



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

**Consolidation of Mail Processing
Operations at the Mansfield, OH
Customer Service Mail Processing
Center**

Audit Report

January 20, 2012



IMPACT ON:

Mail processing operations in the Northern Ohio District, Eastern Area.

WHY THE OIG DID THE AUDIT:

This review is based on a request from U.S. Representative Robert E. Latta (5th Congressional District, OH) to review the consolidation of mail processing operations from the Mansfield, OH Customer Service Mail Processing Center (CSMPC) into the Cleveland, OH Processing and Distribution Center (P&DC). The objectives were to determine whether a business case exists supporting the consolidation and assess compliance with established area mail processing (AMP) guidelines.

WHAT THE OIG FOUND:

A business case supporting the consolidation exists, producing a first year savings of approximately \$4.8 million if the U.S. Postal Service successfully repositions affected employees. Our analysis also indicated (1) there would be a reduction of 103 career craft positions and seven supervisor positions at the Mansfield CSMPC; (2) adequate capacity exists at the Cleveland P&DC; (3) customer service would be negatively impacted for some First-Class® and Priority Mail® service while Periodicals and Standard Mail service would be upgraded; (4) the Cleveland P&DC and the Mansfield

CSMPC exceeded national averages for delayed mail during the fall of 2010; (5) the Cleveland P&DC successfully consolidated Saturday originating mail from the Mansfield CSMPC and other P&DCs; and (6) some AMP policies and guidelines were not followed but this did not impact the business case supporting the consolidation.

WHAT THE OIG RECOMMENDED:

We recommended the vice president, Eastern Area Operations, identify repositioning plans for all impacted employees at the Mansfield CSMPC, and continue to monitor and take necessary actions to process mail in a timely fashion at the Cleveland P&DC.

WHAT MANAGEMENT SAID:

Management agreed with both recommendations and will reposition employees within contractual provisions. In addition, specific monitoring and tracking mechanisms are in place and post-implementation reviews will be used to determine whether additional actions are needed.

AUDITORS' COMMENTS:

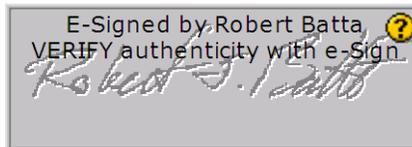
The OIG considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in the report.

[Link to review the entire report](#)



January 20, 2012

MEMORANDUM FOR: JORDAN M. SMALL
VICE PRESIDENT, EASTERN AREA OPERATIONS



FROM: Robert J. Batta
Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Audit Report – Consolidation of Mail Processing Operations
at the Mansfield, OH Customer Service Mail Processing
Center (Report Number NO-AR-12-003)

This report presents the results of our audit of the Mansfield, OH Customer Service Mail Processing Center consolidation into the Cleveland, OH Processing and Distribution Center (Project Number 11XG049NO000).

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.

Attachments

cc: Megan J. Brennan
David E. Williams, Jr.
Frank Neri
Todd S. Hawkins
Kristin A. Seaver
Stephen E. Martin
Corporate Audit and Response Management

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Introduction

This report presents the results of our audit of the Mansfield, OH Customer Service Mail Processing Center (CSMPC) consolidation into the Cleveland, OH Processing and Distribution Center (P&DC) (Project Number 11XG049NO000). The report responds to a request from U.S. Representative Robert E. Latta (5th Congressional District, OH). Our objectives were to determine whether a business case exists to support the consolidation of mail processing operations and to assess compliance with established area mail processing (AMP) guidelines. The audit addresses operational risk. See [Appendix A](#) for additional information about this audit.

The Postal Service uses the AMP process to determine whether they can consolidate mail processing operations to increase efficiency and reduce costs. Some pertinent questions regarding AMP studies are as follows.

- Is mail processing plant consolidation necessary to control costs, increase efficiency, and improve productivity?
- Will Postal Service customers continue to receive the same high-quality service?
- Will the Postal Service reassign affected career employees to other jobs?

The Mansfield, OH CSMPC



Source: U.S. Postal Service OIG photograph taken August 23, 2011.

Conclusion

A business case supporting the consolidation does exist, and should produce a first year savings of about \$4.8 million, providing that the U.S. Postal Service successfully repositions affected employees.¹

¹ Repositioning plans may include voluntary and involuntary reassignments or retirements.

Our analysis also concluded that:

- There will be a reduction of 103 career craft positions (clerk, mail handler, and maintenance) and seven executive and schedule (EAS) positions at the Mansfield CSMPC.
- There is adequate capacity at the Cleveland P&DC to consolidate the Mansfield CSMPC.
- The consolidation would improve Periodicals and Standard Mail[®] service to customers currently served by the Mansfield CSMPC and downgrade some First-Class[®] and Priority Mail[®] services.
- Both the Cleveland P&DC and the Mansfield CSMPC exceeded national averages for delayed mail during the fall of 2010.
- The Cleveland P&DC has successfully processed all Mansfield CSMPC Saturday originating mail, as well as Saturday originating mail from the Toledo and Youngstown P&DCs.
- Employees did not follow some AMP policies and guidelines, but this did not impact the business case supporting the consolidation.

Employee Impact

Consolidation of the Mansfield CSMPC into the Cleveland P&DC will have an impact on employees. Specifically:

- There will be a reduction of 103 career craft positions (clerk, mail handler, and maintenance) and seven EAS positions at the Mansfield CSMPC.
- Over 100 previously displaced Cleveland P&DC employees maintain retreat rights² at the Cleveland P&DC. This means they have first preference for any available positions at the Cleveland P&DC.
- Within 50 miles of the Mansfield CSMPC, there were two clerk and four carrier positions vacant at the time of our fieldwork. Additionally, two maintenance employees have requested other positions.
- Forty craft and one EAS employee are eligible for retirement; however, only six employees would retire based on the Postal Service-wide attrition rate of approximately 5 percent.

² An involuntarily reassigned employee may exercise retreat rights when a vacancy occurs at the original office from which the employee was transferred. Employees retain retreat rights until they decline an offer to return to the losing facility.

- EAS employees may apply for promotions or reassignment, return to a craft position, or be placed in other facilities.
- The AMP proposal did not include any relocation costs for affected employees.

Following the projected placement, reassignment, or retirement of 14 employees, there will be 89 career craft employees without assignments. Under existing union agreements,³ management cannot lay off career employees; therefore the 89 career craft employees will remain in pay status.

Cost Savings

Proposed cost savings will primarily result in workhour reductions and maintenance savings. The Postal Service estimates a first year cost savings of \$4,828,156 as a result of the consolidation, taking into account workhours, maintenance, transportation, and equipment costs. The U.S. Postal Service Office of Inspector General (OIG) agrees with this estimate assuming the Postal Service identifies repositioning plans for all displaced Mansfield CSMPC employees⁴ (see [Appendix B](#)). Of the 114 employees impacted by the AMP, 11 are support employees who management can terminate; six are likely to retire based on the national attrition rate; and eight employees will be relocated into available positions within a 50-mile radius.

