OFFICE OF
INSPECTOR
GENERAL
UNITED STATES POSTAL SERVICE

New Castle and Greensburg, PA Consolidation

Audit Report

August 16, 2013

Report Number NO-AR-13-004

OFFICE OF
INSPECTOR
GENERAL
UNITED STATES POSTAL SERVICE

HIGHLIGHTS

August 16, 2013

New Castle and Greensburg, PA Consolidation

Report Number NO-AR-13-004

BACKGROUND:

This audit responds to a request from U.S. Senator Robert P. Casey, Jr. of Pennsylvania. The objective was to assess the consolidation of destinating mail processing (delivered and sorted in the local facilities jurisdiction) from the New Castle Processing and Distribution Facility - and the Greensburg Customer Service Mail Processing Center - into the Pittsburgh Processing and Distribution Center.

We also assessed compliance with established Area Mail Processing guidelines. All three facilities are in the Western Pennsylvania District of the Eastern Area. The New Castle Processing and Distribution Facility and the Greensburg Customer Service Mail Processing Center consolidations occurred in July and August 2013.

WHAT THE OIG FOUND:

A business case exists to support the consolidation, which should produce a cost savings of about $3.3 million the first year and $8.9 million annually in subsequent years.

Our analysis indicated that adequate machine capacity and floor space exists to process mail at the Pittsburgh P&DC; customer service has not been significantly impacted by the consolidation; delayed mail declined after the consolidation; no employees lost their job; overall efficiency at the Pittsburgh Processing and Distribution improved; and established AMP guidelines were generally followed.

However, we found that the U.S. Postal Service did not terminate, seek buyout opportunities or sublet leases for facilities vacated as a result of the consolidation. Postal Service area and facility officials did not coordinate to ensure that leases associated with the vacated facilities were properly terminated or subleased. As a result, we are questioning $978,954 in associated lease costs.

We also observed a security violation involving the safeguarding of Voyager eFleet cards used to purchase fuel or repair services for Postal Service vehicles at the Greensburg Post Office. As a result, we estimated that $636,000 in assets could be at risk.

WHAT THE OIG RECOMMENDED:

We recommended the vice president, Eastern Area, direct the Western Pennsylvania District manager to coordinate with the Facility Service Office when rental space is vacated to ensure appropriate lease termination actions are taken; take action to sublease, buyout, or terminate lease agreements for vacated facilities; and ensure Voyager eFleet cards are stored in a secure manner.

Link to review the entire report

OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

August 16, 2013

MEMORANDUM FOR: JOSHUA D. COLIN
VICE PRESIDENT, EASTERN 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 – New Castle and Greensburg, PA Consolidation (Report Number NO-AR-13-004)

This report presents the results of our audit of the New Castle and Greensburg, PA Consolidation. The consolidation would combine the New Castle Processing and Distribution Facility and the Greensburg Customer Service Mail Processing Center into the Pittsburgh Processing and Distribution Center (Project Number 13XG023NO000).

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 and Transportation, or me at 703-248-2100.

Attachment

cc: David E. Williams, Jr.
Linda M. Malone
Robert Cintron
Corporate Audit and Response Management

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Introduction

This report presents the results of our audit of the New Castle, PA Processing and Distribution Facility (P&DF) and Greensburg, PA Customer Service Mail Processing Center (CSMPC) consolidation of destinating mail[1] operations into the Pittsburgh, PA Processing and Distribution Center (P&DC) (Project Number 13XG023NO000). This report responds to a request from U.S. Senator Robert P. Casey, Jr., of Pennsylvania, to review the consolidation.[2] The New Castle P&DF and the Greensburg CSMPC consolidations occurred in July and August, 2013. This audit addresses operational and financial risk. See Appendix A for additional information about this audit.

The U.S. Postal Service developed a formal process for the review and implementation of AMP proposals. This process is defined in Handbook PO-408.[3] The Postal Service uses the AMP process to determine whether it can consolidate from one or more postal facilities into 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 Service customers with the same high-quality service they expect.
- Ensure overall costs reductions.

Conclusion

A business case supporting the consolidation exists and we estimate that it will result in a cost savings of about $3.3 million the first year and $8.9 million in subsequent years. Our analysis also concluded that:

- Adequate machine capacity and floor space exists to process mail at the Pittsburgh P&DC.

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[1] Incoming mail arriving for its point of final delivery (destination) through a processing facility.
[2] Our objectives were to assess the consolidation of destinating mail processing operations from the New Castle P&DF and Greensburg CSMPC into the Pittsburgh P&DC and assess compliance with established Area Mail Processing (AMP) guidelines.
[3] 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. An AMP feasibility study must be conducted when a new facility project incorporates operations from two or more offices.

