



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

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**Oxnard, CA  
Processing and Distribution Facility  
Destinating Mail Consolidation**

**Audit Report**

March 6, 2012

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Report Number NO-AR-12-004



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# HIGHLIGHTS

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## **IMPACT ON:**

Mail processing operations in the Sierra Coastal District of the Pacific Area.

## **WHY THE OIG DID THE AUDIT:**

We performed this review at the request of Congresswoman Lois Capps (23<sup>rd</sup> Congressional District, CA) to review the consolidation of destinating mail processing operations from the Oxnard, CA Processing and Distribution Facility (P&DF) into the Santa Barbara, CA Processing and Distribution Center (P&DC). The objectives were to determine whether a business case existed to support the consolidation and to assess compliance with established area mail processing (AMP) guidelines.

## **WHAT THE OIG FOUND:**

A business case exists to support the consolidation which should produce a cost savings of about \$2.6 million the first year and \$3.1 million in subsequent years. Our analysis showed that (1) adequate machine capacity exists at the Santa Barbara P&DC, (2) customer service and 24-hour clock indicators showed both positive and negative impacts, (3) delayed mail initially increased following the consolidation but has since returned to pre-consolidation levels, (4) Oxnard P&DF employees were reassigned to other positions, (5) efficiency improved after the consolidation, and (6) the U.S. Postal Service generally followed established AMP policies and guidelines. We also

found Santa Barbara P&DC needed to hire more staff.

## **WHAT THE OIG RECOMMENDED:**

We recommended the vice president, Pacific Area, instruct the Sierra Coastal District manager to: (1) continue to monitor customer service measurement systems, 24-hour clock indicators, and delayed mail to ensure mail is processed and dispatched timely; and (2) ensure appropriate staffing levels are achieved to timely process mail at the Santa Barbara P&DC. Since management generally followed established AMP policies and guidelines, we made no recommendation.

## **WHAT MANAGEMENT SAID:**

Management agreed with the finding that a business case existed to support the consolidation. Management agreed with our recommendations to monitor customer service measurement, 24-hour clock indicators, delayed mail, and staffing levels to ensure mail is processed timely.

## **AUDITORS' COMMENTS:**

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

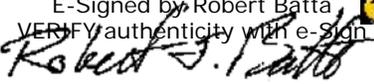
[Link to review the entire report.](#)



March 6, 2012

**MEMORANDUM FOR:** DAVID E. WILLIAMS JR.  
VICE PRESIDENT, NETWORK OPERATIONS

DREW T. ALIPERTO  
VICE PRESIDENT, PACIFIC AREA

E-Signed by Robert Batta  
VERIFY authenticity with e-Sign  


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

**SUBJECT:** Audit Report – Oxnard, CA Processing and Distribution  
Facility Designating Mail Consolidation  
(Report Number NO-AR-12-004)

This report presents the results of our audit of the Oxnard, CA Processing and Distribution Facility Designating Mail Consolidation (Project Number 11XG055NO000).

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: Frank Neri  
Kerry L. Wolny  
John L. Byars  
Daniel C. Clements  
Steven M. Mummy  
Corporate Audit and Response Management

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## Introduction

This report presents the results of our audit of the Oxnard, CA Processing and Distribution Facility (P&DF) Destinating Mail<sup>1</sup> Consolidation (Project Number 11XG055NO000). The report responds to a request from Congresswoman Lois Capps (23<sup>rd</sup> Congressional District, CA). Our objectives were to determine whether a business case existed to support the consolidation of destinating mail processing operations from the Oxnard P&DF to the Santa Barbara Processing and Distribution Center (P&DC) 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 AMP process is designed to determine whether some or all mail processing operations can be consolidated from one or more postal facilities to other facilities to:

- Increase operational efficiency and improve productivity through more efficient use of assets such as equipment, facilities, staffing, and transportation.
- Provide affected career employees with opportunities for job reassignments.
- Provide postal customers with the same high-quality service they have come to expect.
- Ensure overall costs are reduced.

## Conclusion

A business case supporting the consolidation does exist, and we estimate it will result in cost savings of about \$2.6 million the first year and \$3.1 million in subsequent years. In addition, the U.S. Postal Service followed established AMP guidelines. Our analysis concluded that:

- Adequate machine capacity exists to process mail at the Santa Barbara P&DC.
- Customer service and 24-hour clock indicators showed both positive and negative impacts.
- Delayed mail initially increased during the consolidation but has since returned to pre-consolidation levels and is below the average for similar-sized sites.
- Management reassigned Oxnard P&DF employees to other positions.
- Efficiency improved after the consolidation.

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<sup>1</sup> Incoming mail arriving for its point of final delivery (destination) through a processing facility.

The Postal Service projected savings of about \$1.35 million in the first year and \$2.33 million in subsequent years.

## Capacity

Adequate machine capacity exists at the Santa Barbara P&DC to process the mail volume coming from the Oxnard P&DF.

- The Santa Barbara P&DC received 16 machines and seven powered industrial vehicles (PIVs) from the Oxnard P&DF to process the added mail volume.<sup>2</sup>
- The mail being transferred from the Oxnard P&DF represents 309 million pieces, or an 84 percent increase in fiscal year (FY) 2010 first handling pieces (FHP)<sup>3</sup> volume for the Santa Barbara P&DC. In fact, it will have an excess machine capacity of about 1.7 billion TPH<sup>4</sup> or about 59 percent (see Table 1).<sup>5</sup>

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<sup>2</sup> The Oxnard P&DF transferred one automated flat sorting machine (AFSM), 13 delivery bar code sorters (DBCSs), two delivery input output subsystems (DIOSSs), and seven PIV machines to the Santa Barbara P&DC.

<sup>3</sup> FHP is a letter, flat, or parcel that receives its initial distribution in a Postal Service facility.

<sup>4</sup> TPH is the number of handlings necessary to distribute each piece of mail from receipt to dispatch.

