



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Rock Springs, WY, Customer Service Mail Processing Center Consolidation

Audit Report

Report Number
NO-AR-16-006

January 7, 2016

UNITED STATES POST OFFICE
ROCK SPRINGS, WYOMING 82901



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Highlights

A business case exists to support consolidating the Rock Springs CSMPC.

Background

The U.S. Postal Service uses Area Mail Processing (AMP) guidelines to consolidate mail processing functions and increase productivity through more efficient use of equipment, facilities, staffing, and transportation. These consolidations are intended to reduce costs and maintain quality service.

The Postal Service conducted an AMP feasibility study for the Rock Springs Customer Service Mail Processing Center (CSMPC). It partially implemented the AMP on April 18, 2015, by moving all of the CSMPC's originating (mail sent from it) and part of the destinating (mail delivered to it) operations to the Salt Lake City Processing and Distribution Center and Auxiliary Service Facility. Management indicated they did not move all destinating operations to Salt Lake City because there were no positions available for some employees within a 50-mile radius of the Rock Springs CSMPC. In addition, on May 27, 2015, the Postal Service announced plans to delay consolidations based on operational considerations to ensure it would continue providing prompt, reliable, and predictable service consistent with its published service standards. The Postal Service plans to resume consolidations in 2016.

This report responds to a request from U.S. Senator John Barrasso of Wyoming to review the consolidation. Our objectives were to determine whether a business case exists to consolidate the Rock Springs CSMPC mail processing operations and assess compliance with established AMP guidelines.

What the OIG Found

A business case exists to support consolidating the Rock Springs CSMPC. We estimated the partial consolidation should save the Postal Service about \$1.6 million annually, which is \$237,122 more in savings than the Postal Service estimated. We found the Postal Service overestimated management workhour and maintenance savings but underestimated transportation savings. In addition, we found the Postal Service did not include the CSMPC's automated flat volume in the AMP feasibility study. This could also impact the savings identified in the AMP feasibility study.

Following the partial consolidation, productivity increased at the Salt Lake City facilities and the CSMPC. We also found the Salt Lake City facilities have adequate capacity to process additional mail volume from the CSMPC and no Postal Service career employees lost their jobs due to this partial consolidation. Further, there was no significant impact on carriers returning after 5 p.m. and AMP guidelines were generally followed.

However, we found the consolidation did impact the local community in Rock Springs. Specifically, there were changes to collection box times although the AMP feasibility study stated there would be no changes. Collection box times are now up to 2 hours earlier than before the consolidation. In addition, since the consolidation, service scores have generally remained below the national average in Rock Springs.



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What the OIG Recommended

We recommended management re-evaluate management workhour, maintenance, and transportation savings and determine and document the impact from excluding the automated flat volume from the CSMPC AMP feasibility study during the first post-implementation review.

We further recommended management ensure collection box times are appropriately analyzed and accurately reflected in all AMP feasibility studies and adjust transportation and other operational requirements to ensure it meets service commitments in Rock Springs.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

January 7, 2016

MEMORANDUM FOR: DREW T. ALIPERTO
VICE PRESIDENT, WESTERN AREA

LINDA M. MALONE
VICE PRESIDENT, NETWORK OPERATIONS

E-Signed by Victoria Walker 
VERIFY authenticity with eSign Desktop
Victoria L. Walker

FROM: Victoria L. Walker
Acting Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Audit Report – Rock Springs, WY, Customer Service Mail
Processing Center Consolidation
(Report Number NO-AR-16-006)

This report presents the results of our audit of the Rock Springs, WY, Customer Service Mail Processing Center Consolidation (Project Number 15XG040NO000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Margaret B. McDavid, director, Network Processing and Transportation, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

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Findings

Our objectives were to determine whether a business case exists to consolidate the Rock Springs, WY, CSMPC mail processing operations into the Salt Lake City, UT, P&DC and assess compliance with established AMP guidelines.

Introduction

This report presents the results of our audit of the Rock Springs, WY, Customer Service Mail Processing Center (Project Number 15XG040NO000). The report responds to a request from U.S. Senator John Barrasso of Wyoming to review the consolidation. Our objectives were to determine whether a business case exists to consolidate the Rock Springs, WY, Customer Service Mail Processing Center (CSMPC) mail processing operations into the Salt Lake City, UT, Processing and Distribution Center (P&DC) and assess compliance with established Area Mail Processing (AMP) guidelines. See [Appendix A](#) for additional information about this audit.

The Rock Springs CSMPC's originating mail¹ operations moved to the Salt Lake City P&DC and Auxiliary Service Facility (ASF) on April 18, 2015. Destinating² flats and parcels, and part of the destinating letter processing operation also moved to the Salt Lake City P&DC and ASF on April 18, 2015. The delivery point sequence (DPS)³ processing of letter mail remained at the Rock Springs CSMPC and continues to be sorted on one delivery barcode sorter and one delivery barcode input/output sub-system. Management indicated this operation remained at the Rock Springs CSMPC because there were no positions available for some employees within a 50-mile radius of the Rock Springs CSMPC.⁴ In addition, on May 27, 2015, the U.S. Postal Service announced plans to delay consolidations based on operational considerations to ensure it would continue providing prompt, reliable, and predictable service consistent with its published service standards. The Postal Service plans to resume consolidations in 2016.

The Postal Service developed a formal process for reviewing and implementing AMP feasibility studies, which is defined in Handbook PO-408.⁵ The Postal Service uses the AMP process to determine whether to consolidate two or more postal 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.
- Maintain the quality of service to Postal Service customers.
- Ensure overall cost reductions.