Capacity

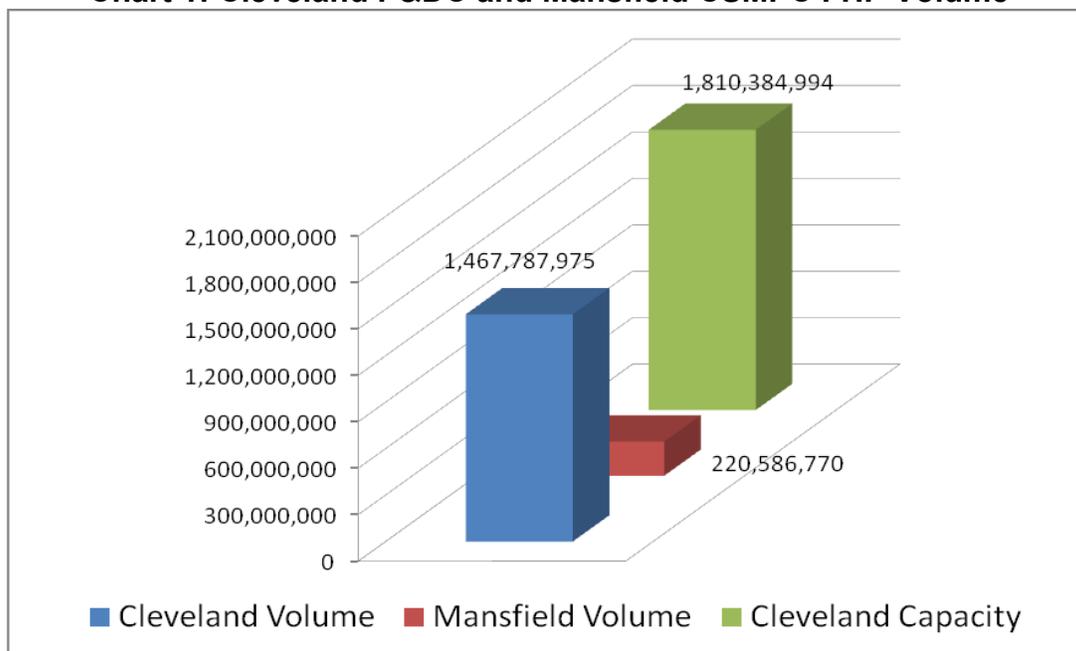
Adequate capacity and space exists at the Cleveland P&DC to consolidate Mansfield CSMPC mail volume.

- Mail Volume: Mail volume at the Mansfield CSMPC of approximately 220.6 million pieces per year, representing 15 percent of the Cleveland P&DC's total First-Handling Pieces (FHP) volume during the AMP period of April 1, 2010 through March 31, 2011 (see Chart 1).

³ Article 6 of the Agreements between the U.S. Postal Service and the National Postal Mail Handlers Union and between the U.S. Postal Service and the American Postal Workers Unions protects regular employees with 6 or more years of service from layoffs.

⁴ Salaries and benefits for 89 displaced Mansfield CSMPC employees who would be relocated as a result of the AMP are estimated at \$5,449,774 per year. If the Postal Service does not identify repositioning plans for these impacted employees, the AMP savings will decrease from \$4,828,156 to a savings shortfall (or cost) of \$621,618.

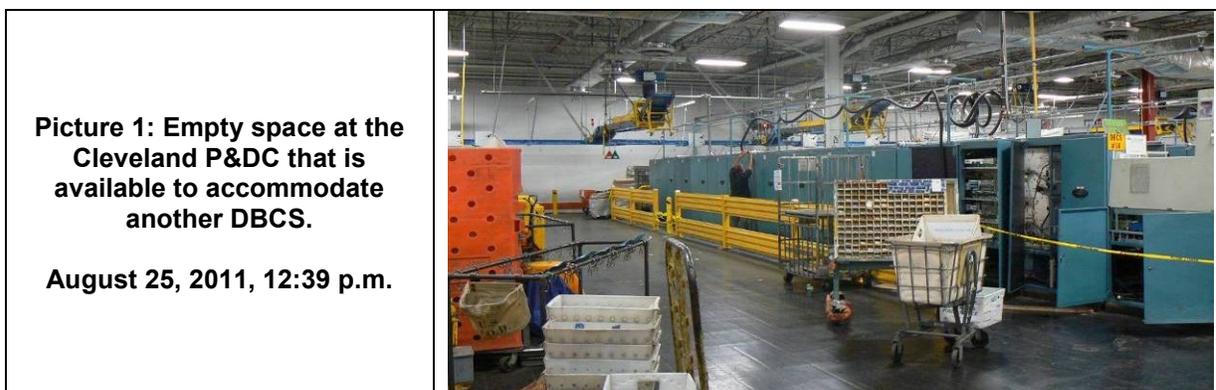
Chart 1: Cleveland P&DC and Mansfield CSMPC FHP Volume



Source: Electronic Data Warehouse (EDW)

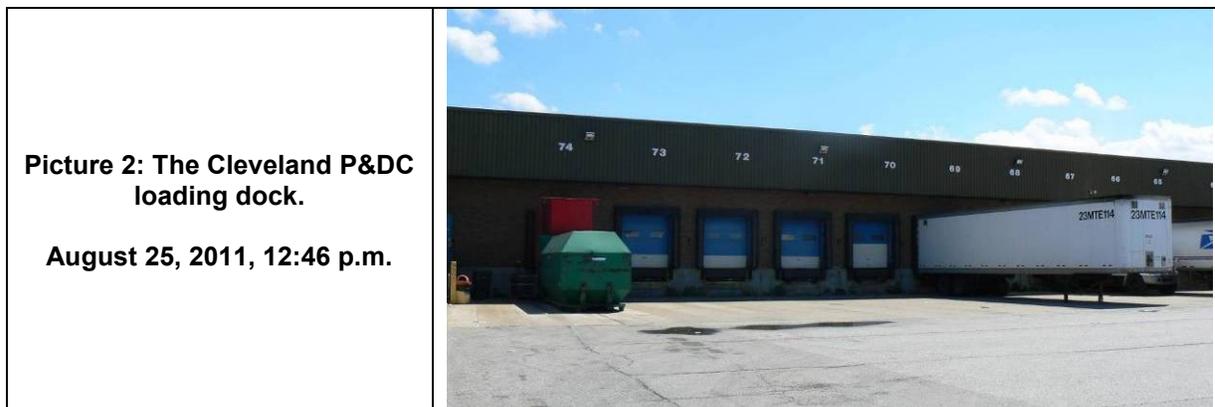
Additional mail volume from the Mansfield CSMPC will help absorb idle capacity at the Cleveland P&DC. The projected combined Cleveland P&DC and Mansfield CSMPC mail volume of 1.69 billion mailpieces is comparable to the volume processed at the Cleveland P&DC several years ago.⁵ Our analysis determined that the Cleveland P&DC could process approximately 1.8 billion mailpieces, or an additional 343 million mailpieces.

- **Floor Space:** Adequate floor space exists at the Cleveland P&DC for additional equipment, staging, and manual operations to process additional mail from the Mansfield CSMPC. For instance, the Cleveland P&DC has sufficient floor space to accommodate five additional delivery barcode sorters (DBCSs). Picture 1 below shows some additional floor space.



⁵ Cleveland P&DC mail volume declined by 13.7 percent, or from 1.67 billion mailpieces in fiscal year (FY) 2007 to 1.44 billion mailpieces in FY 2011.

- **Dock Capacity:** The Cleveland P&DC has adequate dock door capacity to accommodate arriving and departing mail to and from the Mansfield CSMPC. The Cleveland P&DC has 74 dock doors, many of which no one uses (see Picture 2).



- **Machine Capacity:** The Cleveland P&DC has sufficient machine capacity to process the combined Mansfield CSMPC and Cleveland P&DC mail volume on the Advanced Facer Cancellor System (AFCS), delivery barcode sorter input/output subsystem (DIOSS), and the automated flat sorter machine 100 (AFSM 100). Even after the consolidation, the Cleveland P&DC will still have excess capacity on its mail processing equipment (see Table 1 and Pictures 3 and 4).

Table 1: Cleveland P&DC Machine Capacity

Equipment	Existing Equipment Count (WebEOR)	Proposed Equipment Count	Projected Cleveland and Mansfield Volume	Cleveland Annual Capacity	Utilized Capacity (Percent)
AFCS	7	7	206,751,697	444,763,200	46.49%
AFSM	4	3	172,780,472	188,325,000	91.75%
CIOSS*	2	2	140,288,664	195,300,000	71.83%
DBCS**	24	29	1,674,526,119	3,728,602,500	44.92%
DBCS-OSS***	6	6	694,553,524	761,670,000	91.19%
DIOSS	7	7	528,692,337	729,120,000	72.51%
SPBS****	2	2	35,794,604	47,894,814	74.74%

Source: EDW

*Combined Input Output Subsystem (CIOSS)

**Per the consolidation, the Postal Service will transfer five DBCSs from the Mansfield CSMPC to the Cleveland P&DC. The capacity for the existing 24 DBCSs at the Cleveland P&DC is 3,085,740,000 mailpieces. The combined projected volume would use 54.2 percent of this capacity.