- Customer service scores measured by the External First-Class (EXFC) Measurement System[4] were not significantly impacted by the consolidation.
- Delayed mail declined after the consolidation.
- No employee lost their job, although affected employees were reassigned to facilities within a 50-mile radius.
- Overall productivity at the Pittsburgh P&DC improved.
- Employees generally followed established AMP guidelines.

In addition, the Postal Service did not terminate or sublet leases for vacated facilities[5] resulting from the consolidation. Postal Service area and facility officials did not coordinate to ensure that leases associated with the vacated facilities were properly terminated or subleased. As a result, we are questioning $978,954 in associated lease costs. See Appendix B for a detailed explanation of questioned costs. In other matters, we observed a security violation involving the safeguarding of Voyager eFleet cards (credit cards used to purchase fuel and repair costs for Postal Service vehicles) at the Greensburg Post Office. As a result, we estimated that $636,000 in assets could be at risk. See Appendix B for a detailed explanation of assets at risk.

Capacity

Adequate machine capacity and floor space exists at the Pittsburgh P&DC[6] to process mail volume from the New Castle P&DF and Greensburg CSMPC.[7] With the additional equipment the Pittsburgh P&DC received, as a result of the consolidation, adequate capacity exists to sort the volume arriving from the New Castle P&DF and the Greensburg Post Office. Additionally, after the consolidation, the Pittsburgh P&DC still had additional capacity on all of its major equipment (see Table 1).

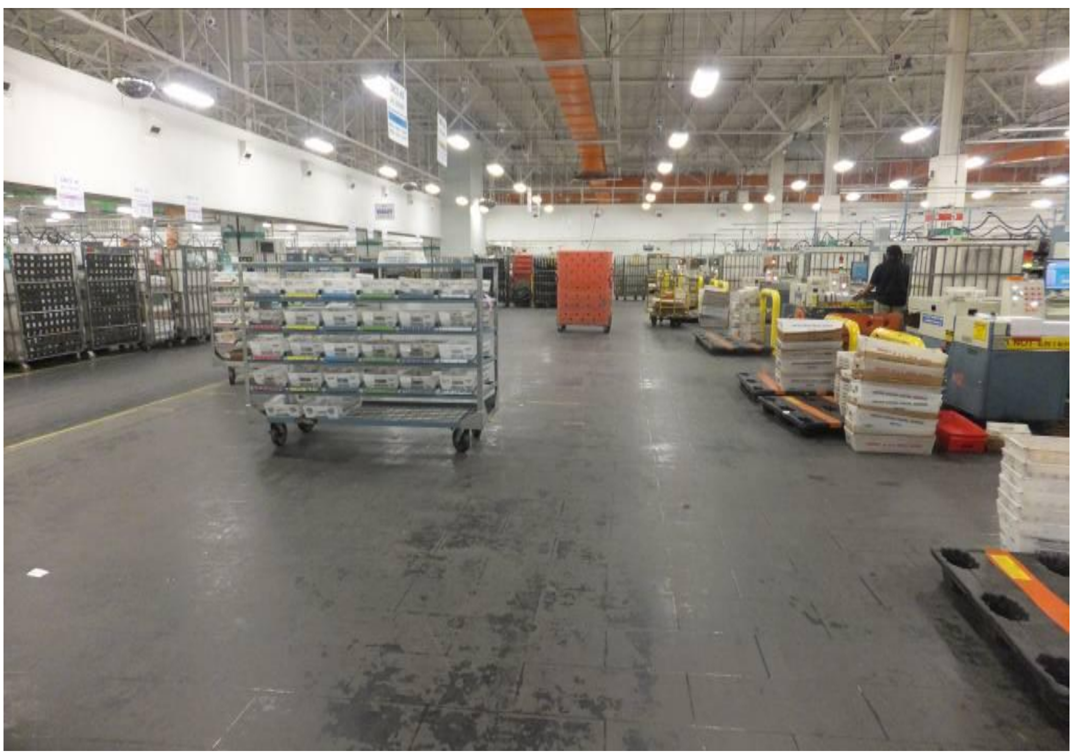
[4] A system where a contractor performs independent service performance tests on certain types of First-Class Mail (letters, flats, postcards) deposited in collection boxes and business mail chutes. It provides national, area, performance cluster, and city estimates, which are compared with the Postal Service's service goals. A consumer advocate releases the results to the public quarterly.
[5] The Greensburg CSMPC, New Castle Carrier Annex, and parking area.
[6] Maximum capacity was calculated by either reducing idle time or expanding the window of operation.
[7] To improve mail flow, management requested tray sorters, unsleevers, and several other new pieces of equipment. The additional equipment, along with connections to existing systems, has a one-time cost of $5,576,300.

