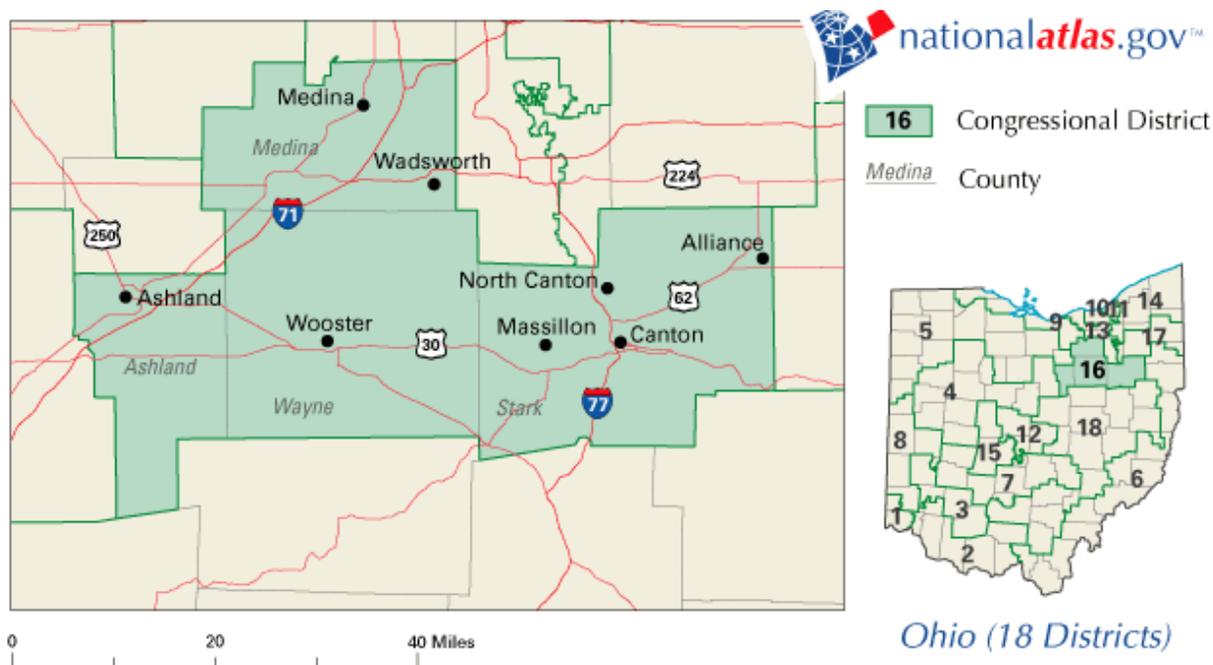
- Saturday First-Class originating operations
- First-Class originating operations
- First-Class incoming operations
- Overnight Priority Mail[®] processing
- Originating Priority Mail processing
- Originating and destinating Priority Mail processing
- Annexes into main facilities
- Facilities

This report also responds to a request from Representative John Bocchieri of Ohio's 16th Congressional District (see Map 1 below) to examine the consolidation of outgoing mail processing operations from Canton P&DF into Akron P&DC. Concerns included:

- Loss of jobs
- Quality of mail service
- Potential labor agreement violations

² 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: Ohio's 16th Congressional District