***Delivery Barcode Sorter-Output Subsystem (DBCS-OSS)

**** Small Parcel Bundle Sorter (SPBS)

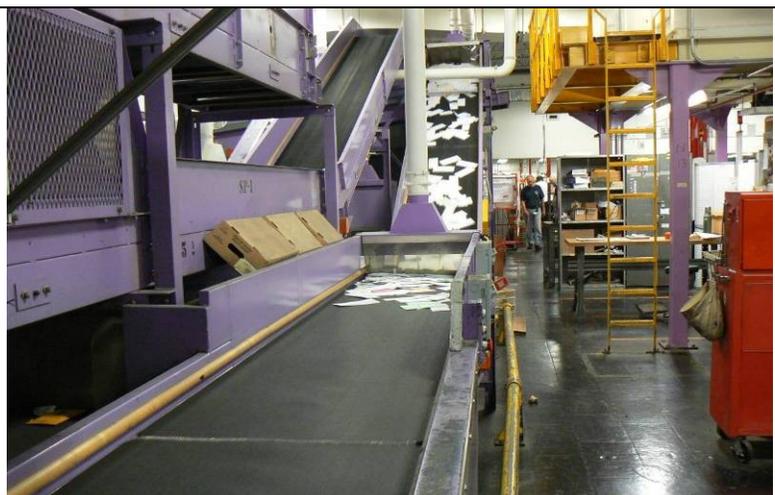
**Picture 3: An idle DIOSS at the
Cleveland P&DC. Only five of the
seven DIOSS machines were
running.**

August 26, 2011, 7:02 p.m.



**Picture 4: Low collection mail
volume creates large gaps on the
belts between hamper dumps at
the Cleveland P&DC.**

August 26, 2011, 7:42 p.m.



Customer Service

We reviewed four measures of customer service: the External First-Class Measurement System (EXFC),⁶ the Customer Experience Measurement System (CEMS),⁷ projected service standard⁸ upgrades and downgrades, and delayed mail trends. Additionally, we

⁶ The EXFC is a system whereby a contractor performs independent service performance tests on First-Class Mail deposited in collection boxes and business mail chutes. It provides national, area, performance cluster, and city estimates; and compares them with the Postal Service's service goals. The Postal Service releases results to the public quarterly. The results are reported as on-time percentages (see Charts 2 through 4).

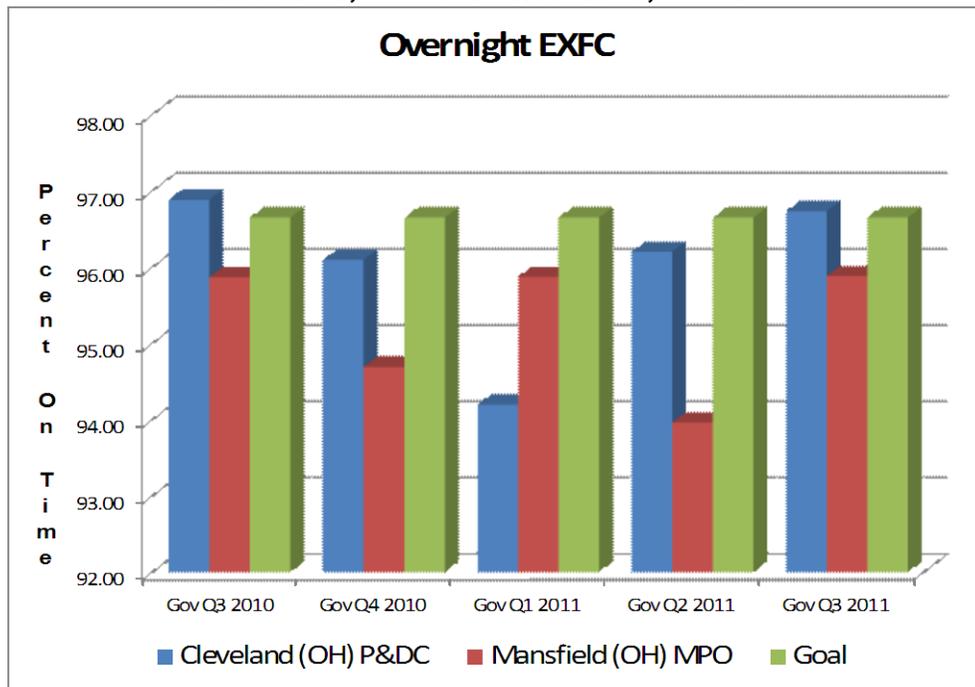
⁷ CEMS provides an end-to-end approach to assessing experience with the Postal Service from the customers' perspective, including quality of service received.

⁸ Stated delivery performance goals for each mail class and product that are usually measured in days the Postal Service takes to handle the mail from end-to-end (that is, from the point of entry into the mailstream to delivery to final destination). Upgrades to service standards after a consolidation indicate that end-to-end mail handling occurs in less time than the established standard requires. Downgrades to service standards after a consolidation indicate that end-to-end mail handling occurs in more time than the established standard permits.

reviewed 24-hour clock indicators. Our review indicated potentially positive and negative customer service impacts, specifically:

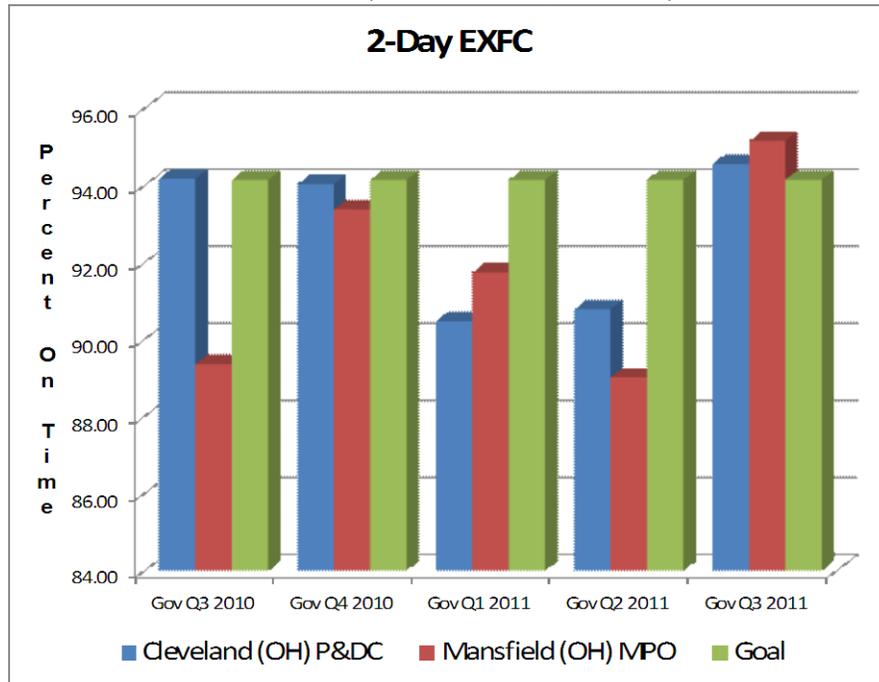
- **EXFC:** The consolidation will have a minimal impact on EXFC scores. During the AMP review period, the Cleveland P&DC outperformed the Mansfield CSMPC for most quarters in overnight and 2-day EXFC service, while the Mansfield CSMPC outperformed the Cleveland P&DC in 3-day EXFC service. See Charts 2 through 4 for additional details.