Table 1. Equipment Excess Capacity

Equipment	Number of Machines	Actual Throughput	Maximum Capacity	Excess Capacity	Percentage
Automated Facer Canceller System 200	9	137,978,501	232,186,631	94,208,130	68.28%
Automated Flats Sorting Machine	4	106,966,398	127,891,077	20,924,679	19.56%
Combined Input Output Sub-System	3	117,175,105	191,648,465	74,473,360	63.56%
Delivery Bar Code Sorter	48	1,668,249,297	2,557,169,555	888,920,258	53.28%
Delivery Input Output Sub-system	6	225,882,707	269,949,178	44,066,471	19.51%

Source: Enterprise Data Warehouse (EDW).

Figure 1. Excess Floor Space at the Pittsburgh P&DC



Source: U.S. Postal Service Office of Inspector General (OIG), photograph taken May 2, 2013.

Customer Service

Customer service scores measured by the EXFC measurement system were not significantly impacted by the consolidation. As shown in Table 2, 11 out of 21 overnight, 2-, and 3-day scores serviced by the impacted ZIP Codes increased, while 10 service scores declined when compared to the same period last year.

Table 2. EXFC Scores

EXFC Standard	Facility		Before Consolidation Fiscal Year (FY) 2012, Quarters (Qs) 1 and 2	After Consolidation FY 2013, Qs 1 and 2
Overnight	Pittsburgh P&DC	150	95.87	95.75
		151	96.96	96.62
		152	96.24	95.72
	Greensburg CSMPC	156	95.27	95.64
	New Castle P&DF	160	95.61	92.37
		161	92.83	96.16
		162	98.44	93.30
2-Day	Pittsburgh P&DC	150	92.55	94.22
		151	94.31	95.85
		152	93.52	93.16
	Greensburg CSMPC	156	91.91	92.80
	New Castle P&DF	160	95.55	93.67
		161	92.64	95.21
		162	92.44	95.24
3-Day	Pittsburgh P&DC	150	91.99	91.73
		151	91.87	91.78
		152	91.75	92.59
	Greensburg CSMPC	156	89.37	92.67
	New Castle P&DF	160	92.90	88.58
		161	87.89	90.93
		162	95.04	96.70

Note: Red numbers show the service scores which declined from FY 2012, Qs 1 and 2 compared to the same period in FY 2013. Additionally, green service scores show an increase from FY 2012, Qs 1 and 2 compared to the same period in FY 2013.
Source: EDW.

Priority Mail

The Pittsburgh P&DC experienced a decline in Priority Mail® air and surface service scores. Priority Mail service scores declined for FY 2013, Qs 1 and 2, compared to the same period in FY 2012 (see Table 3).

Table 3. Priority Service

	Q1		Q2	
Type	FY 2012	FY 2013	FY 2012	FY 2013
Air	82.46	77.26	92.16	86.02
Surface	91.28	90.28	95.62	93.33

Source: EDW.

Delayed Mail

Delayed mail decreased after the consolidation. For example, compared to the period prior to the consolidation, delayed mail volume totaled 77 million first-handled pieces (FHP) and declined to 64.6 million FHP after the consolidation, a 16 percent decrease. Similarly, delayed mail as a percentage of total FHP volume declined from 6.45 percent of FHP volume to 4.9 percent of FHP volume, a decline of 1.55 percent (see Table 4).

Table 4. Delayed Mail Volume

Period	Total Delayed	Total FHP	Percentage of FHP
Before Consolidation FY 2012, Qs 1 and 2	77,029,102	1,193,929,553	6.45%
After Consolidation FY 2013, Qs 1 and 2	64,626,845	1,318,909,098	4.90%

Source: EDW.

Employee Impact

Consolidation of the New Castle P&DF and Greensburg CSMPC into the Pittsburgh P&DC did not result in any job losses, although management transferred affected employees to other facilities within 50 miles of the losing facility.

Specifically:

- There was a reduction of 110 career craft positions (clerk, mail handler, and maintenance) and elimination of two Executive and Administrative Schedule (EAS) positions at the New Castle P&DF.
- There was a reduction of 59 career craft positions (clerk, mail handler, and maintenance) and elimination of five EAS positions at the Greensburg CSMPC.
- Thirty employees displaced from the New Castle P&DF consolidation maintain retreat rights[8] at the New Castle P&DF. This means they have first preference for any available positions at the New Castle P&DF.
- Twenty-one employees (clerk, mail handler, and maintenance) left voluntarily and 65 employees were involuntarily transferred to other facilities within 50 miles of the New Castle P&DF. Three craft employees retired.
- One clerk voluntarily transferred, 48 clerks involuntarily transferred to other facilities within 50 miles of the Greensburg CSMPC, and six craft employees retired.
- Ninety-five craft and two EAS employees were eligible for retirement from the New Castle P&DF and Greensburg CSMPC. In fact, the Postal Service offered two early out incentives[9] during the time employees were scheduled to be excessed from these facilities.
- Neither the New Castle P&DF nor the Greensburg CSMPC AMP proposals included relocation costs for the affected employees since all relocations were within 50 miles.