<sup>5</sup> We calculated the projected combined mail volume, maximum machine capacity, and excess capacity for the AMP review period July 1, 2009, to June 30, 2010.

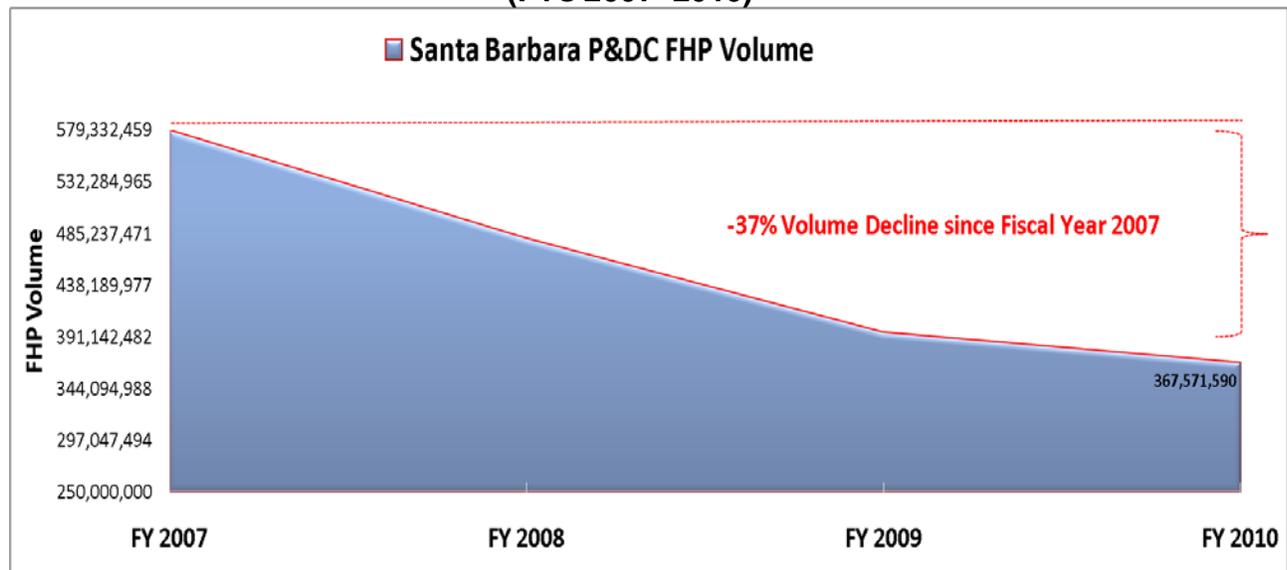
**Table 1: Santa Barbara P&DC Machine Capacity**

Equipment	Number of Machines	Annual Combined Projected Volume	Annual Projected Maximum Capacity <sup>6</sup>	Annual Excess Capacity	Annual Excess Capacity Percent
Advanced facer canceller System (AFCS)	3	44,062,899	190,612,800	145,549,901	76.9%
AFSM	2	88,702,447	125,550,000	36,847,553	29.3%
DBCS	29	921,342,435	2,215,815,009	1,294,472,574	58.4%
DIOSS	4	114,862,979	300,689,573	185,826,594	61.8%
Low cost tray sorter (LCTS)/low cost universal sorter (LCUS)	2	3,392,466	3,700,939	308,473	8.3%
Linear integrated parcel sorter (LIPS)	1	490,459	2,460,663	1,970,204	80.1%
<b>Total</b>	<b>41</b>	<b>1,172,853,685</b>	<b>2,838,828,984</b>	<b>1,665,975,299</b>	<b>58.7%</b>

Source: Enterprise Data Warehouse (EDW)

- In addition, the Santa Barbara P&DC experienced a volume decline of 37 percent from 579 million FHP in FY 2007 to 368 million FHP in FY 2010 (see Chart 1). Based on the previous mail capacity amounts, the Santa Barbara P&DC should easily absorb the Oxnard P&DF destinating mail volume.

**Chart 1: Santa Barbara P&DC FHP Volume (FYs 2007–2010)**



Source: EDW

<sup>6</sup> We calculated annual projected maximum capacity based on Santa Barbara P&DC's window of operation: 8 hours of operation for AFCS, DBCS, and DIOSS; and 15 hours of operation for AFSM, LCTS/LCUS, and LIPS.

## Customer Service

Customer service and 24-hour clock indicators showed positive and negative impacts. We reviewed the Santa Barbara P&DC's four measures of customer service:

- The External First-Class (EXFC) Measurement System.<sup>7</sup>
- The Customer Experience Measurement System (CEMS).<sup>8</sup>
- The service standard upgrades and downgrades.
- Delayed mail trends.<sup>9</sup>

In addition, we reviewed retail operations and 24-hour clock indicators.

## EXFC Scores

After the consolidation, overnight scores for ZIP Codes 930, 931, and 934 serviced by the Santa Barbara P&DC generally declined when compared with scores for the same period last year (SPLY). In addition, two of the three ZIP Codes<sup>10</sup> dropped below the national goal in the period following the consolidation (see Chart 2). EXFC scores that drop below the national goal can be an indicator that additional management attention is needed to ensure performance expectations are met.