**Chart 2: Cleveland P&DC versus Mansfield CSMPC
Overnight EXFC Service Scores
Quarter 3, FY 2010–Quarter 3, FY 2011**



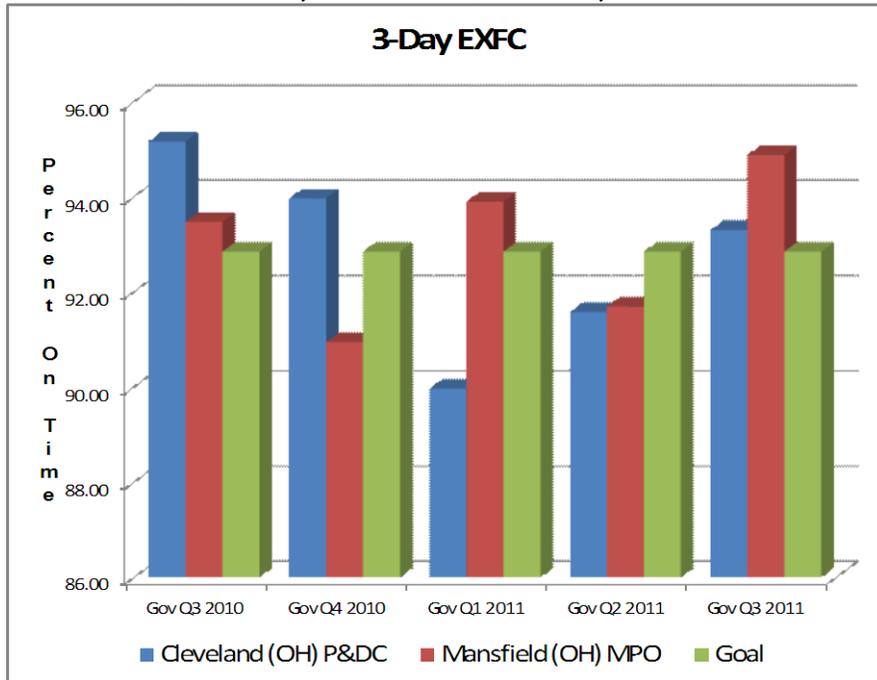
Source: EDW

**Chart 3: Cleveland P&DC versus Mansfield CSMPC
2-Day EXFC Service Scores
Quarter 3, FY 2010–Quarter 3, FY 2011**



Source: EDW

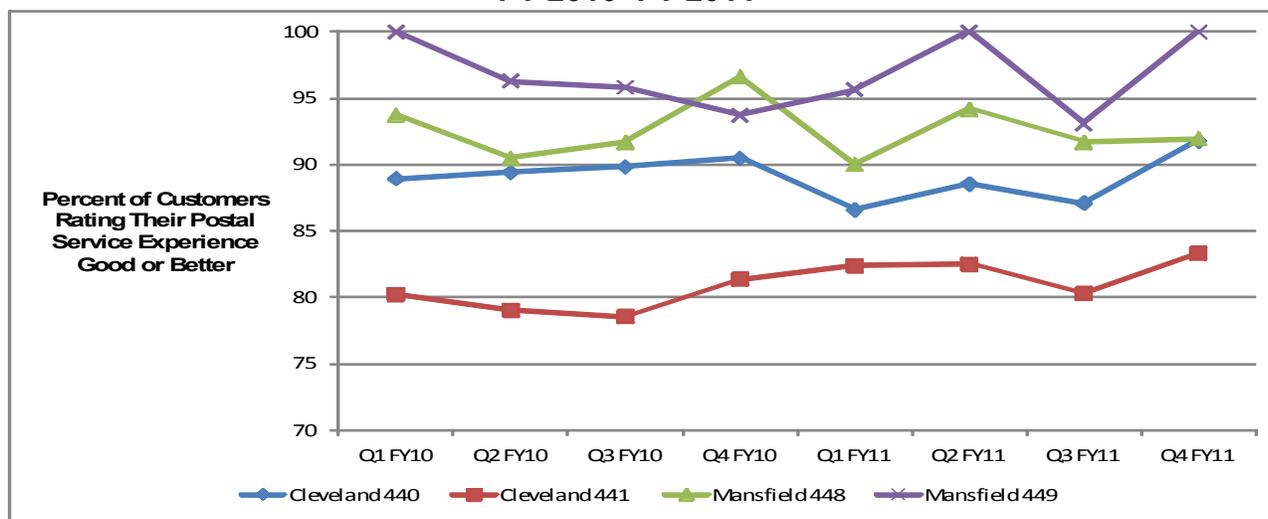
**Chart 4: Cleveland P&DC versus Mansfield CSMPC
3-Day EXFC Service Scores
Quarter 3, FY 2010–Quarter 3, FY 2011**



Source: EDW

- **CEMS:** The CEMS average residential scores for the Mansfield CSMPC consistently outperformed the Cleveland P&DC during FY 2010 and 2011 (see Chart 5).

**Chart 5: FY 2010 and FY 2011 Customer Experience Measurement Program Residential Scores⁹
FY 2010–FY 2011**



Source: USPS Corporate Knowledge Management

- **Service Standards:** The AMP study identified a total of 2,398 upgrades and 222 downgrades, all of which affect customer service. The majority of the downgrades are in First-Class¹⁰ and Priority Mail while the upgrades are in Periodicals and Standard Mail. Specifically:
 - There will be eight upgrades and 34 downgrades to First-Class Mail service. These downgrades will be to overnight service and affect approximately 2.1 percent of average daily volume, or about 91,277 mailpieces per day.
 - There will be 14 upgrades and 146 downgrades to Priority Mail. These downgrades will affect 1.6 percent of the average daily Priority Mail volume, or about 635 mailpieces per day.

Table 2 shows the number of service standard changes by class of mail in the AMP study.

⁹ 440 and 441 are the 3-digit zones served by the Cleveland P&DC; 448 and 449 are the 3-digit zones served by the Mansfield CSMPC.

¹⁰ On December 5, 2011, the Postal Service requested an advisory opinion of the Postal Regulatory Commission on modifying service standards to eliminate overnight First-Class Mail service.

Table 2: Impact on Service Standards for all Mail Classes

3-Digit ZIP Code Pair Service Standard Impacts	Upgrades	Downgrades	Net Change
First-Class Mail	8	34	(26)
Priority Mail	14	146	(132)
Periodicals	508	34	474
Standard Mail	1,852	0	1,852
Package Services	16	8	8
All Classes	2,398	222	2,176

Source: USPS Network Integration Support

- Delayed Mail Trends:** Both the Cleveland P&DC and the Mansfield CSMPC exceeded national averages for delayed mail during the fall of 2010 (October through December). During Quarter 1, FY 2011, the Postal Service had more than 3.4 billion delayed mailpieces, representing 6 percent of total mail volume. During the same period, the Cleveland P&DC had 62 million delayed mailpieces, representing almost 16 percent of their total mail volume, while the Mansfield CSMPC reported delays of 11.5 million mailpieces, or 19.5 percent of their mail volume. Approximately 97 percent of the Cleveland P&DC's and 100 percent of the Mansfield CSMPC's delayed mail was Standard Mail. Nationally, Standard Mail accounts for 95 percent of delays. The Cleveland P&DC experienced the fourth highest amount of delayed mail among similar sized Group 1¹¹ facilities (see Table 3).