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[8] 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 loosing facility.

[9] Early out incentives include a mail handler early out incentive offered on August 31, 2012; and the American Postal Workers Union incentive offered on January 31, 2013.

Efficiency

Mail processing FHP productivity at the Pittsburgh P&DC improved after the consolidation. The Pittsburgh P&DC's FHP productivity[10] increased by 23 percent, or from 1,116 mailpieces per hour to 1,379 mailpieces per hour, compared to the same period last year (see Table 5).

Table 5. Productivity Impact – Pittsburgh P&DC

FY	FHP Productivity	Total Pieces Handled Productivity
2012	1,116	1,885
2013	1,379	2,274
Percentage Change	**23.61%**	**20.61%**

Source: EDW.

Cost Savings

The Postal Service estimated the cost savings from the New Castle P&DF and Greensburg CSMPC consolidation to be $2,161,269 in the first year, while the OIG estimated first year cost savings of $3.3 million and $8.9 million annually in subsequent years. The difference in the Postal Service and OIG estimates is due to differences in workhour adjustments, maintenance, and transportation costs (see Table 6).

[10] FHP divided by workhours is FHP productivity. This number is useful when evaluating overall productivity.

Table 6. Overall Savings

Savings Category	AMP Projected Savings (Loss)	OIG Projected Savings (Loss)	Difference
Mail Processing Workhour Savings*	$5,245,730	$7,941,930	$2,696,200
Postal Career Executive Service/ EAS Supervisor Workhour Savings**	863,575	849,798	(13,777)
Transportation Savings***	241,412	(614,470)	(855,882)
Maintenance Savings****	1,386,852	710,896	(675,956)
Annual Savings	7,737,569	8,888,154	1,150,585
One-Time Cost	(5,576,300)	(5,576,300)	--
Total First Year Savings	**$2,161,269**	**$3,311,854**	**$1,150,585**

*Our calculations indicate the actual workhour savings will exceed the projected savings in the AMP.
**No verification necessary, as amount is immaterial.
***After the consolidation, additional highway contract route trips resulted in additional costs of $432,565 and $373,949 for the New Castle P&DF and Greensburg CSMPC.
****Savings consists of maintenance workhour savings and spare parts inventory. Our calculations indicate that the projected savings in the AMP will not be fully realized.
Source: EDW.

AMP Guidelines

The Postal Service complied with the stakeholder communications policies and procedures, and employees generally followed the AMP guidelines; however, there were instances where some of the AMP study steps were not completed within established timeframes. Not meeting these timeframes did not adversely affect the consolidation when implemented (see Table 7 for the New Castle P&DF AMP and Table 8 for the Greensburg CSMPC AMP timelines).

Table 7. New Castle P&DF – Timeline of Events

New Castle P&DF Events	Date Completed	Was Step Conducted?	Was Step Conducted Within AMP Timeframe?
The area vice president (AVP) notified the district or the district notified the AVP of the intent to conduct study.	9/15/2011	Yes	Yes
Stakeholders were notified of the intent to conduct study.	9/15/2011	Yes	Yes
District manager completed feasibility study and submitted to AVP within 2 months of notification to conduct study.	1/13/2012	Yes	No[11]
District held public input meeting within 45 days of study being submitted to AVP.	12/15/2011	Yes	Yes
District summarized information from public meeting and written comments within 15 days of meeting.	12/15/2011	Yes	Yes
Area and headquarters personnel reviewed the feasibility study within 60 days of the time the study was submitted to the AVP.	1/30/2012	Yes	Yes
AVP approved the study after finalized worksheets were approved by area and headquarters, and submitted study to senior vice president (SVP), Operations.	1/30/2012	Yes	Yes
SVP approved study within 2 weeks of receipt from AVP.	2/18/2012	Yes	No[12]

Source: New Castle AMP.

[11] Fifty-nine days late.
[12] Five days late.

Table 8. Greensburg CSMPC – Timeline of Events

Greensburg CSMPC Events	Date Completed	Was Step Conducted?	Was Step Conducted Within AMP Timeframe?
The AVP notified district or district notified AVP of the intent to conduct study.	9/15/2011	Yes	Yes
Stakeholders were notified of the intent to conduct study.	9/15/2011	Yes	Yes
District manager completed feasibility study and submitted to AVP within 2 months of notification to conduct study.	1/13/2012	Yes	No[13]
District held public input meeting within 45 days of study being submitted to AVP.	12/21/2011	Yes	Yes
District summarized information from public meeting and written comments within 15 days of meeting.	12/21/2011	Yes	Yes
Area and headquarters reviewed the feasibility study within 60 days of the time the study is submitted to the AVP.	1/27/2012	Yes	Yes
AVP approved the study after finalized worksheets were approved by area and headquarters and submitted study to SVP, Operations.	1/27/2012	Yes	Yes
SVP approved study within 2 weeks of receipt from AVP.	2/18/2012	Yes	No[14]

Source: Greensburg AMP.