Summary

A business case exists to support consolidating the Rock Springs CSMPC. We estimated the partial consolidation should save the Postal Service about \$1.6 million annually, which is \$237,122 more than the Postal Service estimated. We found the Postal Service overestimated management workhour and maintenance savings but underestimated transportation savings. In addition, we found the Postal Service did not include the Rock Springs CSMPC's automated flat volume in the AMP feasibility study. This could also impact the savings identified in the AMP feasibility study.

¹ The processing facility where the mailpiece enters the mailstream.

² Incoming mail arriving for its point of final delivery (destination) through a processing facility.

³ Automated process of sorting mail by carrier routes into delivery order, eliminating the need for carriers to sort the mail manually in the delivery unit prior to their departure to the routes.

⁴ The American Postal Workers Union Collective Bargaining Agreement (2010-2015) states that excessing employees outside the installation or craft must be to an assignment within 40 miles of the losing installation, or 50 miles if reassignment within 40 miles is not feasible.

⁵ Handbook PO-408, *Area Mail Processing Guidelines*, March 2008. An AMP feasibility study determines whether there is a business case for relocating processing and distribution operations from one location to another.

The Postal Service estimated the Rock Springs CSMPC consolidation would save \$1.3 million annually. However, we found that the Postal Service overestimated management workhour and maintenance savings but underestimated transportation savings.

Following the partial consolidation of the Rock Springs CSMPC, productivity increased at the Salt Lake City facilities and at the Rock Springs CSMPC. Also, we found the Salt Lake City facilities have adequate capacity to process the additional mail volume from the Rock Springs CSMPC and no Postal Service career employees lost their jobs due to this partial consolidation. Further, there was no significant impact on carriers returning from the street after 5 p.m. and AMP guidelines were generally followed.

However, we found the consolidation did impact the local community in Rock Springs. Specifically, there were changes to collection box times although the AMP feasibility study stated there would be no changes. Collection box times are now up to 2 hours earlier than before the consolidation. In addition, since the consolidation, service scores have generally remained below the national average in Rock Springs.

Cost Savings

The Postal Service estimated the Rock Springs CSMPC consolidation would save \$1.3 million annually. However, we found that the Postal Service overestimated management workhour and maintenance savings but underestimated transportation savings. These miscalculations resulted in an overall net increase in savings and we estimate the partial consolidation should save the Postal Service \$1.6 million annually (see Figure 1). In addition, if the Postal Service fully implements the consolidation, further savings should be realized through the reduction of additional craft employee positions at the Rock Springs CSMPC.

Figure 1. Total Annual Savings

Click on a category to reveal the total annual savings.



Source: Rock Springs CSMPC AMP feasibility study and U.S. Postal Service Office of Inspector General (OIG) calculations.

The Postal Service and OIG estimates differed because:

- Postal Service personnel used incorrect data when preparing the transportation section of the AMP feasibility study. Specifically, they did not include fuel expenses in the current annual cost section of the AMP feasibility study. In addition, not all necessary highway contract routes (HCR) were included in the AMP feasibility study and one HCR was included but should not have been. Correcting these errors yields an additional \$495,893 in transportation savings.
- Postal Service personnel overestimated maintenance and management workhour savings in the AMP feasibility study by \$195,444 and \$63,327, respectively. This is based on Rock Springs' current use of maintenance and management workhours subsequent to the partial consolidation.

These errors resulted in a net increase in savings of \$237,122 (see Table 1).

Table 1. Differences in Postal Service/OIG Projections

Category	Postal Service Projected Savings/(Cost)	OIG-Calculated Savings/(Cost)	Difference
Transportation	(\$102,185)	\$393,708	\$495,893
Maintenance Workhours	482,423	286,979	(195,444)
Management Workhours	171,727	108,400	(63,327)
Total	\$551,965	\$789,087	\$237,122

Source: Rock Springs CSMPC AMP feasibility study and OIG calculations.

Additionally, we found the Postal Service excluded the automated flat volume from the AMP feasibility study even though it moved mail volume to Salt Lake City.

Additionally, we found the Postal Service excluded the automated flat volume from the AMP feasibility study even though it moved mail volume to Salt Lake City. Including this data could also impact the savings identified in the AMP feasibility study.

Accurate and complete AMP feasibility study data are important for supporting management decisions, ensuring management accountability, and strengthening stakeholder confidence in the consolidation process. On the other hand, inaccurate data in AMP feasibility study worksheets can affect the business case for the consolidation. In this case, inaccurate data for the Rock Springs CSMPC feasibility study did not significantly impact the proposed savings and, therefore, would not have altered the business case. However, the Postal Service should correct these errors during the post-implementation reviews (PIR).⁶

Productivity

Productivity⁷ at the Salt Lake City P&DC, Salt Lake City ASF, and Rock Springs CSMPC increased following the partial consolidation of the Rock Springs CSMPC mail operations. Specifically, productivity increased for those facilities by 1.26 percent, 109.86 percent, and 78.12 percent, respectively (see Table 2).

Table 2. Productivity Impact (in pieces per hour)

Facility	SPLY* (Before Partial Consolidation)**	After Partial Consolidation***	Percentage Difference
Salt Lake City P&DC ⁸	4,136	4,188	1.26%
Salt Lake City ASF ⁹	142	298	109.86%
Rock Springs CSMPC	3,250	5,789	78.12%

Source: Enterprise Data Warehouse (EDW), Customer Service Variance (CSV), and OIG calculations.

* Same period last year (SPLY).

** May through August 2014.

*** May through August 2015.

⁶ A process to evaluate the effectiveness of consolidating mail processing operations.