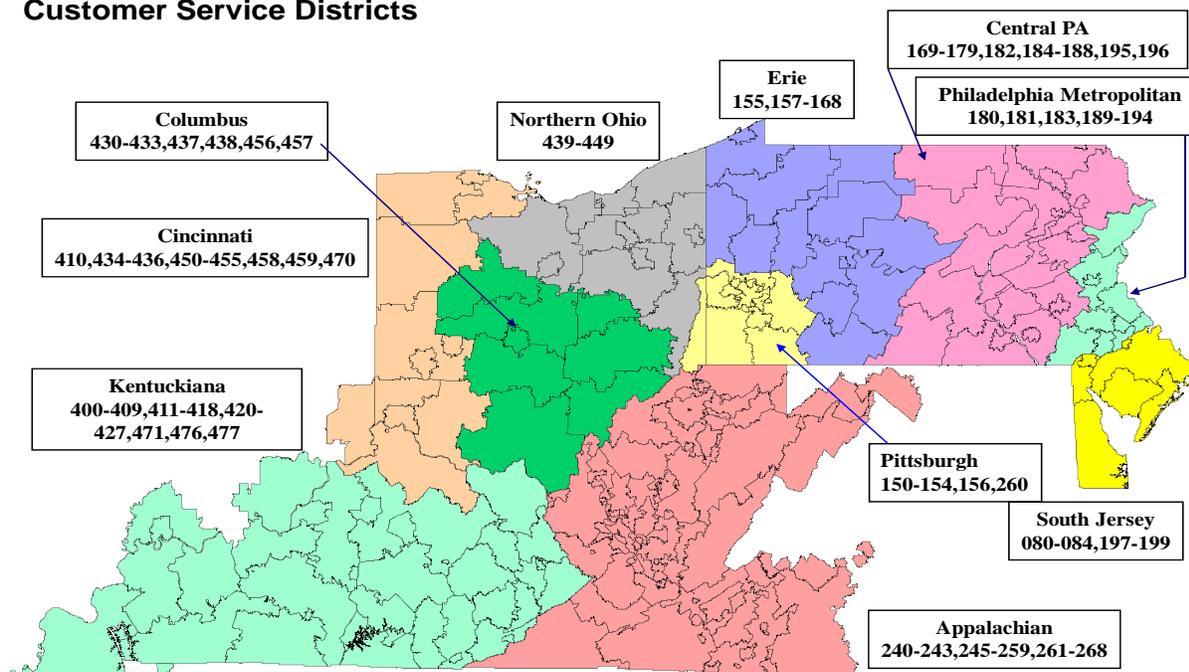
In September 2005, the U.S. Postal Service Office of Inspector General (OIG) assessed the efficiency of operations performed at the Canton P&DF and examined the proposed consolidation of outgoing mail processing operations in the Akron P&DC. We concluded a favorable business case existed for moving outgoing mail processing operations from the Canton P&DF to the Akron P&DC. Specifically, we concluded consolidation would reduce labor and distribution costs, increase processing efficiency, potentially improve delivery service, and reduce workroom floor congestion.

The Postal Service conducted an AMP study in December 2008 to determine if efficiency could increase by consolidating outgoing³ mail processing operations currently performed at the Canton P&DF into the Akron P&DC. The study proposed moving Canton zones 446 and 447 outgoing (originating) mail processing to the Akron P&DC. The Canton P&DF would continue to process their destinating mail. The consolidation was scheduled to involve a shift of approximately 307,696 originating mailpieces, FCM, and Priority Mail. The Canton P&DF is approximately 20 miles from the Akron P&DC. The Canton P&DC and Akron P&DC are in the Northern Ohio District in the Eastern Area (see Map 2 below). The Northern Ohio District also has processing operations in Cleveland, Mansfield, Steubenville, and Youngstown.

³ Mail originating at the Canton P&DF, either from collections or through Business Mail Acceptance.

Map 2: Districts Within the Postal Service Eastern Area

Eastern Area Customer Service Districts



OBJECTIVE, SCOPE, AND METHODOLOGY

Our audit objective was to determine whether the consolidation of outgoing mail operations was a prudent business decision. We reviewed current and historical data for both the Canton P&DF and the Akron P&DC. We examined data for one quarter (Quarter 3, FY 2009 — April 1 through June 30, 2009) to assess the effects of the consolidation. Additionally, we conducted observations at both sites during the week of August 17, 2009 and interviewed Postal Service officials and employees.

We used computer processed data from the following systems:

- Web Enterprise Information System
- Enterprise Data Warehouse

We conducted this audit from July through September 2009 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 19, 2009, and included their comments where appropriate.

PRIOR AUDIT COVERAGE

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<i>Efficiency Review of the Akron, Ohio Processing and Distribution Center</i>	NO-AR-05-009	March 30, 2005	\$73,996,558	While the Akron P&DC has achieved efficiency gains, it could further improve operational efficiency. Management agreed with the recommendations including the reduction of 235,000 workhours.
<i>Efficiency Review of the Canton, Ohio Processing and Distribution Facility</i>	NO-AR-05-013	September 22, 2005	\$63,617,713	While the Canton P&DF has improved efficiency, further opportunities exist for improvement. A business case exists for moving outgoing mail operations from the Canton P&DF to the Akron P&DC. Management agreed with the recommendations including the reduction of 202,000 workhours.
<i>Steubenville – Youngstown, Ohio Outgoing Mail Consolidation</i>	NO-AR-07-003	March 30, 2007	N/A	We concluded that consolidating the Steubenville Main Post Office outgoing mail processing operations into the Youngstown P&DF achieved the desired results.