Table 3: Group 1 Facility Delayed Mail as a Percentage of First Handled Pieces (FHP) for the 2010 Fall Mailing Season

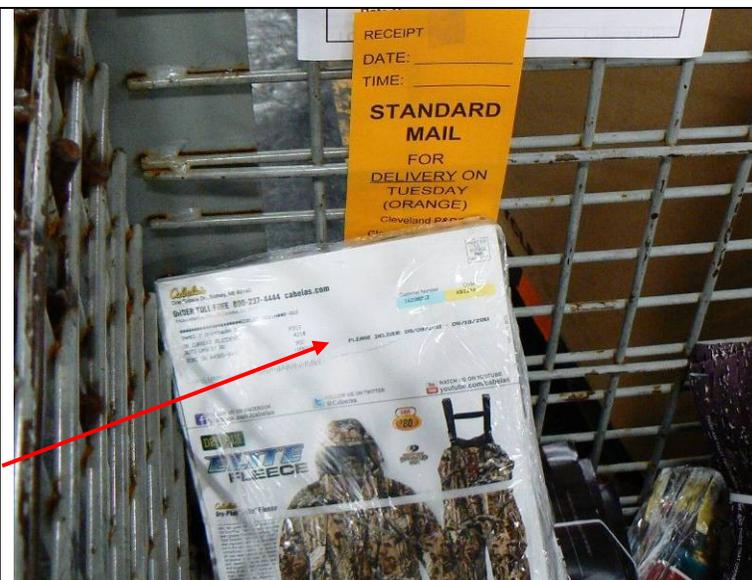
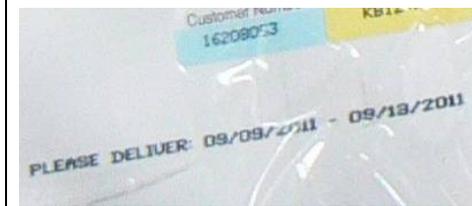
Rank	Plant	Percentage of FHP
1	Pittsburgh P&DC	19.52%
2	St. Louis P&DC	16.90%
3	Carol Stream P&DC	15.68%
4	Cleveland P&DC	15.59%
5	Columbus P&DC	13.05%
6	Richmond P&DC	12.82%
7	Philadelphia P&DC	11.60%
8	North Metro P&DC	10.64%
9	Milwaukee P&DC	9.98%
10	Michigan Metroplex P&DC	9.92%

Source: EDW

¹¹ Group 1 plants represent the largest 43 mail processing facilities in the Postal Service.

Picture 5: Delayed mail with requested in-home dates of September 9 to September 13, 2011, waits for processing at the Cleveland P&DC. In addition, the incomplete color code tag adds to mail processing delays. Completed tags allow mail to be worked in first in, first out order.

September 15, 2011, 2 p.m.



- **24-Hour Clock Indicators:** Neither the Cleveland P&DC nor the Mansfield CSMPC met performance targets for several selected customer service indicators. However, the Mansfield CSMPC scored better in most areas. Specifically, the Mansfield CSMPC achieved cancellations by 8 p.m. and clearance by 12 a.m. and assigned mail to outgoing flights by 2:30 a.m., while the Cleveland P&DC did not achieve any of these goals (see Table 4). Additionally, the Mansfield CSMPC exceeded national averages for all applicable mail processing indicators while the Cleveland P&DC only exceeded the national average in three of seven indicators. The additional mail volume transferred to the Cleveland P&DC from the Mansfield CSMPC could further negatively influence timely processing and delivery of mail.

Table 4: 24-Hour Clock Indicators (April 1, 2010, through March 31, 2011)

Indicator	National Scores	Cleveland P&DC	Mansfield CSMPC	National Targets
Cancel 80 percent of collection mail by 8 p.m.	68.64%	72.83%	83.39%	80%
Clear outgoing primary mail by 11 p.m.	94.13%	91.07%	99.86%	100%
Clear outgoing secondary mail by 12 a.m.	91.50%	59.78%	100%	100%
Clear Managed Mail Program (MMP) mail by 12 a.m. - zero MMP	91.61%	98.74%	NA	100%
Assign mail to commercial/FedEx outgoing mail by 2:30 a.m.	90.45%	73.48%	100%	100%
Clear Delivery Point Sequence 2nd Pass by 7 a.m.	97.88%	99.24%	99.25%	100%
Trips on-time between 4 a.m.-9 a.m. to delivery units	77.83%	67.89%	85.67%	100%

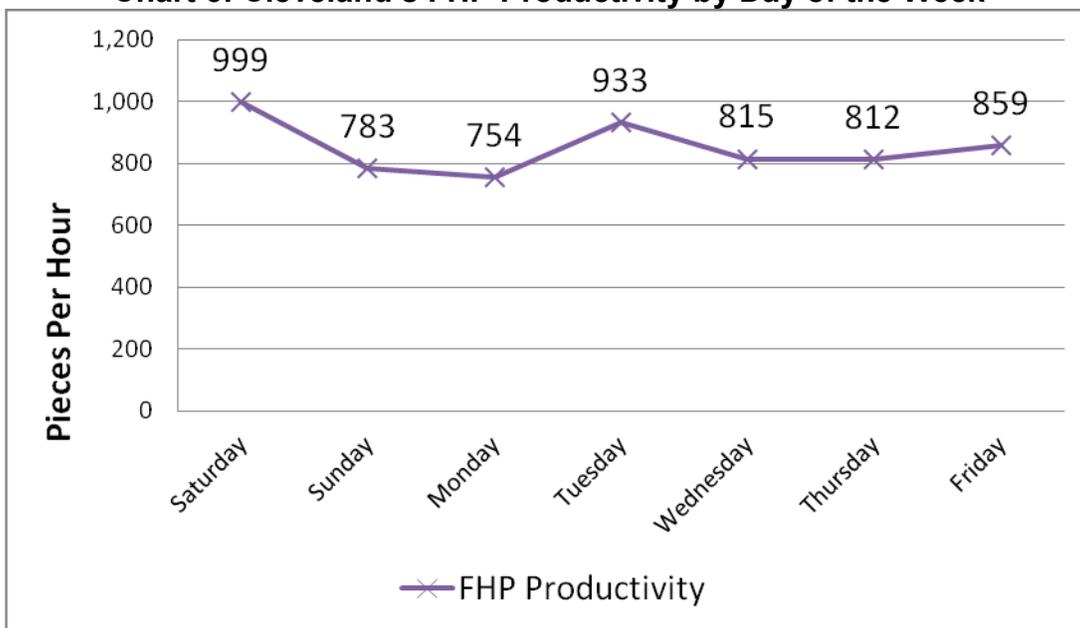
Source: USPS Service and Field Operations Performance Measurement website.

- Other Customer Service Impacts: Under the consolidation, the last collection box pick-up from the Mansfield CSMPC would not change from the current 6 p.m. In addition, the hours of operation for the Mansfield CSMPC business mail entry unit and retail unit would not change. Finally, customers wishing to receive the Mansfield postmark would continue to receive it at the retail window.

Saturday Consolidation Effect

The Cleveland P&DC has successfully been processing originating mail on Saturday from the Mansfield CSMPC as well as the Saturday originating mail from the Toledo and Youngstown P&DCs for several years, resulting in improved productivity. For example, during the period covered by the AMP package (April 1, 2010 to March 31, 2011), the Cleveland P&DC achieved the highest productivity on Saturdays in terms of total pieces of all types of mail processed per hour (see Chart 6).