⁷ Productivity is calculated by dividing mail volume by workhours.

⁸ The Salt Lake City P&DC currently processes letters.

⁹ The Salt Lake City ASF currently processes flat and parcel volume; however, prior to September 2014 flat volume was processed at the Salt Lake City P&DC.

Adequate machine capacity exists at the Salt Lake City P&DC and ASF to process mail from the Rock Springs CSMPC.

Machine Capacity

Adequate machine capacity exists at the Salt Lake City P&DC and ASF to process mail from the Rock Springs CSMPC. Specifically, the Salt Lake City P&DC and ASF had overall annualized excess capacity of 50 percent (2.5 billion mailpieces) after they started processing mail from the Rock Springs CSMPC. In addition, based on our observations, the Salt Lake City P&DC and ASF have adequate floor space to accommodate the additional mail volume from the Rock Springs CSMPC. Further, the Postal Service did not move any machines from the Rock Springs CSMPC to the Salt Lake City P&DC and ASF (see Table 3).

Table 3. Salt Lake City P&DC and ASF Excess Machine Capacity

Equipment	Number of Machines*	Mailpieces			
		Maximum Capacity**	Mail Volume***	Excess Capacity	
Automated Facer Cancellor System	5	317,688,000	118,938,174	198,749,826	63%
Automated Flats Sorting Machine	4	251,100,000	104,820,825	146,279,175	58%
Automated Parcel and Bundle Sorter	4	95,789,628	76,349,798	19,439,830	20%
Combined Input/Output Subsystem	2	282,859,500	117,642,456	165,217,044	58%
Delivery Barcode Sorter	25	3,535,743,750	1,821,921,474	1,713,822,276	48%
Delivery Barcode Sorter Input/Output Subsystem	5	644,490,000	341,442,874	303,047,126	47%
Total	45	5,127,670,878	2,581,115,601	2,546,555,277	50%****

Source: Web End-of-Run (WebEOR) and OIG analysis.

*The number of machines is based upon current counts at the Salt Lake City P&DC and Salt Lake City ASF.

**Machine capacity is based on the type and class of mail processed during the operating window that would allow the Postal Service to meet service standards.

***We calculated mail volume using data from the most recently completed fiscal year (FY), October 1, 2014 – September 30, 2015. Volume is total pieces fed¹⁰ combined from the Rock Springs CSMPC, Salt Lake City P&DC, and the Salt Lake City ASF.

****This 50 percent reflects the average of excess capacity.

No career employees were laid off as a result of the partial consolidation of the Rock Springs CSMPC.

Employee Impact

No career employees were laid off as a result of the partial consolidation of the Rock Springs CSMPC. Since the partial consolidation, the number of craft employees at the Rock Springs CSMPC has declined by 18 employees, going from 55 to 37. This represents elimination of six fewer craft employee positions than proposed.¹¹ In addition, the Postal Service added one management position at the Rock Springs CSMPC to fill a current vacancy (see Table 4).

¹⁰ The number of pieces inducted into automation equipment. This count includes rejects, reworks, and refeeds.

¹¹ The Postal Service did not relocate all craft employees because the DPS processing of letter mail remained at the Rock Springs CSMPC.

Following the partial consolidation of the Rock Springs CSMPC, the percentage of carriers on the street after 5 p.m. decreased in Rock Springs and Salt Lake City compared to SPLY.

Table 4. Rock Springs CSMPC Employee Positions Impact

	AMP Feasibility Study			August 2015	
	Actual	Proposed	Difference	Actual	Difference From Study
Craft	55	31	(24)	37	6
Management	2	3	1	3	0

Source: Rock Springs CSMPC AMP feasibility study, WebCOINS,¹² and OIG calculations.

The AMP feasibility study proposed adding 15 craft employees at the Salt Lake City P&DC. However, the study stipulates that craft position gains remain position neutral from the Rock Springs CSMPC consolidation but will increase due to other concurrent AMPs.¹³ In addition, the Postal Service planned to add 12 management positions at the Salt Lake City P&DC to fill current vacancies. As of August 2015, the Postal Service has filled 10 of those vacancies (see Table 5).

Table 5. Salt Lake City P&DC Employee Positions Impact

	AMP Feasibility Study			August 2015	
	Actual	Proposed	Difference	Actual*	Difference From Study
Craft	459	474	15	333	(141)*
Management	34	46	12	44	(2)

Source: Rock Springs CSMPC AMP feasibility study, WebCOINS, and OIG calculations.

*Craft employee decreases can partially be attributed to an operational change, which moved the flat volume from the Salt Lake City P&DC to the Salt Lake City ASF. The Postal Service created 12 clerk and 27 mail handler positions at the Salt Lake City ASF to process the flat volume.

Carrier Impact

Following the partial consolidation of the Rock Springs CSMPC, the percentage of carriers on the street after 5 p.m. decreased in Rock Springs and Salt Lake City compared to SPLY (see Table 6). The national goal is 87 percent of carriers returning before 5 p.m.

Table 6. Percentage of Carriers Returning After 5 p.m.

City	May – August 2014	May – August 2015
Rock Springs	24%	17%
Salt Lake City	13%	12%

Source: EDW and OIG calculations.

¹² Web interface that displays and stores information about employee complement details down to the office or unit level.

¹³ The other concurrent AMP feasibility studies include the Pocatello, ID, CSMPC, Provo, UT, CSMPC, and Elko, NV, CSMPC. See [Appendix A](#) for additional information.

Customer service performance as measured by the EXFC declined after the January 2015 service standard changes.