Facility Leases

The Postal Service did not terminate the leases on facilities and parking areas[15] that were either vacated or scheduled to be vacated as a result of the consolidation.[16] In addition, no attempt was made to sublet facilities when permitted by the lease agreement. Postal Service area and facility officials did not coordinate to ensure that leases associated with the vacated facilities were properly terminated or subleased. As a result, we are questioning $978,954 in associated lease costs. See Appendix B for a detailed explanation of questioned costs.

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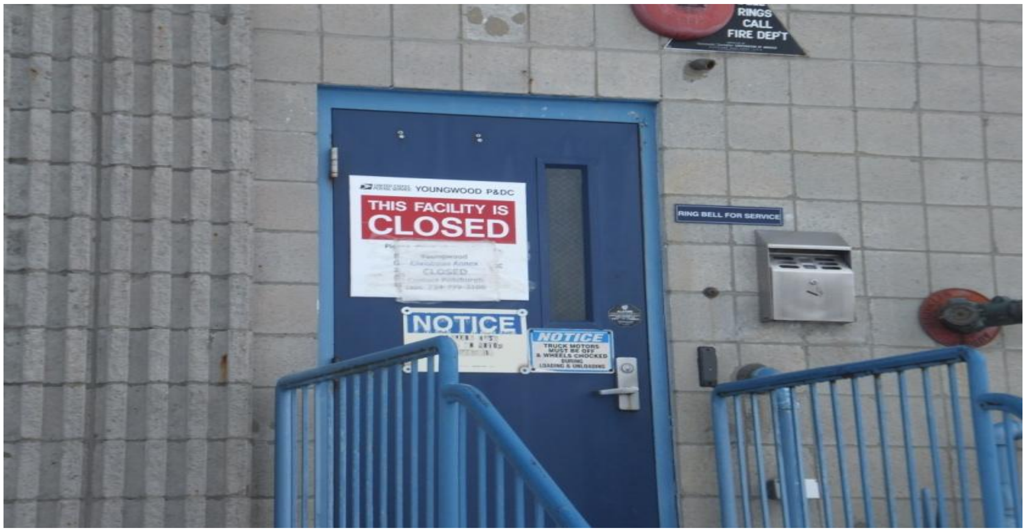
[13] Fifty-nine days late.
[14] Eight days late.
[15] The Greensburg CSMPC, New Castle Carrier Annex, and parking area.
[16] According to Handbook RE-1, *U.S. Postal Service Facilities Guide to Real Property Acquisitions and Related Services*, when the requiring organization no longer needs a leased facility, it must submit a Postal Service Form 7437, Facilities Services Request, to notify the responsible service organization. Available options may involve termination of the existing lease, sale of the leasehold interest, renewal of the lease, or sub-letting the space. The Facilities Services Request must be submitted in a timely manner to allow action by the responsible service organization in accordance with provisions of the lease.

- Greensburg CSPMC lease – the facility was vacated on January 31, 2013. The lease ends November 2015 and does not contain a termination clause; however, the lease does allow the Postal Service to sublet the facility. As a result, we are questioning monthly lease and utility payments made from February 2013 through August 2015, totaling $568,290.[17]