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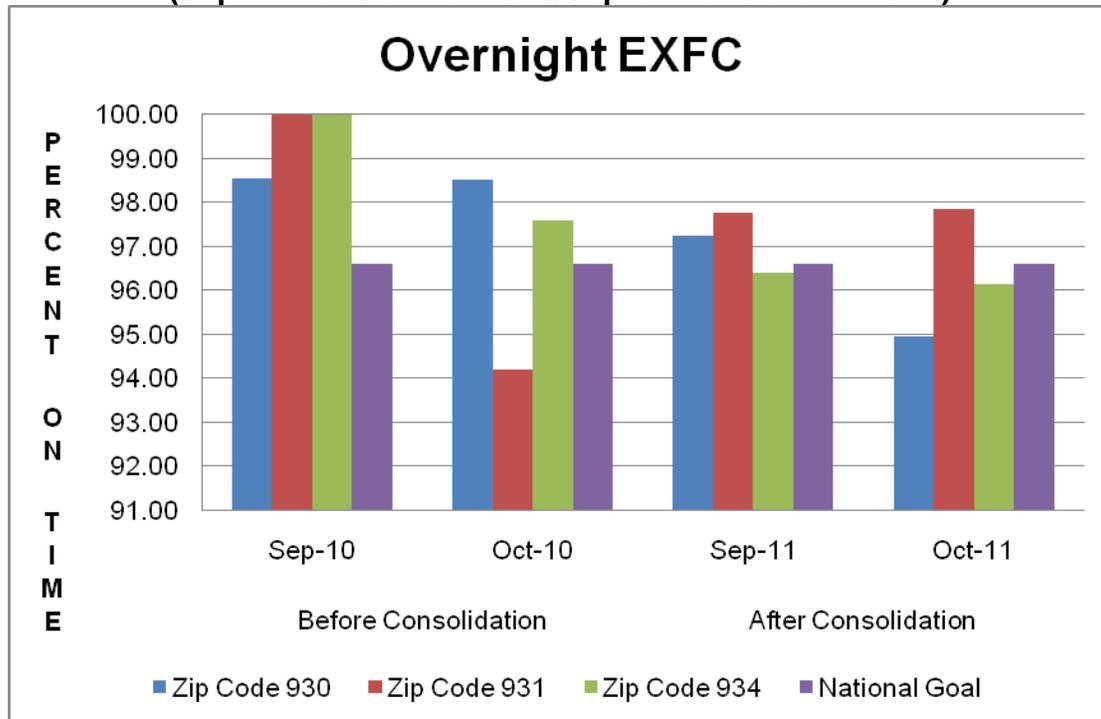
<sup>7</sup> The EXFC is "a system whereby a contractor performs independent service performance tests on certain types of First-Class Mail (letters, flats, postcards) deposited in collection boxes and business mail chutes. It provides national, area, performance cluster, and city estimates, which are compared with the Postal Service's service goals. The results are released to the public quarterly by the consumer advocate.

<sup>8</sup> CEMS provides an end-to-end approach to assessing experience with the Postal Service from the customers' perspective, including quality of service received.

<sup>9</sup> Service standards are stated delivery performance goals for each mail class and product that are usually measured in days for the period the Postal Service takes to handle mail from end-to-end (that is, from the point of entry into the mailstream to delivery to the final destination). Upgrades to service standards after a consolidation indicate that end-to-end mail handling takes less time than the established standard. Downgrades to service standards after a consolidation indicate that end-to-end mail handling takes more time than the established standard.

<sup>10</sup> The three-digit ZIP Code 930 October 2011 score as well as the three-digit ZIP Code 934 September and October 2011 scores were lower than the national goal.

**Chart 2: Santa Barbara P&DC  
 Overnight EXFC Service Scores  
 (September-October 2010/September-October 2011)**



Source: EDW.

### CEMS Scores

Although EXFC scores indicate a need for additional management attention, the consolidation has not impacted the customer experience in the areas serviced by the Santa Barbara P&DC. CEMS scores for three-digit ZIP Codes 930, 931, and 934 improved in Quarter 4, FY 2011 when compared with scores for the same SPLY. In addition, Santa Barbara P&DC's Quarter 4, FY 2011 scores were higher than FYs 2010 and 2011 national averages (see Table 2). CEMS scores above the national average indicate that customers are satisfied with the service provided by the Postal Service.

**Table 2: Santa Barbara P&DC CEMS Scores  
(Quarter 4, FY 2010/Quarter 4, FY 2011)**

Three-Digit ZIP Codes	FY 2010	FY 2011	Percentage Change
930 <sup>11</sup>	86.45	89.29	3.3%
931	93.18	94.64	1.6%
934	90.4	91.79	1.5%
National	86.44	87.17	0.8%

Source: USPS Customer Engagement and Strategic Alignment.

### Service Standards

The AMP study identified a total of nine upgrades and nine downgrades, which had a minimal impact on customer service. Priority Mail<sup>®</sup> and First-Class Mail<sup>®</sup> (FCM) had a net downgrade of two each, impacting approximately 1.73 percent of the average daily mail volume or 11,278 mailpieces per day. Standard Mail<sup>®</sup> and Package services had a net upgrade of two each<sup>12</sup> (see Table 3).

**Table 3: Santa Barbara P&DC Service Standards**

Mail Class	Upgrades	Downgrades	Net Change	Volume of Mail Affected
FCM	1	3	(2)	11,218
Priority	1	3	(2)	60
Periodicals	3	3	0	0
Standard Mail <sup>®</sup>	2	0	2	0
Package Services	2	0	2	27
All Classes	9	9	0	11,305

Source: USPS Network Integration Support.

### Delayed Mail

During September and October 2011, the Santa Barbara P&DC's delayed mail increased to 6.2 million pieces compared to 1.4 million pieces during the same period in 2010. The 6.2 million represents 5.7 percent of Santa Barbara P&DC's FHP volume. However, even with this increase, delayed mail volume at the Santa Barbara P&DC were still below the delayed mail average of 6.4 percent for similar-sized sites (see Table 4).

<sup>11</sup> Three-digit ZIP Code 930 was the Oxnard P&DF's ZIP Code before the consolidation.

<sup>12</sup> Periodicals and Standard Mail downgrades do not show any service standard impact on mail volume, because this volume is not captured in the Originating-Destinating Information System (ODIS). ODIS does not sample these pieces and estimates from various systems have shown this volume to be less than 1 percent of total volume entered at that facility.