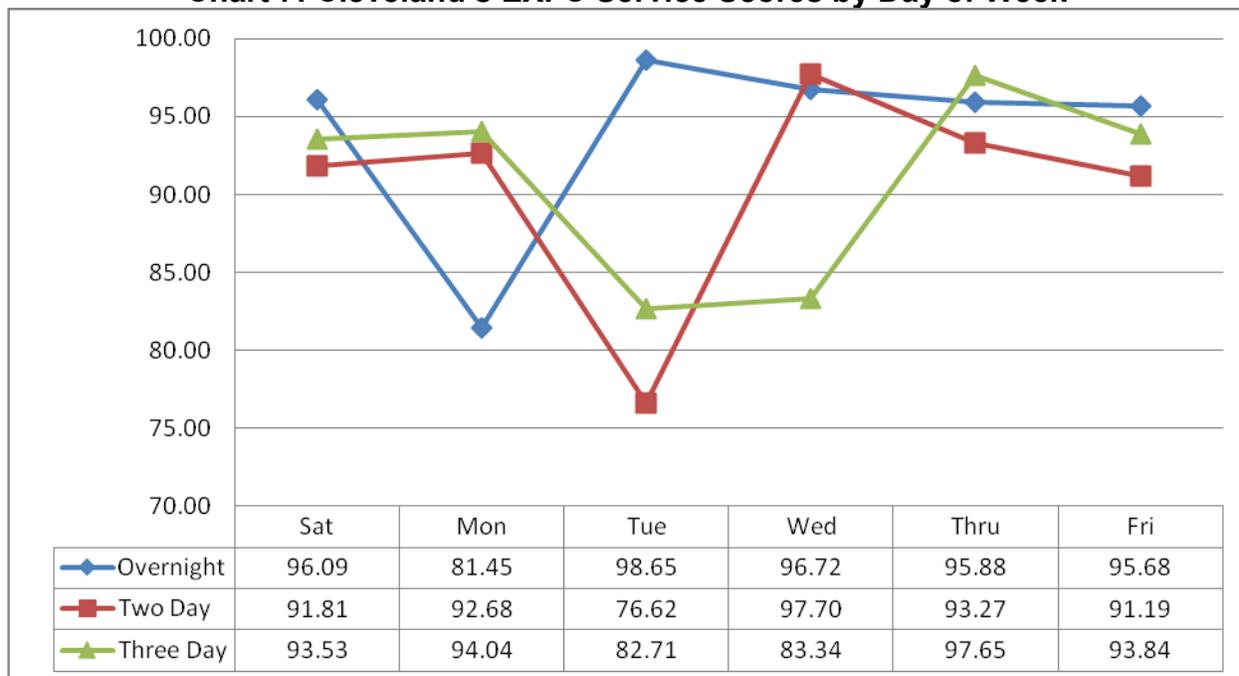
Chart 6: Cleveland’s FHP Productivity by Day of the Week



Source: EDW

In addition, the Cleveland P&DC has maintained Saturday service scores with minimum variation when compared to the other weekdays. Chart 7 illustrates service scores during the AMP data period.

Chart 7: Cleveland’s EXFC Service Scores by Day of Week



Source: EDW

AMP Guidelines

The Postal Service has complied with stakeholder communication policies, however, some of the AMP study steps had not been completed within established timeframes. Not meeting these timeframes did not adversely affected the consolidation determination process. See Table 6 for a timeline of events.

Table 6: AMP Timeline of Events

Event	Date	Was Step Accomplished?	Accomplished Within Timeframe?
Area vice president (AVP) notified district manager or district manager notified AVP of intent to conduct study.	4/8/2011	Yes	Yes
Stakeholders notified of the intent to conduct study.	4/19/2011	Yes	Yes
District manager completed feasibility study and submitted to AVP within 2 months of notification to conduct study.	6/24/2011	Yes	No ⁽¹⁾
District manager held public input meeting within 45 days after study submitted to AVP.	8/23/2011	Yes	No ⁽²⁾
District manager summarized information from public meeting and written comments within 15 days after meeting.	9/12/2011	Yes	No ⁽³⁾
AVP and headquarters vice president reviewed the feasibility study within 60 days from the time the study is submitted to the AVP.	10/21/2011	Yes	No ⁽⁴⁾
AVP approved study after finalized worksheets were approved by area and headquarters and submitted study to senior vice president (SVP), Operations.	10/21/2011	Yes	No ⁽⁴⁾
SVP approved study within 2 weeks of receipt from AVP.	10/21/2011	Yes	Yes

(1) 15 days late.

(2) 15 days late.

(3) 5 days late. The public meeting was held August 23, 2011; however, the public comment period ended September 7, 2011. Information from the input period and the public meeting was summarized together.

(4) 59 days late.

Recommendations

We recommend the vice president, Eastern Area Operations:

1. Identify repositioning plans for all impacted employees at the Mansfield, OH Customer Service Mail Processing Center.
2. Continue to monitor and take necessary actions to ensure mail is processed timely at the Cleveland Processing and Distribution Center.

Management's Comments

Management agreed with the two recommendations in the report. Specifically, management stated that:

- It will reposition employees within contractual provisions and, if necessary, seek to expand the current 50-mile radius for relocation purposes to create additional positions.
- Specific monitoring and tracking mechanisms are in place and they will use post-implementation reviews to determine whether additional actions are needed to ensure mail is processed timely.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations corrective actions should resolve the issues identified in the report.

The OIG considers both recommendations as significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendix A: Additional Information

Background

The U.S. Postal Service ended FY 2011 with a net loss of \$10.6 billion, compared to a net loss of \$8.3 billion for FY 2010. Total mail volume declined to 168 billion pieces for the year, compared to 171 billion pieces in FY 2010. The growth in electronic communications continues to erode core First-Class Mail volume, the Postal Service's largest and most profitable product. Revenue from First-Class Mail continued its decline from \$34.2 billion in 2010 to \$32.2 billion in 2011.

Even with significant cost reductions and revenue growth initiatives, financial projections indicate the Postal Service will have a cash shortfall and will have reached its statutory borrowing limit by the end of the fiscal year. Absent substantial legislative change, the Postal Service will be forced to default on payments to the federal government. "We continue to take aggressive actions to reduce costs and bring the size of our infrastructure into alignment with reduced customer demand," said postmaster general and Chief Executive Officer Patrick Donahoe.

In testimony before Congress,¹² the U.S. Government Accountability Office (GAO) said action is urgently needed to facilitate the Postal Service's financial viability, as it cannot support its current level of service and operations. Congress, the Postal Service, the administration, and stakeholders need to agree on a package of action to restore the Postal Service's financial viability and take steps to modernize and restructure it. The Postal Service needs to become a leaner, more flexible organization, so that it can operate more efficiently, control costs, keep rates affordable, and meet customers' changing needs. The Postal Service's operations, networks, and workforce need to be realigned with the changes in mail usage and customer behavior, as the Postal Service now has costly excess capacity.

Title 39 U.S.C., § 101, Part 1, Chapter 1, states that the Postal Service ". . . shall provide prompt, reliable, and efficient services to patrons in all areas." Further, the September 2005 Postal Service Strategic Transformation Plan states, "The Postal Service will continue to provide timely, reliable delivery to every address at reasonable rates." The Postal and Accountability Enhancement Act, P.L. 109-435, Title II, dated December 20, 2006, highlights ". . . the need for the Postal Service to increase its efficiency and reduce its costs, including infrastructure costs, to help maintain high quality, affordable postal services . . ."

¹² GAO-11-428T, Testimony before the Subcommittee on Federal Workforce, U.S. Postal Service and Labor Policy, Committee on Oversight and Government Reform, House of Representatives, dated March 2, 2011.