Figure 2. Vacant Greensburg P&DF

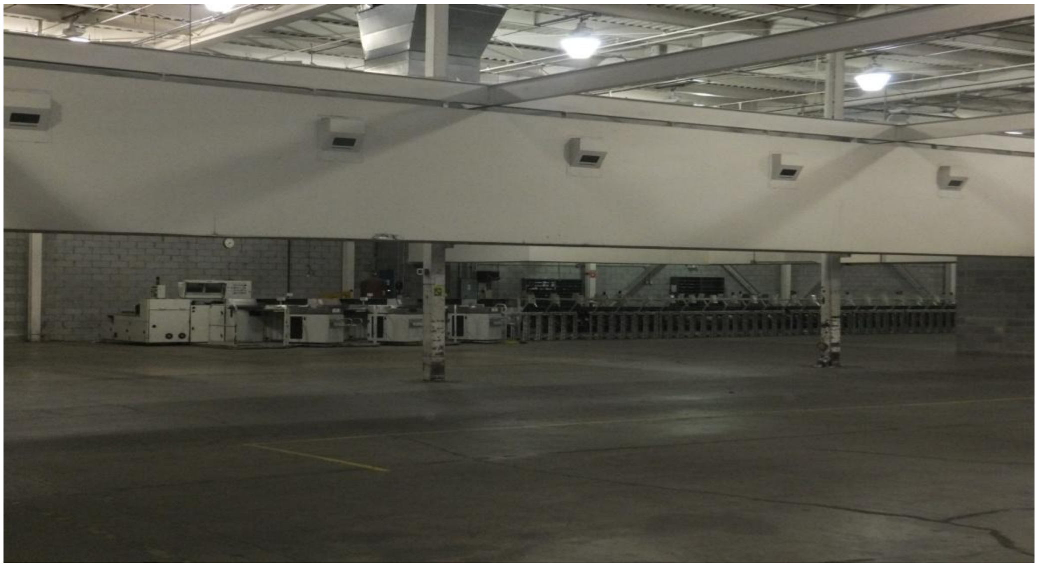


Source: OIG photograph taken March 6, 2013.

- New Castle Carrier Annex lease and parking – nine carriers reporting to the New Castle Carrier Annex are scheduled to vacate the annex and move to the New Castle P&DF in July 2013. The existing lease agreement, effective October 1, 2008, expires September 30, 2023, and does not include a termination clause. Subsequently, the New Castle Carrier Annex will be vacant and the Postal Service has no plans to use the building. To date, the Postal Service has not attempted to sublease this space as allowed by the lease agreement. Failure to take appropriate action will cost the Postal Service $290,544[18] in unnecessary lease and utility payments over the next 2 years.

[17] Monthly lease payment and average monthly utilities of $18,943 for 30 months, February 2013 – August 2015.
[18] Monthly lease payment and average monthly utilities of $12,106 for 24 months, October 2013 – September 2015.

Figure 3. Vacant Greensburg P&DF



Source: OIG photograph taken March 6, 2013.

- New Castle Carrier Annex parking lease – there is sufficient parking at the New Castle Carrier Annex for the nine carriers working at the facility. The annex's lease extends to September 2023 and provides 119 employee parking spaces; therefore, the Postal Service should exercise the termination clause for the 21 additional parking spaces. Failure to take appropriate action will cost the Postal Service $120,120[19] in unnecessary lease payments until the lease ends December 31, 2023.

Other Matters - Security Violation

During audit fieldwork, we observed a security violation at the Greensburg Post Office. Specifically, Voyager eFleet cards[20] were stored in an unlocked case on the workroom floor (see Figure 4). These cards could be taken and used for unauthorized purchases. As a result, we estimated that $636,000 in assets could be at risk. See Appendix B for a detailed explanation of assets at risk.

[19] Annual monthly parking fees increase from $840 to $1,008 over the entire lease term. Lease term ends December 31, 2023.

[20] A credit card used to purchase fuel or repair services for Postal Service vehicles.

Figure 4. Unsecured Voyager eFleet Cards in Unlocked Case at the Greensburg CSMPC

Source: OIG photograph taken May 2, 2013.

Recommendations

We recommend the vice president, Eastern Area, direct the Western Pennsylvania District manager to:

1. Coordinate with the Facility Service Office when rental space is vacated to ensure management takes appropriate lease termination actions.

2. Pursue action to sublease or terminate lease agreements for vacated facilities.

3. Ensure Voyager eFleet credit cards are stored in a secure manner.

Management's Comments

Management agreed with the findings, recommendations, and monetary impact in the report. Specifically, management stated that, in response to recommendation 1, effective July 23, 2013, the Eastern Area received approval for a Customer Relations manager position within the area office to coordinate with facilities as it relates to vacated facilities. In response to recommendation 2, effective July 23, 2013, the facilities department is in agreement that leased space should be terminated or subleased when possible. The Greensburg CSMPC is on the market for sublease and vacated New Castle Carrier Annex will be put-up for buyout or sublease. Finally, an evaluation is being conducted on the parking at the New Castle Carrier Annex to determine whether retaining the parking is beneficial. If not, notice will be given to terminate the parking. In response to recommendation 3, effective July 23, 2013, the Voyager efleet Cards are secured and considered an accountable item to be signed for by the individual carriers. See Appendix C for management's comments, in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in the report. The OIG considers recommendation 1 significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action is completed. This recommendation should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

Appendix A: Additional Information

Background

The Postal Service concluded FY 2012 with a net loss of $15.9 billion. Additionally, the Postal Service continues to grow revenue and reduce expenses by using the tools available to it under existing law; however, without passage of comprehensive legislation to provide the Postal Service with a workable business model for today's marketplace, large quarterly financial losses will continue.

Faced with a massive nationwide infrastructure that is no longer financially sustainable, the Postal Service has proposed sweeping changes designed to save the organization up to $3 billion a year by cutting its network of processing facilities by over half and adjusting service standards. In October 2011, the Postal Service created a portfolio of 36 strategic initiatives[21] to meet ambitious performance and financial goals. Included in these initiatives is network optimization through reducing the number of plants, adjusting the workforce, and increasing the use of processing equipment. Additionally, a bipartisan Senate bill titled, "21st Century Postal Service Act of 2011," proposed on November 2, 2011, 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.