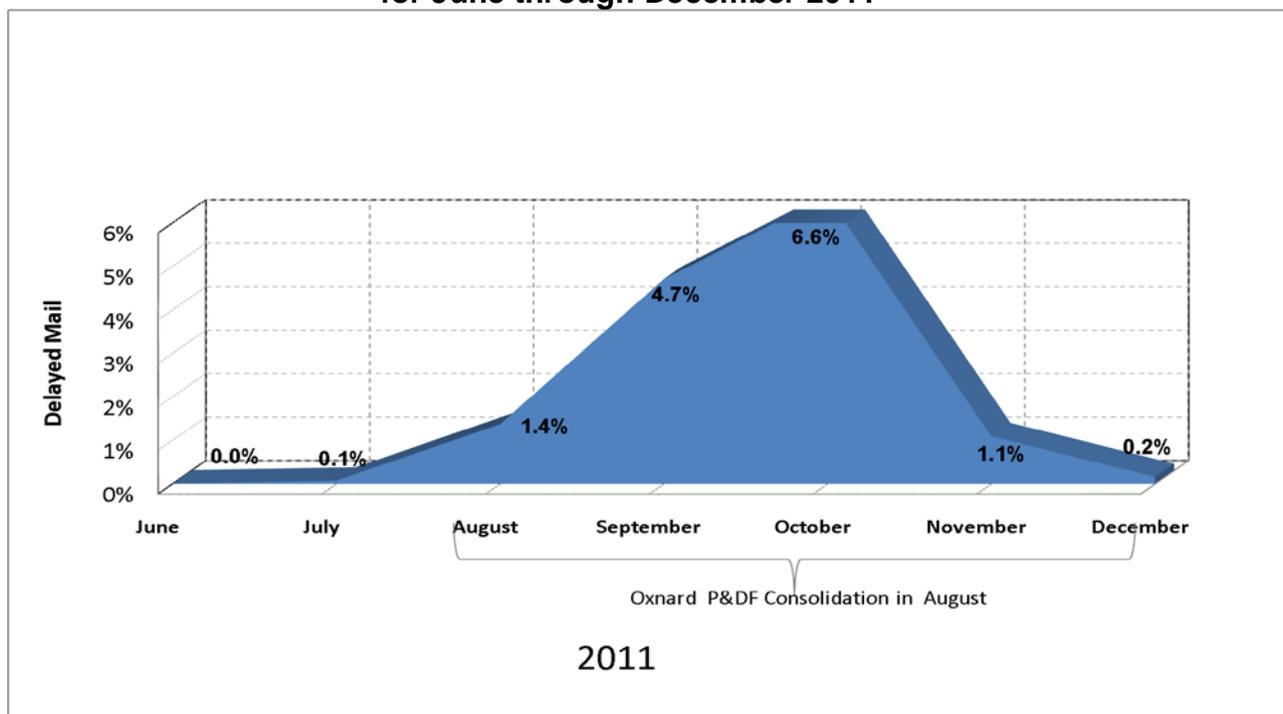
**Table 4: Delayed Mail  
 (September and October 2011)**

	Delayed Mail	FHP Volume	Delayed Mail as a Percent of FHP Volume
<b>Santa Barbara P&amp;DC</b>	6,245,391	109,512,938	5.7%
<b>Similar-Sized Sites</b>	173,523,480	2,703,146,558	6.4%

Source: EDW and Mail Condition Reporting System (MCRS).

This occurred, in part, because the contract between the American Postal Workers Union (APWU)<sup>13</sup> and the Postal Service did not allow postal officials to timely transfer the staff needed to process the Oxnard P&DF's destinating mail. Management has since addressed majority of the situation by negotiating a local agreement with the APWU. As a result, delayed mail at the Santa Barbara P&DC decreased to 637,000 pieces in November and further declined to 92,000 pieces in December 2011 (see Chart 3).

**Chart 3: Combined Delayed Mail Volume  
 As a Percentage of FHP Volume  
 for June through December 2011**



Source: EDW and MCRS.

<sup>13</sup> Tentative Collective Bargaining Agreement Between the APWU, American Federation of Labor and Congress of Industrial Organizations and U.S. Postal Service, November 21, 2010 - May 20, 2015, Articles 12.5.C.5 and 12.5.C.6.

## Retail Operations

Management made the following changes to retail operations:

- Relocated retail operations to the Oxnard Main Post Office located at 1961 C Street, Oxnard, CA.
- Removed five boxes from three-digit ZIP Code 930 Simi Valley, CA, in September 2011.
- Changed the last pick-up time for four collection boxes in Oxnard from 6:15 p.m. to 5 p.m., Monday through Friday, and from 5 p.m. to 2 p.m., Saturday.
- Changed window start hours at the Oxnard Main Post Office from 8:30 a.m. to 10 a.m. and at Federal Station from 9 a.m. to 11 a.m.
- Relocated business mail entry operations to the Oxnard Main Post Office, less than 5 miles from the Oxnard P&DF, and kept the hours the same.

## 24-Hour Clock

After the consolidation, the Santa Barbara P&DC generally outperformed the national average in most 24-hour clock indicators. However, it did not meet the performance indicator goal or national average for “trips on time between 4 a.m. - 9 a.m. to delivery units” (see Table 5). As of the week of January 7, 2012, the Santa Barbara P&DC’s trips-on-time indicator was consistently below the national average. Postal Service officials indicated that not having sufficient people to process the mail and delays from the Santa Clarita P&DC contributed to the Santa Barbara P&DC’s ability to meet its scheduled dispatch times. They said they are working to hire more employees and additional attention to the Santa Clarita P&DC should correct this issue.

**Table 5: 24-Hour Clock Indicators (September and October 2011)<sup>14</sup>**

Indicator	Santa Barbara P&DC	National Average	National Goal
Cancel 80 percent of collection mail by 8 p.m.	77.1%	64.3%	80%
Clear outgoing primary mail by 11 p.m.	99.9%	93.6%	100%
Clear outgoing secondary mail by 12 a.m.	100.0%	92.1%	100%
Clear Managed Mail Program mail by 12 a.m.	95.9%	91.1%	100%
Assign mail to commercial/Federal Express outgoing mail by 2:30 a.m.	100.0%	91.3%	100%
Clear Delivery Point Sequence 2nd Pass by 7 a.m.	99.9%	98.9%	100%
Trips on-time between 4 a.m. – 9 a.m. to delivery units.	71.7%	77.0%	86.90%

Source: Postal Service "Service and Field Operations Performance Measurement" website.