Area Mail Processing Guidelines

The Postal Service complied with stakeholder communication policies during the consolidation and generally followed AMP guidelines. However, the Postal Service did not include the service standard impacts worksheet in the approved AMP feasibility study because it could not do so until the revised service standards¹⁴ were implemented.

The OIG's management alert, *Lack of Service Standard Change Information in Area Mail Processing Feasibility Studies* (Report Number NO-MA-15-001, dated October 6, 2014) recommended the Postal Service complete the service standard impacts worksheet in all AMP feasibility studies. The Postal Service completed the Rock Springs CSMPC service standard impacts worksheet on January 14, 2015, after revising service standards nationwide.

Community Impact

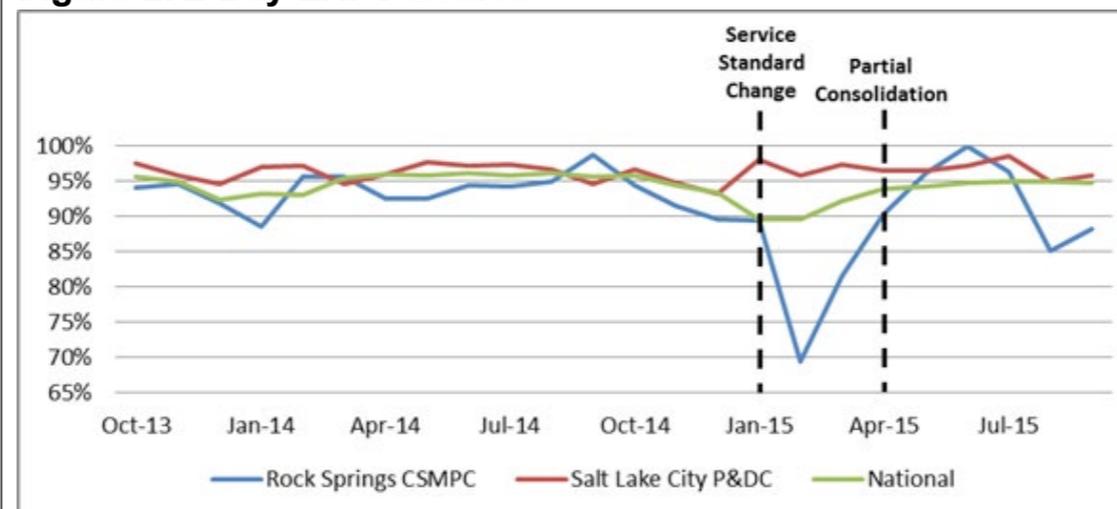
Consolidation of the Rock Springs CSMPC did impact the local community in Rock Springs. Specifically, there were changes to collection box times although the AMP feasibility study indicated there would be no changes. Collection box times are now up to 2 hours earlier than before the consolidation. This is due to the distance and the amount of time it takes the mail to travel from Rock Springs to Salt Lake City. It is important that the Postal Service appropriately analyze collection box times and include accurate and reliable information in the AMP feasibility study.

Retail window service hours did not change and the business mail entry unit (BMEU) remains at the Rock Springs CSMPC. In addition, according to Handbook PO-408, each Post Office is required to make a local postmark available after the consolidation. A local postmark is available at the Rock Springs CSMPC.

Customer Service

Customer service performance as measured by the External First-Class Measurement (EXFC)¹⁵ declined after the January 2015 service standard changes. In addition, Rock Springs service scores for 2-day and 3-day delivery have generally remained below the national average following the partial consolidation of the Rock Springs CSMPC mail operations. Performance scores for Salt Lake City following the partial consolidation are close to the national average (see Figures 2 and 3).

Figure 2. 2-Day EXFC Scores

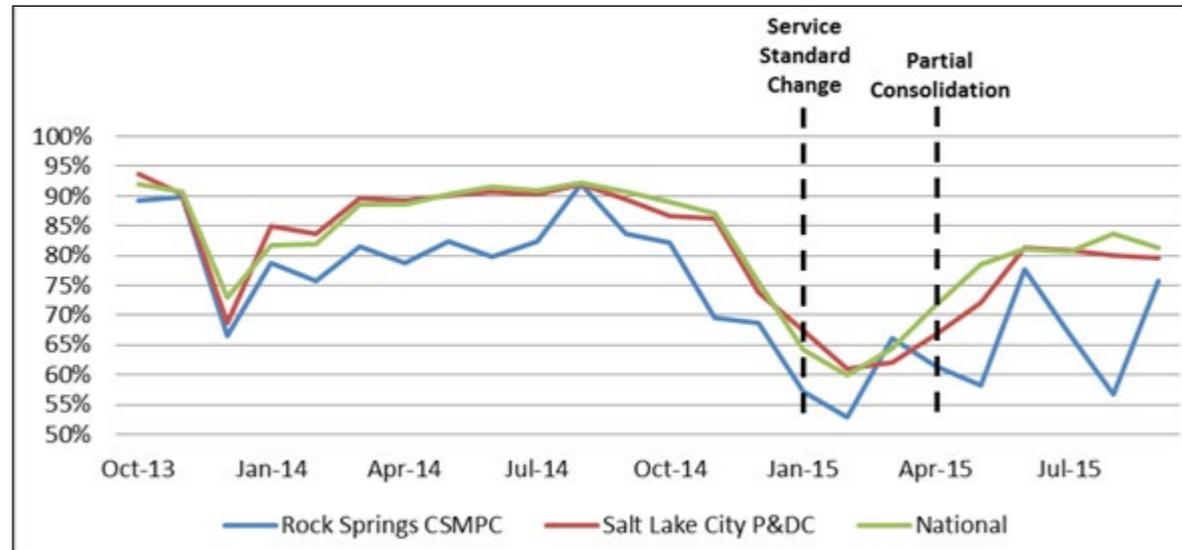


Source: EDW.