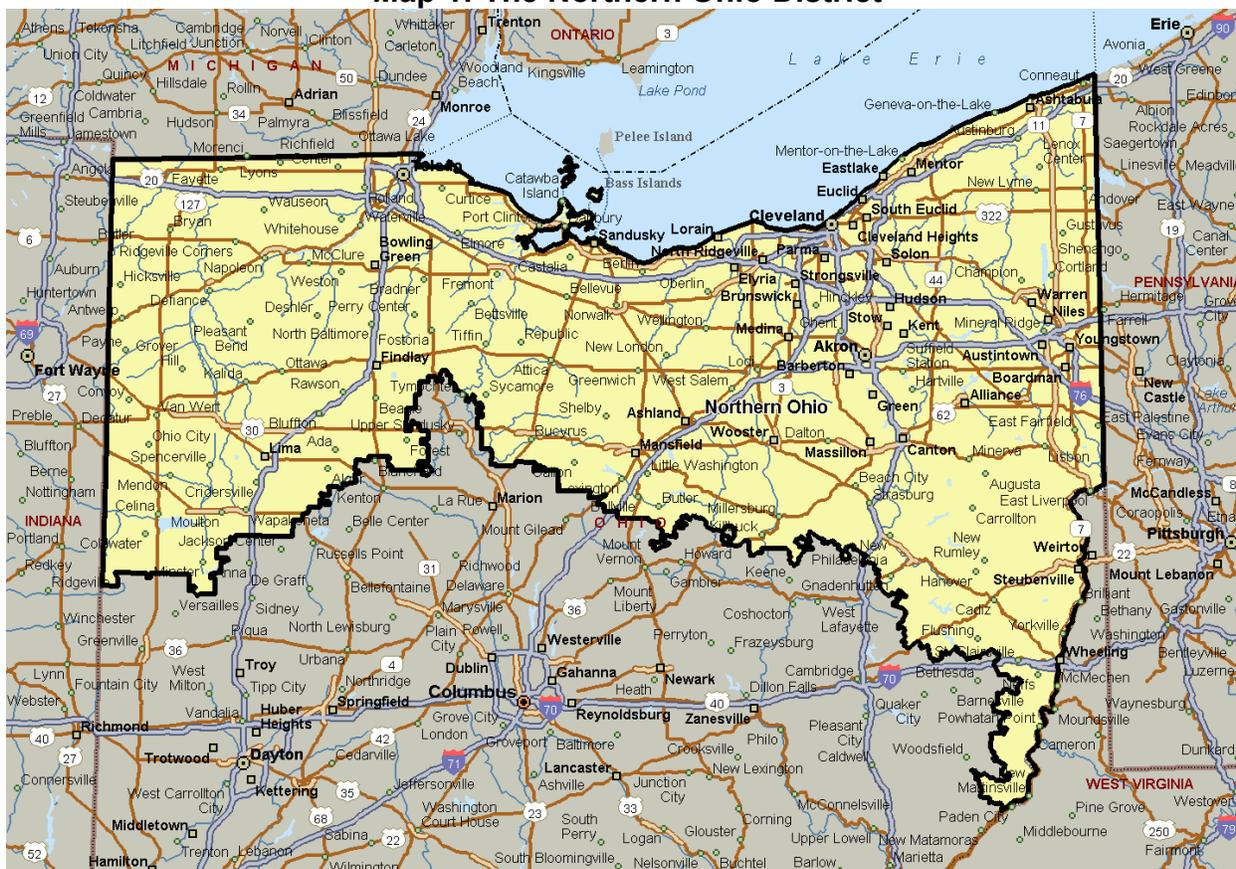
In October 2011, the Postal Service created a portfolio of 36 strategic initiatives¹³ to meet ambitious performance and financial goals. Included in these initiatives is network optimization through reducing plants, adjusting the workforce, and increasing the use of processing equipment. Additionally, a bipartisan Senate bill titled *21st Century Postal Service Act of 2011* was proposed on November 2, 2011. It would provide the Postal Service about \$7 billion to pay for employee buyouts of up to \$25,000 for as many as 100,000 eligible postal workers.

This report responds to a request from U.S. Representative Robert E. Latta (5th Congressional District, OH) to conduct an independent study of the consolidation of mail cancellation and processing operations from the Mansfield CSMPC into the Cleveland P&DC. The representative is concerned that mail collection and delivery standards that his constituents depend on not be compromised by the Postal Service's efforts to streamline operations.

This consolidation would move the originating and destinating operations from the Mansfield CSMPC to the Cleveland P&DC. The Mansfield CSMPC is approximately 81.5 miles southwest of the Cleveland P&DC and both are in the Northern Ohio District of the Eastern Area.

¹³ The Postal Service established the DRIVE initiative, which stands for Delivering Results, Innovation, Value, and Efficiency in October 2011. DRIVE is a management process the Postal Service is using to improve business strategy development and execution. This initiative is based on a well-established methodology used by many corporations to apply strategic and financial rigor to decision making, and to navigate through significant organizational changes. DRIVE focuses on a portfolio of 36 strategic initiatives the Postal Service will implement to meet its ambitious performance and financial goals.

Map 1: The Northern Ohio District



Objectives, Scope, and Methodology

Our audit objectives were to determine whether a business case exists to support the consolidation of mail processing operations from the Mansfield CSMPC into the Cleveland P&DC and whether AMP guidelines were followed. We reviewed data captured from October 1, 2006, through September 30, 2011, to analyze current and potential efficiencies for both plants as well as capacity at the Cleveland P&DC. Additionally, we reviewed service scores for that same period. We also estimated the costs and savings from this analysis. We conducted observations at both sites during August and September 2011 and interviewed management.

We used computer-processed data from the following systems:

- CEMS
- Electronic Facilities Management System.
- EDW
- Web Complement Information System.
- Web End of Run.

We conducted this performance audit from August 2011 through January 2012 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management on December 2, 2011, and included their comments where appropriate.

We assessed the reliability of computer-generated data by interviewing agency officials knowledgeable about the data. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<i>Area Mail Processing Communications</i>	EN-AR-09-001	2/4/2009	None	Management agreed with our recommendation to add employee input notifications but disagreed with the recommendation to explore additional communication channels.
<i>Canton Processing and Distribution Facility Outgoing Mail Consolidation</i>	NO-AR-09-011	9/22/2009	None	Consolidating the Canton Processing & Distribution Facility (P&DF) outgoing mail processing operations into the Akron P&DC was a prudent business decision. We made no recommendations.
<i>New Castle Processing and Distribution Facility Outgoing Mail Consolidation</i>	NO-AR-10-002	2/1/2010	None	Consolidating New Castle P&DF outgoing mail processing operations into the Pittsburgh P&DC is a prudent business decision. We made no recommendations.
<i>Manasota Processing and Distribution Center Consolidation</i>	EN-AR-10-003	2/12/2010	None	There was a valid business case for consolidating mail processing operations from the Manasota P&DC to the Tampa P&DC. We recommended management ensure that implementation activities of P&DC consolidations begin immediately after AMP proposal approval and require headquarters' approval when implementation is delayed more than 3 months and enable the automatic feed into the Web Management Operating Data System for Express Mail scanning operations. Management agreed with our recommendations.

**Consolidation of Mail Processing Operations at the
Mansfield, OH Customer Service Mail Processing Center**

NO-AR-12-003

<i>Lakeland Processing and Distribution Center Consolidation</i>	EN-AR-10-004	2/12/2010	None	There was a valid business case for consolidating mail processing operations from the Lakeland P&DC into the Tampa P&DC. We made no recommendations.
<i>Dallas Processing and Distribution Center Outgoing Mail Consolidation</i>	NO-AR-10-003	2/24/2010	\$114,000,000	Consolidating the Dallas P&DC outgoing mail operation into the North Texas P&DC would result in an annual savings of \$11,997,208 for a total economic impact of \$114,041,172 over 10 years. We recommended management consolidate Dallas P&DC outgoing mail operations into the North Texas P&DC, postmark outgoing letter mail cancelled at the North Texas P&DC with a combined postmark, conduct training classes to inform employees of retirement benefits, and hold meetings with employees to update them on the consolidation process as it moves forward. Management agreed with monetary impact and the recommendations.
<i>Consolidation of Lima Processing & Distribution Facility Mail Operations Into the Toledo Processing & Distribution Center</i>	NO-AR-10-007	7/2/2010	None	A business case exists to support consolidating the Lima P&DF's mail operations into the Toledo P&DC. We recommended management monitor service scores during implementation, continue to hold employee briefings, meet with employees to update them on the consolidation process, and ensure that Toledo P&DC access points are secure. Management agreed with the recommendations.
<i>Charlottesville Processing and Distribution Facility Consolidation</i>	NO-AR-10-008	8/3/2010	None	There was a valid business case for consolidating mail processing operations from the Charlottesville P&DF into the Richmond P&DC. We made no recommendations.
<i>Review of Wilkes-Barre, PA Processing and Distribution Facility Consolidation</i>	NO-AR-11-001	10/4/2010	None	We assessed the operational impacts of the consolidation and determined that a valid business case existed for consolidating mail processing operations from the Wilkes-Barre P&DF into the Scranton P&DF and the Lehigh Valley P&DC. We made no recommendations.