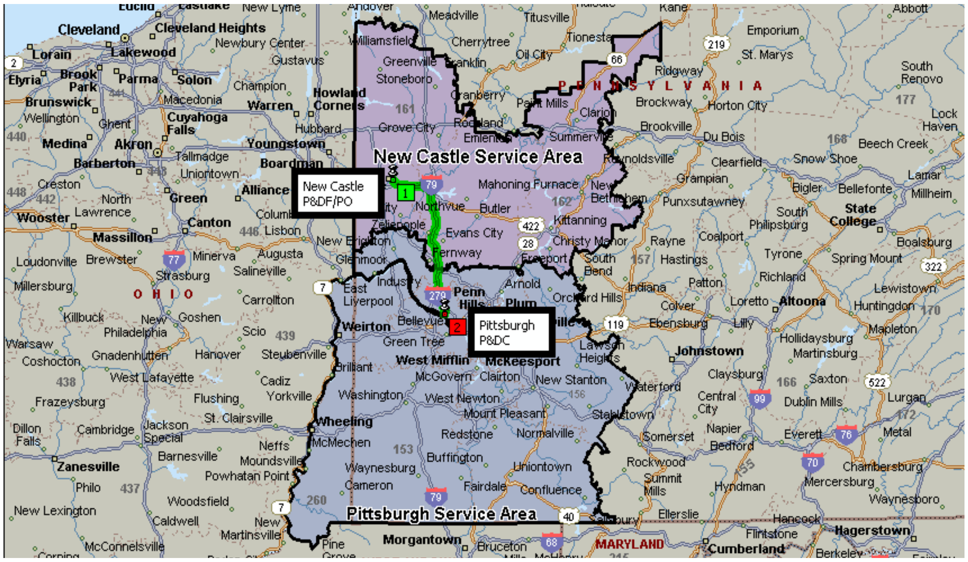
On February 29, 2012, U.S. Senator Robert P. Casey, Jr. requested the OIG to review the consolidation of the New Castle and Greensburg facilities into the Pittsburgh P&DC. Specifically, Senator Casey's concerns include:

- The potential impact of the consolidation on Pennsylvania.
- The ability to maintain service standards while reducing capacity and increasing the distance mail must be transported for processing.
- The possibility of the facilities' closure having a negative impact on businesses and causing signficant hardship if jobs are lost after the consolidation.

This report reviews the consolidation of destinating mail processing operations from the New Castle P&DF and Greensburg CSMPC into the Pittsburgh P&DC. The New Castle P&DF and the Greensburg CSMPC consolidation occurred on August 11 and July 28, 2013. All three facilities are in the Western Pennsylvania District of the Eastern Area (see Figures 5 and 6).

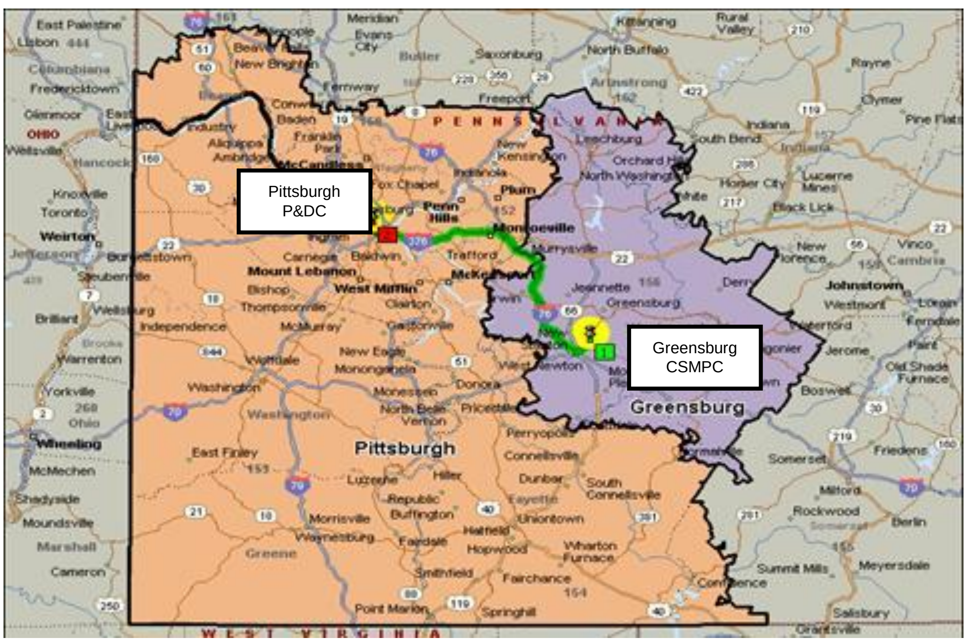
[21] The Postal Service established the Delivering Results, Innovation, Value, and Efficiency (DRIVE) initiative in October 2011. DRIVE is a management process the Postal Service uses to improve business strategy development and execution. It is based on a well-established method used by many corporations 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.