<sup>14</sup> The 24-hour clock indicators use a color coding system. Red indicates that attention is needed, yellow indicates that performance is not yet at goal, and green shows performance is at or above goal.

## Employee Impact

Consolidation of the Oxnard P&DF into the Santa Barbara P&DC required the reassignment of 154 Oxnard P&DF employees. Of these 154 employees, 146 were reassigned to other positions, six were not eligible for reassignment,<sup>15</sup> and the remaining two will be reassigned to other positions during March 2012<sup>16</sup> (see Table 6).

**Table 6: Oxnard P&DF Employee Reassignments**

Reassigned to:	Clerk	Mail Handler	Maintenance	Management	Total
Santa Barbara P&DC as same craft	38	6	15	3	62
Santa Barbara P&DC as maintenance employee	2				2
Santa Barbara Main Office as same craft	1				1
Santa Clarita P&DC as same craft	18	9	8	2	37
Santa Clarita P&DC as mail handler	19				19
Van Nuys Post Office as same craft		1			1
Van Nuys Post Office as mail handler	3				3
Oxnard Main Office as same craft	15				15
Retired	6				6
Not eligible for reassignment	6				6
Will be reassigned in March 2012	2				2
<b>Total</b>	<b>110</b>	<b>16</b>	<b>23</b>	<b>5</b>	<b>154</b>

Source: Postal Service Pacific Area Management.

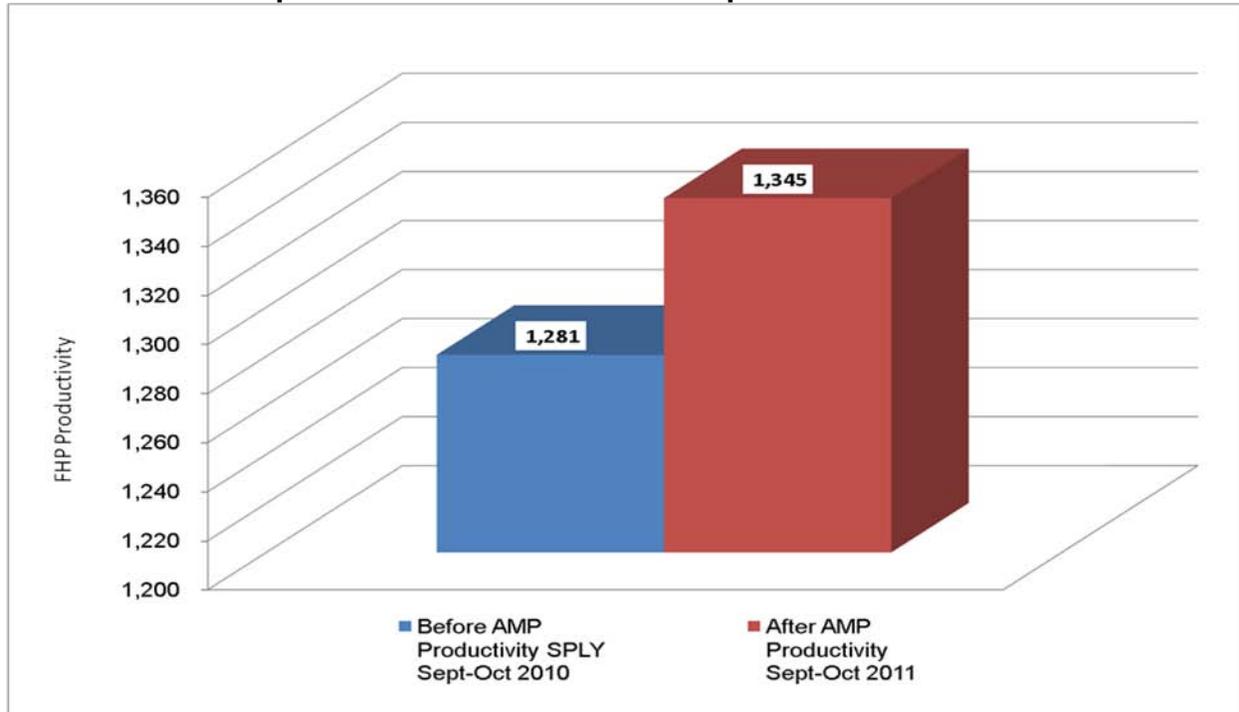
<sup>15</sup> These six employees were receiving Workers' Compensation benefits and, while in this status, the U.S. Department of Labor will continue to pay them.

<sup>16</sup> These two employees have not yet been reassigned because of contract negotiations with the APWU.

## Efficiency

Efficiency improved after the consolidation. During September and October 2011, the Santa Barbara P&DC's FHP productivity<sup>17</sup> increased from 1,281 to 1,345 pieces per hour or 5 percent compared to SPLY (see Chart 4).