<p>Marysville, CA Processing and Distribution Facility Consolidation</p>	<p>NO-AR-11-002</p>	<p>11/23/2010</p>	<p>None</p>	<p>We assessed the operational impacts of the consolidation and determined that a valid business case existed for consolidating mail processing operations from the Marysville P&DF into the Sacramento P&DC. We made no recommendations.</p>
<p>Houston, TX Processing and Distribution Center Mail Consolidation</p>	<p>NO-AR-11-004</p>	<p>12/14/2010</p>	<p>\$189,744,682</p>	<p>A business case exists to consolidate the Houston P&DC's mail processing operations into the North Houston P&DC. We recommended management postmark outgoing letter mail cancelled at the North Houston P&DC with a combined postmark, update employees on the consolidation process, and monitor service scores during implementation. Management agreed with the recommendations.</p>
<p>Columbus, GA Customer Service Mail Processing Center Originating Mail Consolidation</p>	<p>NO-AR-11-005</p>	<p>2/14/2011</p>	<p>None</p>	<p>A favorable business case existed to support consolidating the Columbus CSMPC's originating mail operation into the Macon P&DC. We made no recommendations.</p>
<p>Implementation of Lima, OH to Toledo, OH Area Mail Processing Consolidation</p>	<p>EN-AR-11-004</p>	<p>3/31/2011</p>	<p>\$105,125</p>	<p>While there was a valid business case for consolidation of the Lima P&DF into the Toledo P&DC, management did not ensure on-time performance and customer service were improved or maintained during the implementation of the consolidation. We recommended management promptly assess the current mail volume and swiftly adjust workhours, sort plans, transportation, and any other operational requirements; expedite filling vacant positions and assess any additional staffing requirements at all levels; assess and take appropriate corrective action related to mail processing space and transportation issues; and establish and deploy formal AMP implementation teams to the gaining facilities for plant consolidations that result in a facility closure. Management agreed with the recommendations.</p>

<p><i>Assessment of Overall Plant Efficiency 2011</i></p>	<p>NO-MA-11-004</p>	<p>5/20/2011</p>	<p>\$647,586,823</p>	<p>Management agreed they could improve operational efficiency by reducing more than 14 million workhours by the end of FY 2013. This would allow the Postal Service to achieve at least median productivity levels in the network and avoid costs of more than \$647.5 million based on workhour savings for 1 year.</p>
<p><i>A Strategy for a Future Mail Processing & Transportation Network</i></p>	<p>RARC-WP-11-006</p>	<p>7/6/2011</p>	<p>None</p>	<p>The Postal Service continues to make gradual progress in rightsizing the network. In the next 10 years, over half of the Postal Service's work force will be eligible to retire and substantive restructuring with significant savings can occur with minimal relocations and layoffs. A very large portion of customers are open to relaxing the existing service standards in exchange for achieving substantial economies.</p>
<p><i>Oshkosh, WI Processing and Distribution Facility Consolidation</i></p>	<p>NO-AR-11-006</p>	<p>7/29/2011</p>	<p>None</p>	<p>Although the consolidation would result in cost savings, adequate facility and machine capacity does not exist at the Green Bay P&DC to process the additional mail volume and service could be negatively impacted. We recommended management re-evaluate capacity at the Green Bay P&DC to determine if sufficient work floor and dock space is available and reassess machine capacity, especially with regards to the flat volumes. Management agreed with recommendation 1. However, they disagreed with the logic used in our analysis of floor space needs, asserting the analysis was too high level. Management agreed with recommendation 2.</p>
<p><i>Flint, MI Processing and Distribution Center Consolidation</i></p>	<p>EN-AR-12-001</p>	<p>10/6/2011</p>	<p>None</p>	<p>A valid business case exists to consolidate mail processing operations from the Flint P&DC into the Michigan Metroplex P&DC to achieve cost savings of approximately \$6 million annually. We made no recommendations.</p>

<i>Industry, CA Processing and Distribution Center Originating Mail Consolidation</i>	NO-AR-12-002	10/17/2011	None	A valid business case exists to consolidate originating mail processing operations from the Industry P&DC into the Santa Ana P&DC to achieve cost savings of approximately \$1.32 million annually. We made no recommendations.
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Appendix B: Estimated Cost Savings Breakdown

Savings/Cost	AMP Study
Mail Processing Craft Workhour Savings	\$3,213,419
Non-Mail Processing/Management Shared ¹⁴ Labor Distribution Codes Workhours Savings	101,815
Management Workhour Savings	857,433
Transportation Costs	(200,580)
Maintenance Savings	1,131,369
Total One-Time Costs	(275,300)
Total First Year Savings¹⁵	\$4,828,156

Note: Red numbers in the chart are a cost.

¹⁴ Workhour saving that can be allocated to mail processing such as administrative functions.

¹⁵ Salaries and benefits for 89 displaced Mansfield CSMPC employees who would need to be relocated as a result of the AMP are estimated at \$5,449,774 per year. Of the 114 employees impacted by the AMP, 11 are casual and can be terminated, six are likely to retire based on the national attrition rate, and eight will be relocated into available positions within a 50-mile radius. If the Postal Service does not identify repositioning plans for these impacted employees, the AMP will result in a savings shortfall or cost of \$621,618.

Appendix C: Management's Comments

JORDAN M. SMALL
VICE PRESIDENT, AREA OPERATIONS
EASTERN AREA



January 19, 2012

Shirian B. Holland
Office of Inspector General
1735 N. Lynn St.
Arlington VA 22209-2020

SUBJECT: Consolidation of Mail Processing Operations at the Mansfield, OH
Customer Service Mail Processing Center
Report Number NO-AR-12-DRAFT

The Eastern Area has reviewed the subject Draft Audit Report (Project Number 11XG049NO000) and agrees with the recommendations as identified below.

Recommendation 1

Identify repositioning plans for all impacted employees at the Mansfield Customer Service Mail Processing Center.

Management Response/Action Plan

Management agrees with this recommendation. Upon notification of guideline revisions and resumption of consolidation activities after the national moratorium, the Northern Ohio District will determine the craft-specific procedures for the repositioning of all impacted employees at the Mansfield Customer Service Mail Processing Center (CSMPC). All repositioning activities will be established within the appropriate contractual provisions. The Northern Ohio District will review all positions available in accordance with the established implementation timeline (to be determined) in order to minimize employee impact. If necessary within the process steps, a request will be made to Headquarters to expand the current 50 mile radius to obtain additional positions to place employees.

5315 CAMPBELLS RUN RD
PITTSBURGH PA 15277-7010
PHONE: 412-494-2510
FAX: 412-494-2582

Responsible Official:

Annette Dressler, Acting Manager, Human Resources

Recommendation 2

Continue to monitor and take necessary actions to ensure mail is processed timely at the Cleveland Processing and Distribution Center.

Management Response/Action Plan

Management agrees with this recommendation. The Northern Ohio district is part of the Eastern Area and as such is monitored daily by the Eastern Area Office relative to service and budget performance. There are specific monitoring and tracking mechanisms already in place to review and improve performance at all facilities. In addition to daily monitoring, Handbook PO-408 prescribed post-implementation reviews (PIR) will be used to determine the need for additional action to ensure that mail is processed timely.

Target Implementation Date:

Ongoing

Responsible Official:

Joshua Colin, Manager Operations Support, Eastern Area

This report has no exemptions under the Freedom of Information Act.



Jordan M. Small

cc: Sally K. Haring, Manager
Megan Brennan,
David E. Williams
Frank Neri
Todd Hawkins
Joshua Colin
Stephen E. Martin
Annette Dressler

5315 CAMPBELLS RUN RD
PITTSBURGH PA 15277-7010
PHONE: 412-494-2510
FAX: 412-494-2582