¹⁴ On January 5, 2015, the Postal Service revised its nationwide service standards. The revisions eliminated most overnight First-Class Mail® service and also shifted a portion of mail from a 2-day service standard to a 3-day service standard. Service standards are a stated goal for service achievement for each class of mail.

¹⁵ Test an independent contractor performs to measure service performance for First-Class Mail (letters, flats, and postcards) from mail collection to final delivery.

Figure 3. 3-Day EXFC Scores



Source: EDW.

Also, before the service standard changes the Postal Service reported the consolidation would result in 3,690 net upgrades¹⁶ in customer service (see Table 7).

Table 7. Service Standard Impacts (before service standard changes)

Mail Class	Rock Springs CSMPC Service Standard Changes 3-Digit ZIP Code Pairs ¹⁷		
	Upgrade	Downgrade	Net Change
First-Class Mail	18	531	(513)
Priority Mail	348	339	9
Periodicals	1,929	1,146	783
Standard Mail	3,627	165	3,462
Package Services	72	123	(51)
All Classes Net	5,994	2,304	3,690

Source: Rock Springs CSMPC AMP feasibility study.

¹⁶ An upgrade is a reduction in the number of scheduled days for delivery of a piece of mail, while a downgrade is an increase in the number of scheduled days for delivery of a mailpiece.

¹⁷ A service standard pair is the service standard between one 3-digit origin ZIP Code and one 3-digit destination ZIP Code.

After the service standard changes, the Postal Service reported that the consolidation would result in 1,662 net upgrades in customer service (see Table 8).

Table 8. Service Standard Impacts (after service standard changes)

Mail Class	Rock Springs CSMPC Service Standard Changes 3-Digit ZIP Code Pairs		
	Upgrade	Downgrade	Net Change
First-Class Mail	3	48	(45)
Priority Mail	72	102	(30)
Periodicals	2,103	762	1,341
Standard Mail	3,057	18	3,039
Package Services	42	2,685	(2,643)
All Classes Net	5,277	3,615	1,662

Source: Postal Service AMP report for service standard impacts.

Other Issues

This report responds to a request from U.S. Senator John Barrasso to review the consolidation of the Rock Springs CSMPC into the Salt Lake City P&DC. We addressed issues from the congressional inquiry related to the objectives of this audit and also determined mail volume, delayed mail, overtime, and standby time hours for the Salt Lake City P&DC and ASF and the Rock Springs CSMPC for the period October 1, 2014, to September 30, 2015 (see Table 9).

Table 9. Other Issues – Mailpieces and Hours

Facility	Mail Volume*	DPS Total Piece Handling (TPH) Mail Volume**	Delayed Mail***	Overtime Hours	Standby Time Hours
Salt Lake City P&DC	1,151,767,126	640,808,991	17,967,952	62,804	0
Salt Lake City ASF	172,343,520	0 ¹⁸	29,430,293	103,262	0
Rock Springs CSMPC	79,110,038	30,022,899	530	13,622	230

Source: Application System Reporting (ASR), CSV, EDW, Small Facility Mail Condition Reporting System (SFMCRS), Time and Attendance Collection System (TACS), and OIG calculations.

*Mail volume for the Salt Lake City P&DC and ASF are shown as FHP¹⁹ and mail volume for the Rock Springs CSMPC is shown as total pieces.

**TPH is the total volume of FHP and subsequent handling pieces for manual operations. For machine operations, TPH is total pieces fed minus any reworks or rejects. We obtained the DPS mail volume by second pass TPH.

***Delayed mail includes First-Class Mail, Priority Mail, Standard Mail, Periodicals, and Package Services.

¹⁸ Salt Lake City ASF does not process DPS, only flats and parcels are processed at Salt Lake City ASF.

¹⁹ Mail volume recorded in the operation where it receives its first distribution handling at a postal facility.

Additionally, we addressed issues from the congressional inquiry related to equipment relocation and lease costs. We determined:

- The Postal Service did not move any equipment from the Rocks Springs CSMPC to the Salt Lake City facilities and, therefore, did not incur any equipment relocation costs.
- The Postal Service acquired a new ASF²⁰ to accommodate the additional flat and parcel volume from four concurrent AMPs. According to Postal Service officials, the funding for the new facility was handled as a separate facility project under Network Rationalization and was not attributed to any consolidation. The lease is for 10 years at a total cost of \$20 million. In addition, the Postal Service spent \$9.7 million on capital improvements to the facility.

²⁰ The new ASF is a leased facility (about 300,000 square feet) and is used to process flat and parcel volume. The old ASF (about 100,000 square feet) is owned by the Postal Service and is used now for peak season operations.

Recommendations

We recommend management re-evaluate savings, determine and document the impact of excluding the automated flat volume, ensure collection box times are appropriately analyzed and accurately reflected, and adjust transportation and other operational requirements to ensure service commitments are met.

We recommend the vice president, Network Operations:

1. Re-evaluate management workhour, maintenance, and transportation savings contained in the Rock Springs Area Mail Processing feasibility study during the first post-implementation review.
2. Determine and document the impact of excluding the automated flat volume from the Rock Springs Area Mail Processing feasibility study during the first post-implementation review.
3. Ensure collection box times are appropriately analyzed and accurately reflected in all Area Mail Processing feasibility studies.