**Chart 4: Santa Barbara P&DC  
FHP Productivity  
for September-October 2010 and September-October 2011**

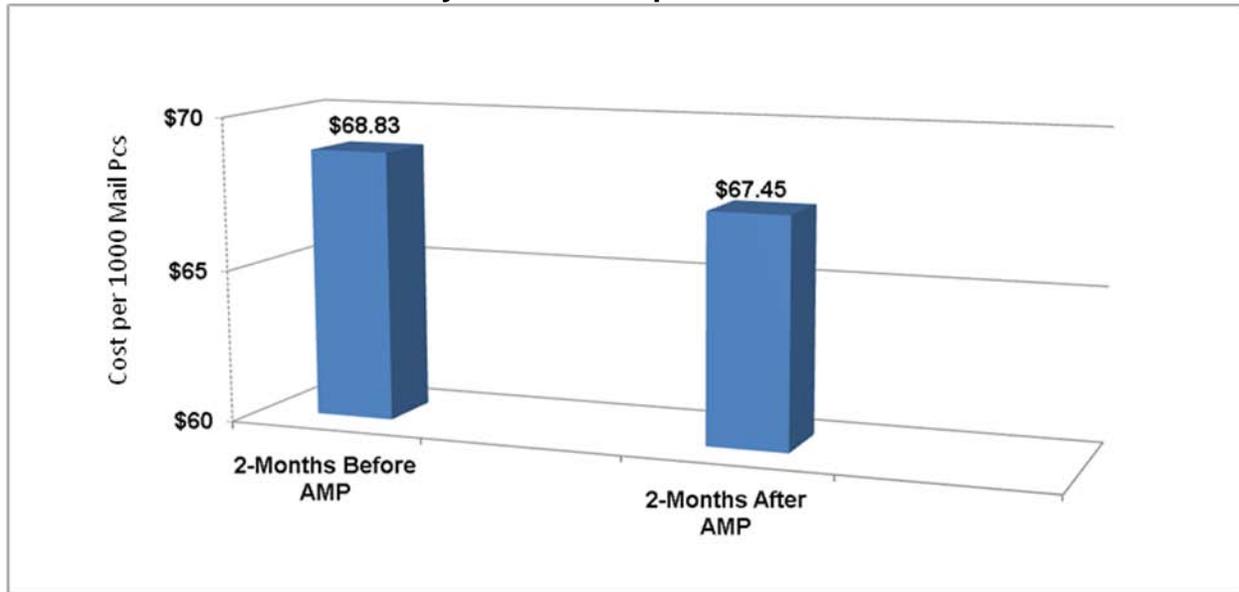


Source: EDW.

<sup>17</sup> FHP divided by workhours is FHP productivity. This number is useful when evaluating the overall productivity.

In addition, during the same period, the cost to process 1,000 FHP mailpieces<sup>18</sup> at the Santa Barbara P&DC decreased from \$68.83 to \$67.45, compared to June and July 2011, the 2 months before the consolidation (see Chart 5).

**Chart 5: Cost per 1,000 Mailpieces (FHP)  
for June-July 2011 and September-October 2011**



Sources: EDW and Financial Performance Report (FPR).

Finally, in September and October 2011, the Santa Barbara P&DC reduced its workhours by 2,879 or 10.8 percent of the 26,658 workhour savings projected in the AMP.

### Cost Savings

Cost savings resulted primarily from workhour reductions offset by one-time costs associated with the elimination of the Oxnard P&DF. The Postal Service estimated the cost savings from the consolidation to be \$1,351,373 in the first year and \$2,331,510 in subsequent years taking into account workhours, maintenance, and transportation costs while the U.S. Postal Service Office of Inspector General (OIG) estimates are higher at \$2,603,070 in the first year and \$3,093,888 in subsequent years. The difference in the Postal Service and OIG estimates is due to workhour adjustments made by postal management resulting from operational considerations unique to the Oxnard P&DF study.<sup>19</sup> Table 7 provides a breakdown and comparison of cost savings in the first year by the Postal Service and the OIG.

<sup>18</sup> We calculated the cost to process 1,000 FHP mailpieces by dividing the operating expense by the total FHP volume, and then multiplied by 1,000.

<sup>19</sup> While the estimates are different, this difference did not impact the business case supporting the consolidation. Based on the OIG estimate, the consolidation should produce higher cost savings than projected by postal management and further supports the consolidation.

**Table 7: Cost Savings Breakdown and Comparison**

Savings/Costs	Postal Service Calculations		OIG Calculations		Difference
	First Year Savings	Annual Savings in Subsequent Years	First Year Savings	Annual Savings in Subsequent Years	
Mail Processing Craft Workhour Savings	\$1,396,572	\$1,396,572	\$2,202,988	\$2,202,988	\$806,416 <sup>20</sup>
Non-Mail Processing/Management	34,149 <sup>21</sup>	34,149	34,149	34,149	0
Management Workhour Savings	654,459	654,459	666,690	666,690	12,231
Transportation Costs	(2,368,987)	(2,368,987)	(2,425,255) <sup>22</sup>	(2,425,255)	(56,268)
Maintenance Savings	2,615,316	2,615,316	2,615,316	2,615,316	0
<b>Total Annual Savings</b>	<b>\$2,331,509</b>	<b>\$2,331,509</b>	<b>\$3,093,888</b>	<b>\$3,093,888</b>	<b>\$762,379</b>
<b>Total One-Time Costs</b>	<b>(\$980,137)</b>		<b>(\$490,818)<sup>23</sup></b>		\$489,319
<b>Total First Year Savings</b>	<b>\$1,351,372</b>		<b>\$2,603,070</b>		<b>\$1,251,698</b>

Sources: AMP package and OIG calculations.

Note: **Red** numbers in the chart indicate costs.

<sup>20</sup> The difference is due to adjustments made at the discretion of Postal Service management due to operational considerations unique to the Oxnard P&DF study.

<sup>21</sup> We did not verify this number, because it was immaterial.

<sup>22</sup> We calculated transportation costs based on data from September 1, 2010, to September 1, 2011. We also identified 124,067 additional miles resulting from the consolidation. The OIG did not determine the environmental impact as this is beyond our scope and expertise.

<sup>23</sup> As of January 12, 2012, the Postal Service had not incurred any employee relocation costs.

## AMP Guidelines

The Postal Service complied with stakeholder communication policies and procedures and the AMP guidelines were generally followed. Only two of the AMP study steps were not completed within the established timeframe. Not meeting these timeframes did not adversely affect the consolidation determination process and therefore, we are not making any recommendations. (see Table 8 for a timeline of events).