APPENDIX B: DETAILED ANALYSIS

Employee Impacts

Impact on employees due to the consolidation was minimal. The transfer of outgoing mail processing operations from the Canton P&DF to the Akron P&DC called for⁴ a reduction of 38 positions.⁵ Management accomplished this by:

- eliminating 27 positions by reducing the number of temporary employees, combined with retirements and one resignation,
- moving five employees to new positions at the Canton P&DF, and
- transferring six employees to other local facilities. See Table 1 below.

All of these relocations were voluntary transfers within the Northern Ohio District. Management followed procedures outlined in the national agreements between the Postal Service and the impacted unions including notification of unions and employees.

Table 1: Canton P&DF Complement Changes

	Positions Eliminated	Temporary Employees	Retired	Resigned	Reassigned In Canton P&DF	Transferred Within Northern Ohio District
Clerks/ Mail Handlers	33	19	5	1	4	4
Supervisors/ Managers	5	0	2	0	1	2
Totals	38	19	7	1	5	6

Service

Consolidating the Canton P&DF's outgoing mail operation into the Akron P&DC improved customer service to Canton P&DF customers.

External First-Class Measurement

Prior to the consolidation, External First-Class Measurement⁶ (EXFC) average overnight scores for Canton and Akron were █████ and █████ percent, respectively. However, in the quarter following the consolidation, overnight scores have improved to █████ and █████ percent, respectively. Scores for 2- and 3-day service have shown even greater

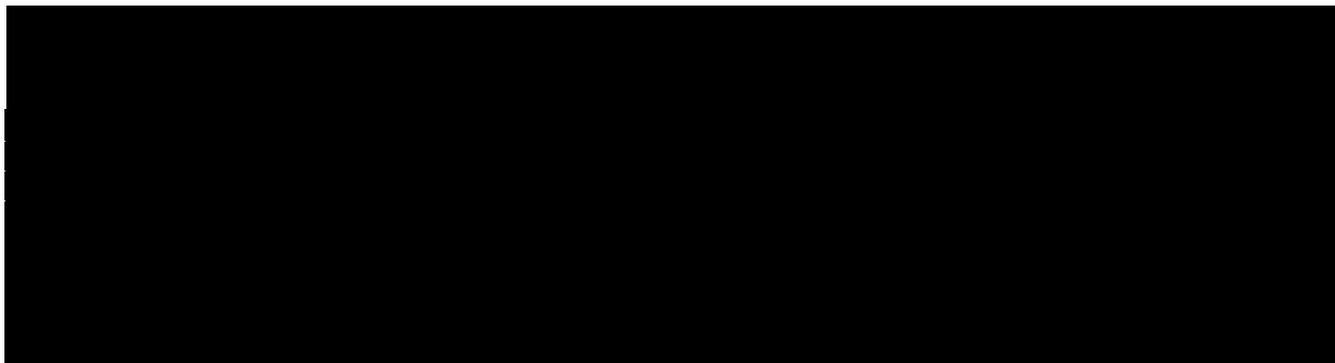
⁴ Reductions based on the AMP study projections approved December 16, 2008.

⁵ The process of reassigning two maintenance employees has not been completed.

⁶ EXFC is a test an independent contractor performs to measure the time it takes mail to go from mailbox to delivery customer.

improvement since the consolidation, each moving up at least one percentage point or more. See Table 2 below for additional information.

Table 2: Service Scores for the Akron and Canton Performance Areas



Service Area

Delivery service for FCM and Priority Mail improved after the consolidation. This consolidation resulted in 16 upgrades and no downgrades in FCM and Priority Mail between three-digit ZIP Code origin and destination pairs.

- Canton customers can expect overnight delivery of FCM to Cleveland, when previously Cleveland had been a 2-day service area.
- Akron customers can mail overnight to Columbus and Zanesville when previously this was not available.

These upgrades in service standards result in an average daily increase of 20,381 pieces of FCM and Priority Mail that received 2-day service before the consolidation, but now receive overnight service. Additionally, we found the Postal Service was meeting its service standards.

Cost Savings

Through increased productivity gained by moving the outgoing operations, transportation changes, and the elimination of 38 positions, the Northern Ohio District will save about \$2.3 million annually. This is a combined savings of \$2.03 million in labor costs and \$225,000 in transportation costs.