We recommend the vice president, Western Area:

4. Adjust transportation and other operational requirements to ensure service commitments are met in Rock Springs, WY.

Management's Comments

Management generally agreed with the findings and agreed with all recommendations; however, they disagreed with the workhour impact related to management and maintenance and partially agreed with the impact related to transportation.

Regarding management and maintenance impacts, management noted the Rock Springs consolidation is not complete as of this date; specifically the DPS operations remain in Rock Springs, WY. Management stated that our analysis of management and maintenance workhours is premature because they have deferred completion of the DPS segment of the consolidation. Management, therefore, disagreed with the management and maintenance workhour financial impact we identified.

Regarding the transportation impact, management agreed the AMP study did not include the fuel component of the cost of transportation changes; however, they disagreed with including the impact of HCR changes that occurred subsequent to the AMP study in our analysis. Management stated these subsequent HCR changes should be evaluated during the PIR and included or excluded as appropriate.

Regarding recommendation 1, management agreed to re-evaluate management workhour, maintenance, and transportation savings in the Rock Springs AMP guidelines during the first PIR. The Postal Service expects to complete this by May 2017.

Regarding recommendation 2, management agreed and will determine and document the impact of excluding the automated flat volume from Rock Springs during the first PIR. The Postal Service expects to complete this by May 2017.

Regarding recommendation 3, management agreed and will ensure collection box times are appropriately analyzed and accurately reflected in the AMP studies. The Postal Service expects to complete this by January 2016.

Regarding recommendation 4, management agreed and will continue making necessary adjustments to meet service commitments. The Postal Service expects to complete this by April 2016.

See [Appendix B](#) for management's comments in their entirety.

Evaluation of Management's Comments

Regarding management's disagreement with our analysis of the workhour impacts related to management and maintenance savings, as management correctly stated, they have deferred completion of this segment of the consolidation and DPS operations remain in Rock Springs. The AMP feasibility study was approved in November 2011 and our analysis was performed using data through September 2015. While the Postal Service has only partially implemented the consolidation, we believe our analysis of actual workhour savings relative to the AMP estimated savings almost 4 years after AMP approval is reasonable and not "premature," as stated by management. Therefore, we recommended the Postal Service re-evaluate these savings during the PIR. Management agreed to re-evaluate management and maintenance workhour savings in the Rock Springs AMP during the first PIR.

Regarding management's disagreement with our analysis of HCR route changes made subsequent to the AMP feasibility study approval, we met with Postal Service officials to determine all HCR transportation costs associated with the study. Management agreed they made the HCR changes subsequent to the study approval to support the partial consolidation. We found that management did not include all necessary HCR changes in the AMP study and included one HCR in error. We recommended the Postal Service re-evaluate these savings during the PIR to accurately reflect the routes. Management agreed to re-evaluate transportation savings in the Rock Springs AMP during the first PIR.

The OIG considers management's comments responsive to recommendations 1, 2, 3, and 4 and corrective actions should resolve the associated issues identified in the report.

Appendices

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Appendix A: Additional Information

Background

The Postal Service uses AMP guidelines²¹ to consolidate mail processing functions and eliminate excess capacity, increase efficiency, and better use its resources. Consolidations provide opportunities for the Postal Service to reduce costs, improve service, and operate as a leaner, more efficient organization.

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”

This audit responds to a request from Senator Barrasso to review the consolidation of mail processing operations from the Rock Springs CSMPC into the Salt Lake City P&DC. The senator’s concerns include mail volume processed, DPS mail volume processed, delayed mail, the amount of overtime and standby time, customer service, one-time and additional costs, the possibility of any new facilities being leased or built, and the closure of any BMEU.

The Postal Service partially implemented the Rock Springs CSMPC originating and destinating AMP feasibility study. Specifically, on April 18, 2015, the Postal Service moved all of the originating and part of the destinating operations from the Rock Springs CSMPC to the Salt Lake City P&DC and ASF. Delivery point sequence processing of letter mail remained at the Rock Springs CSMPC. The Rock Springs CSMPC houses a retail operation, a Post Office box section, a delivery unit, and a BMEU that will remain.