**Table 8: AMP Timeline of Events**

Event	Date	Was Step Conducted?	Was Step Conducted Within AMP Timeframe?
The area vice president (AVP) notified district or district notified AVP of the intent to conduct study.	9/24/11	Yes	Yes
Stakeholders notified of the intent to conduct study.	10/6/2010	Yes	Yes
District manager completed feasibility study and submitted to AVP within 2 months of notification to conduct study.	12/7/10	Yes	No <sup>24</sup>
District held public input meeting within 45 days after study was submitted to AVP.	1/19/2011	Yes	Yes
District summarized information from public meeting and written comments within 15 days after meeting.	1/20/11	Yes	Yes
Area and headquarters reviewed the feasibility study within 60 days from the time the study is submitted to the AVP.	3/11/11	Yes	No <sup>25</sup>
AVP approved the study after finalized worksheets were approved by area and headquarters and submitted study to senior vice president (SVP), Operations	3/11/11	Yes	Yes
SVP approved study within 2 weeks of receipt from AVP.	3/25/11	Yes	Yes

Sources: Postal Service AMP and Facility Consolidation.

<sup>24</sup> 1 day late.

<sup>25</sup> Postal Service officials indicated the requirements of the National Environmental Policy Act drove the functional review past 60 days. The review was 34 days late.

## Recommendations

We recommend the vice president, Pacific Area, instruct the Sierra Coastal District manager to:

1. Continue to monitor customer service measurement systems, 24-hour clock indicators, and delayed mail to ensure mail is processed and dispatched in a timely manner.
2. Ensure appropriate staffing levels are achieved to timely process the mail at the Santa Barbara Processing and Distribution Center.

## Management's Comments

Management agreed with our finding that there was a business case to support the consolidation. Regarding recommendations 1 and 2, management agreed to monitor customer service measurement, 24-hour clock indicators, delayed mail, and staffing levels to ensure mail is processed timely. See [Appendix B](#) for management's comments, in their entirety.

## Evaluation of Management's Comments

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

## Appendix A: Additional Information

### Background

The Postal Service is facing one of the most difficult challenges in its history. There has been a continual decline in mail volume since peaking at 213 billion pieces in 2006. In 2011, mail volume declined by 3 billion pieces, or a 1.7 percent decrease from 2010, resulting in a net loss of \$5.1 billion.

Title 39, U.S.C. Part 1, Chapter 1, §101, 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 of 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. . .”

In October 2011, the Postal Service created a portfolio of 36 strategic initiatives<sup>26</sup> 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.

In June 2011 testimony before the Congress, the U.S. Government Accountability Office said the Postal Service urgently needs to restructure its networks and operations as its financial condition and outlook are reaching a crisis. Financial problems exist because of declining mail volume brought on by customers’ shift to electronic alternatives and the Postal Service’s difficulty in reducing costs and eliminating excess network capacity.

On July 28, 2011, Congresswoman Lois Capps (23<sup>rd</sup> Congressional District, CA) requested the Postal Service OIG to conduct an audit of the ongoing consolidation of destinating mail processing operations from the Oxnard P&DF into the Santa Barbara P&DC. Specifically, the Congresswoman was concerned about potential job loss, environmental impact, and lack of transparency in the process. She requested we review whether expected savings materialize and whether current service levels are maintained. In response to this request, the OIG initiated a study on September 30, 2011, to determine operational impacts of the consolidation and to assess compliance with established AMP guidelines.

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<sup>26</sup> The Postal Service established the Delivering Results, Innovation, Value, and Efficiency (DRIVE) initiative in October 2011. DRIVE is a management process the Postal Service uses to improve business strategy development and execution. It is based on a well-established method used by many corporations to apply strategic and financial rigor to decision making and to navigate through significant organizational changes. DRIVE is focused on a portfolio of 36 strategic initiatives that the Postal Service will implement to meet its ambitious performance and financial goals.

## Objectives, Scope, and Methodology

Our objectives were to determine whether a business case existed to support the consolidation of destinating mail processing operations from the Oxnard P&DF to the Santa Barbara P&DC and to assess compliance with established AMP guidelines. We reviewed data from June 1, 2011, through January 7, 2012, to analyze efficiencies at the Santa Barbara P&DC. We also examined mail volume trends from FYs 2007 to 2010. Additionally, we reviewed service scores, estimated the costs and savings from this analysis, and interviewed management.

We used computer-processed data from the following systems:

- CEMS.
- EDW.
- MCRS.
- FPR.

We conducted this performance audit from September 2011 through March 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 February 2, 2012, and included their comments where appropriate.

We assessed the reliability of computer-generated data by interviewing agency officials knowledgeable about the data. We determined 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>Canton Processing and Distribution Facility Outgoing Mail Consolidation</i>	NO-AR-09-011	9/22/2009	None	Consolidating the Canton 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	\$1,813, 643	Consolidating the New Castle P&DF outgoing mail processing operations into the Pittsburgh P&DC is a prudent business decision. No recommendations were made.
<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 into the Tampa P&DC. We recommended management ensure the implementation activities of P&DC consolidations begin immediately after AMP proposal approval; require headquarters' approval when implementation is delayed more than 3 months; and enable the automatic feed into the Web MODS for Express Mail <sup>®</sup> scanning operations. Management agreed with the recommendations.
<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.