Productivity

The consolidation of originating processing operations into the Akron P&DC has increased its overall productivity and decreased processing costs. In FY 2008, before the consolidation, Akron P&DC achieved 58.0 percent of its Breakthrough Productivity Index (BPI) target productivity goal and processed 1,076 pieces of mail per workhour.

However, in Quarter 3, FY 2009, after the consolidation, the Akron P&DC achieved 59.7 percent of its BPI target productivity goal and processed 1,142 mailpieces per workhour. This improvement in the Akron P&DC's productivity represented a 6 percent increase in the number of mailpieces processed per workhour.

Processing mail at the Akron P&DC was also less expensive than processing mail at the Canton P&DF. Activity Based Costing (ABC) data for FY 2008 shows the Akron P&DC's cost to process 1,000 pieces of First Handled Pieces was \$59, ranking them sixth best within their group, as compared to the Canton P&DF's cost of \$62 and ranking of 26th in their group.

Transportation

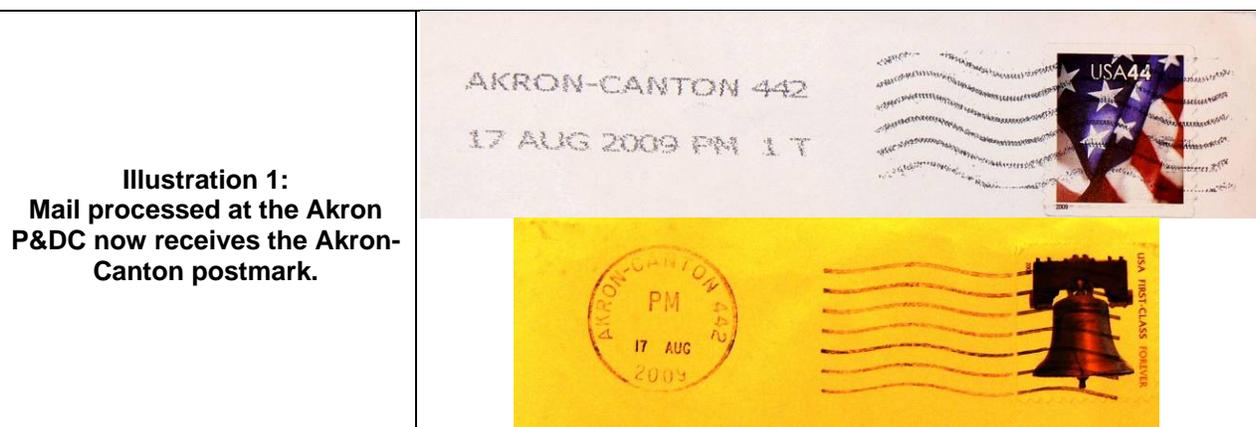
Transportation routes and schedules were reviewed and adjusted as part of the transfer of outgoing mail processing operations from the Canton P&DF to the Akron P&DC. There were no changes to Postal Vehicle Services schedules; however, management made adjustments to 12 Highway Contract Routes, including cancelling two of them for an annual savings of \$225,000.

Community Impact

As part of the consolidation process, the Postal Service considered the concerns from the communities it serves. With the preservation of the Canton postmark and improved service, feedback from the community has been positive.

Public Meeting

A public meeting to discuss the consolidation was held October 30, 2007, at Canton McKinley High School. One of the main issues at the meeting was the preservation of the local Canton postmark. A local Canton postmark is still available at Canton post offices and the Akron P&DC uses a new postmark containing both the cities of Akron and Canton. See Illustration 1.



Customer Satisfaction

Results for the most recent Customer Satisfaction Measurement survey⁷ quarter 3 ending June 30, 2009, indicate that ■ percent of Canton customers consider their service excellent, very good or good. Although this is slightly lower than some of the pre-consolidation satisfaction scores, it is consistent with the national and district score results of ■ percent. See Table 3 below for additional information. The Northern Ohio District also reported they have not received a single customer complaint related to the change in processing.

Table 3: Customer Satisfaction Survey Results

Customer Satisfaction Measurement Scores
Percentage of Customers Rating Their Residential Service as Excellent, Very Good or Good
■

⁷ CSM is a survey that customers complete on Postal Service performance.