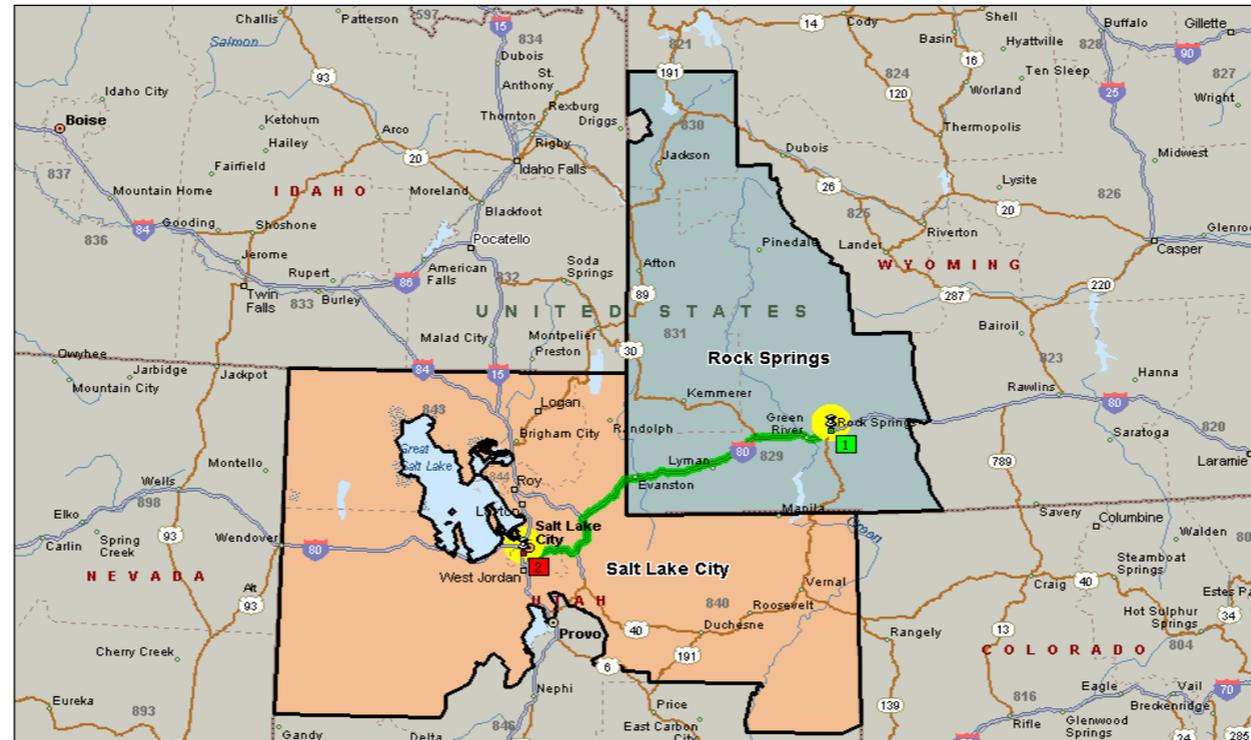
The Rock Springs AMP feasibility study proposed to transfer ZIP Codes 829-831 originating and destinating mail volumes to the Salt Lake City P&DC, which processes mail volume for ZIP Codes 840-844. In addition, three other concurrent AMP feasibility studies will also move mail volume into Salt Lake City. The AMP feasibility studies are for the following sites:

- Pocatello, ID, CSMPC, ZIP Codes 832 and 834.
- Provo, UT, CSMPC, ZIP Code 846.
- Elko, NV, CSMPC, ZIP Code 898.

The Rock Springs CSMPC is about 179 miles from the Salt Lake City P&DC (see [Figure 4](#)).

21 Handbook PO-408, March 2008.

Figure 4. Location of Rock Springs and Salt Lake City Facilities



Source: Rock Springs CSMPC AMP feasibility study.

Objectives, Scope, and Methodology

Our objectives were to determine whether a business case existed to consolidate the Rock Springs CSMPC mail processing operations into the Salt Lake City P&DC and assess compliance with established AMP guidelines. To accomplish our objectives, we reviewed and analyzed data from July 2010 to September 2015, including workhour/cost savings; changes in workload (mail volume, capacities); impact on productivity, service, equipment, transportation; and employee issues. In addition, we conducted observations at the Rock Springs CSMPC and the Salt Lake City P&DC and ASF; interviewed the senior plant manager, in-plant support manager, transportation manager, and Postmaster; and reviewed documentation to determine compliance with established AMP guidelines. We used computer-processed data from the ASR, CSV, EDW, eFlash, HCR Data File, SFMCRS, TACS, WebCOINS, and WebEOR.

We conducted this performance audit from July 2015 through January 2016 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 3 and 7, 2015, 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
<i>Iron Mountain, MI, Processing and Distribution Facility Consolidation</i>	NO-AR-16-003	10/19/2015	None
<p>Report Results: The report determined that a business case exists to support consolidating the mail processing operations from the Iron Mountain Processing and Distribution Facility (P&DF) into the Green Bay P&DC. However, we found the Postal Service overestimated annual cost savings by about \$837,000. Specifically, it overestimated transportation savings and management and mail processing craft workhour savings. Management generally agreed with the recommendation but disagreed with a portion of the savings shortfall.</p>			
<i>Consolidation of the Kalamazoo, MI, and Lansing, MI, Processing and Distribution Centers</i>	NO-AR-16-001	10/2/2015	None
<p>Report Results: The report determined that a business case exists to support consolidating the Kalamazoo and Lansing P&DCs. However, we found the Postal Service overestimated annual cost savings by about \$791,000 for the Kalamazoo P&DC and about \$1 million for the Lansing P&DC. Specifically, it misstated transportation and management workhour savings. We estimated the Kalamazoo P&DC and Lansing P&DC consolidations will save about \$7 million and \$9.9 million per year, respectively. Management generally agreed with the recommendations but disagreed with a portion of the savings shortfall.</p>			
<i>Area Mail Processing Consolidations</i>	NO-AR-15-007	6/5/2015	None
<p>Report Results: The report determined that AMP guidelines provided sufficient instruction for justifying consolidations, and required analysis and disclosure of the impact on delivery service standards. We also analyzed 60 Phase 2 consolidations approved in 2012 and 2013 and determined they were cost justified and all yielded cost savings. However, the process should be more transparent. Management did not state whether they agreed or disagreed with the findings; however, they disagreed with the recommendations to update the AMP guidelines to include determining a timeframe for implementing an AMP consolidation once a feasibility study is approved and define the term “substantive change.” Management agreed with the recommendation to require weekly updates of the public notification website.</p>			
<i>Lack of Service Standard Change Information in Area Mail Processing Feasibility Studies</i>	NO-MA-15-001	10/6/2014	None
<p>Report Results: The report determined that the Postal Service has not analyzed the impact of planned service standard changes or informed stakeholders of the changes related to Phase 2 consolidations. Specifically, management did not complete the service standard impacts worksheet for 91 of the 95 AMP feasibility studies. We recommended the Postal Service complete the service standard impacts worksheet in all of the AMP feasibility studies for Phase 2 Network Rationalization Initiatives scheduled to begin January 5, 2015, and evaluate the impacts that revised standards will have on each affected community before implementing the consolidations. Management partially agreed with the recommendation and, regarding the finding, stated that service standard impacts information is ordinarily included in individual AMP final decision packages.</p>			
<i>Toledo, OH, Processing and Distribution Center Mail Consolidation</i>	NO-AR-14-009	8/28/2014	None
<p>Report Results: The report determined that a business case existed to support mail consolidation from the Toledo P&DC into the Columbus and Michigan Metroplex P&DCs. The overall cost savings was \$9.3 million annually, which was about \$100,000 more than the Postal Service estimated. Management agreed with the findings and recommendations.</p>			
<i>Southeastern Pennsylvania Processing and Distribution Center Consolidation</i>	NO-AR-14-006	5/16/2014	None
<p>Report Results: The report determined that a business case existed to support the consolidation, which should save about \$3.8 million in the first year and \$9.4 million annually in subsequent years. The OIG found the AMP proposal overestimated annual savings by \$4.6 million because it did not include additional workhour and transportation costs associated with the consolidation. Management agreed with the findings and recommendations.</p>			