<p><i>Dallas Processing and Distribution Center Outgoing Mail Consolidation</i></p>	<p><a href="#">NO-AR-10-003</a></p>	<p>2/24/2010</p>	<p>\$11,997,208</p>	<p>Consolidating Dallas P&amp;DC outgoing mail operations into the North Texas P&amp;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&amp;DC outgoing mail operations into the North Texas P&amp;DC; postmark outgoing letter mail cancelled at the North Texas P&amp;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 the monetary impact and the recommendations.</p>
<p><i>Consolidation of Lima Processing and Distribution Facility Mail Operations into the Toledo Processing and Distribution Center</i></p>	<p><a href="#">NO-AR-10-007</a></p>	<p>7/2/2010</p>	<p>None</p>	<p>A business case exists to support consolidating Lima P&amp;DF mail operations into the Toledo P&amp;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 the Toledo P&amp;DC access points are secure. Management agreed with the recommendations.</p>
<p><i>Charlottesville Processing and Distribution Facility Consolidation</i></p>	<p><a href="#">NO-AR-10-008</a></p>	<p>8/3/2010</p>	<p>None</p>	<p>There was a valid business case for consolidating mail processing operations from the Charlottesville P&amp;DF into the Richmond P&amp;DC. We made no recommendations.</p>
<p><i>Review of Wilkes-Barre, PA Processing and Distribution Facility Consolidation</i></p>	<p><a href="#">NO-AR-11-001</a></p>	<p>10/4/2010</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 Wilkes-Barre P&amp;DF into the Scranton P&amp;DF and the Lehigh Valley P&amp;DC. We made no recommendations.</p>

<p><i>Marysville, CA        Processing and        Distribution Facility        Consolidation</i></p>	<p><a href="#">NO-AR-11-002</a></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&amp;DF into the Sacramento P&amp;DC. We made no recommendations.</p>
<p><i>Houston, TX        Processing and        Distribution Center        Mail Consolidation</i></p>	<p><a href="#">NO-AR-11-004</a></p>	<p>12/14/2010</p>	<p>\$18,974,468</p>	<p>A business case existed to consolidate the Houston P&amp;DC's mail processing operations into the North Houston P&amp;DC. We recommended management postmark outgoing letter mail cancelled at the North Houston P&amp;DC with a combined postmark, update employees on the consolidation process, and monitor service scores during implementation. Management agreed with the recommendations.</p>
<p><i>Columbus, GA        Customer Service Mail        Processing Center        Originating Mail        Consolidation</i></p>	<p><a href="#">NO-AR-11-005</a></p>	<p>2/14/2011</p>	<p>None</p>	<p>A favorable business case existed to support consolidating the Columbus Customer Service Mail Processing Center's originating mail operations into the Macon P&amp;DC. We made no recommendations.</p>

<p><i>Implementation of Lima, OH to Toledo, OH Area Mail Processing Consolidation</i></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 the consolidation of the Lima P&amp;DF into the Toledo P&amp;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>Oshkosh, WI Processing and Distribution Facility Consolidation</i></p>	<p>NO-AR-11-006</p>	<p>7/29/2011</p>	<p>\$3,477,469</p>	<p>Although the consolidation would result in cost savings, adequate facility and machine capacity does not exist at the Green Bay P&amp;DC to process the additional mail volume and service could be negatively impacted. We recommended management re-evaluate capacity in the Green Bay P&amp;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><a href="#">EN-AR-12-001</a></p>	<p>10/6/2011</p>	<p>None</p>	<p>A valid business case exists to consolidate mail processing operations from the Flint P&amp;DC into the Michigan Metroplex P&amp;DC to achieve cost savings of approximately \$6 million annually. We made no recommendations.</p>
<p><i>Industry, CA Processing and Distribution Center Originating Mail Consolidation</i></p>	<p><a href="#">NO-AR-12-002</a></p>	<p>10/17/2011</p>	<p>\$1,321,651</p>	<p>A valid business case exists to consolidate originating mail processing operations from the Industry P&amp;DC to the Santa Ana P&amp;DC to achieve cost savings of approximately \$1.32 million annually. We made no recommendations.</p>

## Appendix B: Management's Comments

DREW T. ALIPERTO  
VICE PRESIDENT, PACIFIC AREA OPERATIONS



February 27, 2012

SHIRIAN B. HOLLAND  
DIRECTOR, AUDIT OPERATIONS (A)  
OFFICE OF THE INSPECTOR GENERAL

SUBJECT: Area Response, Audit Report – Oxnard, CA Processing and Distribution Facility  
Destinating Mail Consolidation (Report Number NO-AR-12-DRAFT)

The Pacific Area has reviewed your Audit Report – Oxnard, CA Processing and Distribution Facility Destinating Mail Consolidation (Project Number 11XG055NO000) and is in agreement with your findings that there was a business case to support this consolidation. Additionally we also agree that we must monitor customer service measurement systems, 24-hour clock indicators, delayed mail threshold levels and staffing levels to ensure the consolidation project is a success.

Recommendation 1:

Continue to monitor customer service measurement systems, 24-hour clock indicators, and delayed mail to ensure mail is processed and dispatched in a timely manner.

Management Response/Action Plan:

We agree with the recommendation to monitor customer service scores, 24-hour clock indicators and delayed mail levels at the Santa Barbara P&DC. We review these metrics with the Sierra Coastal District on a daily basis during our morning meetings by utilizing our Virtual Operating Plan (VOP) and our Pacific Area Service Analysis Tool (PASAT) websites. If thresholds are exceeded or if variances are identified, then the Sierra Coastal District Manager will be directed to develop an action plan to correct the issue.

Target Implementation Date:

This is an ongoing action and will continued to be monitored.

Responsible Official:

Kerry Wolny, District Manager, Sierra Coastal District.

Recommendation 2:

Ensure appropriate staffing levels are achieved to timely process mail at the Santa Barbara P&DC.

Management Response/Action Plan:

We agree with the recommendation to monitor staffing levels at the Santa Barbara P&DC to ensure appropriate staffing levels are maintained. We continuously monitor staffing levels at all of our Pacific Area facilities. If we determine that additional staffing is required to support service and to process mail volumes timely, then the Sierra Coastal District Manager will be directed to increase the staffing levels at the Santa Barbara P&DC.

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Target Implementation Date:

This is an ongoing action and will continued to be monitored.

Responsible Official:

Kerry Wolny, District Manager, Sierra Coastal District.

This report and management's response do not contain information that may be exempt from disclosure under the FOIA.

  
Drew T. Aliperto

cc: Frank Neri  
Kerry L. Wolny  
John L. Byars  
Daniel C. Clements  
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