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Consolidation of the Huntsville, AL, Processing and Distribution Facility</i>	NO-AR-14-005	5/5/2014	None
Report Results: The report determined that a business case existed to support the consolidation. Management agreed with recommendations to continue processing Huntsville's DPS mail at the Huntsville P&DF and to re-evaluate staffing and resources at the Huntsville P&DF to ensure timely processing of DPS mail so fewer carriers return after 5 p.m.			
<i>Altoona, PA, Originating and Destinating Mail Consolidation</i>	NO-AR-13-010	9/30/2013	None
Report Results: A business case existed to support the consolidation. Management agreed with the recommendation to re-evaluate maintenance savings and make adjustments to the AMP proposal in the first PIR.			

Appendix B: Management's Comments



December 23, 2015

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Rock Springs, WY, Customer Service Mail
Processing Center Consolidation
(Report Number NO-AR-16-DRAFT)

Thank you for providing the Postal Service with the opportunity to review and comment on the subject draft audit report. Management concurs with the general findings in the report that a business case exists to support the planned consolidation.

Management does not agree with the work hour impacts noted in the audit related to management and maintenance. Management partially agrees with the impacts related to transportation.

As noted in the audit, the Rock Springs consolidation has only been partially implemented as of this date. The Delivery Point Sequence (DPS) operations still remain in Rock Springs. The completion of this segment of the consolidation is currently deferred.

Because the consolidation is not complete, any analysis of work hour savings relative to the AMP is premature. Maintenance operations necessary to support the processing machines and supervision of these operations are still occurring in Rock Springs. Management therefore disagrees with the maintenance and management work hour financial impacts identified in the audit.

Management agrees that the AMP analysis did not include the fuel component of cost for transportation changes that were planned at the time. In doing so, the AMP underestimated the potential savings attributable to the consolidation. However, the audit goes beyond this in determining the transportation understatement by including changes to routes that occurred subsequent to the AMP study. Their impact will need to be evaluated during the Post Implementation Review (PIR) and included or excluded as appropriate.

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The recommendations in this draft report are addressed below.

Recommendation 1:

Re-evaluate management workhour, maintenance, and transportation savings contained in the Rock Springs Area Mail Processing feasibility study during the first post-implementation review.

Management Response/Action Plan:

Management agrees with this recommendation. Any variances from the Area Mail Processing (AMP) study will be identified and documented during the first Post Implementation Review (PIR). The first PIR for Rock Springs will occur, as required in the PO-408, following completion of 2 full Postal Quarters following completion of the consolidation.

Target Implementation Date:

May, 2017

Responsible Official:

Manager, Processing Operations

Recommendation 2:

Determine and document the impact of excluding the automated flat volume from the Rock Springs Area Mail Processing feasibility study during the first post-implementation review.

Management Response/Action Plan:

Management agrees with this recommendation. The impact will be determined and documented in the first PIR.

Target Implementation Date:

May 2017

Responsible Official:

Manager, Processing Operations

Recommendation 3:

Ensure collection box times are appropriately analyzed and accurately reflected in all Area Mail Processing feasibility studies.

Management Response/Action Plan:

Management agrees with this recommendation. All available data is used during an AMP study to evaluate the potential impact to collections box times. We will continue to provide due diligence with each future AMP study to correctly reflect the anticipated impacts, if any.

Target Implementation Date:

Jan 2016

Responsible Official:

Manager, Processing Operations

Recommendation 4:

Adjust transportation and other operational requirements to ensure service commitments are met in Rock Springs, WY.

Management Response/Action Plan:

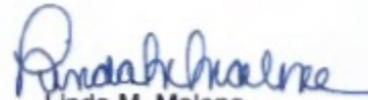
Management agrees with this recommendation. We will continue to review operations in Salt Lake City UT and Rock Spring WY to make the necessary adjustments to meet service commitments. We will ensure collection times are adhered to, delivery operations clear all committed mail daily, processing in Salt Lake City UT meets operational windows timely and transportation plates are reviewed. These four strategies will be audited with on-site and operational reviews.

Target Implementation Date:

April 2016

Responsible Official:

District Manager, Colorado / Wyoming



Linda M. Malone
Vice President
Network Operations



Drew T. Aliperto
Vice President
Western Area Operations

cc: David E. Williams
Corporate Audit and Response Management



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