Figure 5. New Castle P&DF



Source: New Castle AMP.

Figure 6. Greensburg CSMPC



Source: Greensburg AMP.

Objectives, Scope, and Methodology

Our objectives were to assess the consolidation of destinating mail processing operations from the New Castle P&DF and Greensburg CSMPC into the Pittsburgh P&DC and assess compliance with established AMP guidelines. We interviewed Postal Service officials and reviewed applicable guidelines, including Handbook PO-408. Additionally, we analyzed workhours, mail volume, employee complement, transportation, and maintenance factors. We reviewed data from FY 2012, Qs 1 and 2, and FY 2013, Qs 1 and 2, to analyze efficiencies at the Pittsburgh P&DC. To accomplish our objectives, we used computer-generated data from the following systems:

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

We conducted this performance audit from February through August 2013 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 July 2, 2013, 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
Oxnard, CA Processing and Distribution Facility Destinating Mail Consolidation	NO-AR-12-004	3/6/2012	None
Report Results: 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.			
Consolidation of Mail Processing Operations at the Mansfield, OH Customer Service Mail Processing Center	NO-AR-12-003	1/20/2012	None
Report Results: A business case supporting the consolidation exists, producing a first year savings of about $4.8 million if the Postal Service successfully repositions affected employees. We recommended management identify repositioning plans for all impacted employees at the CSMPC and continue to monitor and take necessary actions to process mail in a timely fashion at the Cleveland P&DC.			
Industry, CA Processing and Distribution Center Originating Mail Consolidation	NO-AR-12-002	10/17/2011	$1,321,651
Report Results: A valid business case exists to consolidate originating mail processing operations from the industry P&DC into the Santa Ana P&DC to achieve a cost savings of about $1.32 million annually. We made no recommendations.			

<table>
<tr><th>Report Title</th><th>Report Number</th><th>Final Report Date</th><th>Monetary Impact</th></tr>
<tr><td>Oshkosh, WI Processing and Distribution Facility Consolidation</td><td>NO-AR-11-006</td><td>7/29/2011</td><td>None</td></tr>
<tr><td colspan="4">Report Results:
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. Management agreed with both recommendations, saying they will reevaluate the workroom floor space/layout and dock space and reassess letter and flat processing machine capacity at the Green Bay P&DC. However, they disagreed with the logic used in our analysis of floor space needs, asserting the analysis was too high level. Also, management did not believe there was an issue with the letter processing capacity, and believed the equipment set was sufficient.</td></tr>
<tr><td colspan="4"></td></tr>
<tr><td>Implementation of Lima, OH to Toledo, OH Area Mail Processing Consolidation</td><td>EN-AR-11-004</td><td>3/31/2011</td><td>$105,125</td></tr>
<tr><td colspan="4">Report Results:
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 was 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 consolidation that result in a facility closure. Management agreed with the recommendations.</td></tr>
</table>

<table>
<tr><th>Report Title</th><th>Report Number</th><th>Final Report Date</th><th>Monetary Impact</th></tr>
<tr><td>Columbus, GA Customer Service Mail Processing Center Originating Mail Consolidation</td><td>NO-AR-11-005</td><td>2/14/2011</td><td>None</td></tr>
<tr><td colspan="4">Report Results:
A favorable business case existed to support consolidating the Columbus CSMPC’s originating mail operation into the Macon P&DC. We made no recommendations.</td></tr>
<tr><td colspan="4"></td></tr>
<tr><td>Houston, TX Processing and Distribution Center Mail Consolidation</td><td>NO-AR-11-004</td><td>12/14/2010</td><td>$189,744,682</td></tr>
<tr><td colspan="4">Report Results:
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.</td></tr>
<tr><td colspan="4"></td></tr>
<tr><td>Marysville, CA Processing and Distribution Facility Consolidation</td><td>NO-AR-11-002</td><td>11/23/2010</td><td>None</td></tr>
<tr><td colspan="4">Report Results:
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.</td></tr>
</table>

Report Title	Report Number	Final Report Date	Monetary Impact
Review of Wilkes-Barre, PA Processing and Distribution Facility Consolidation	NO-AR-11-001	10/4/2010	None
Report Results: 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.			
Charlottesville, VA Processing and Distribution Facility Consolidation	NO-AR-10-008	8/3/2010	None
Report Results: 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.			

Appendix B: Monetary and Other Impacts

Monetary Impact

The Postal Service did not properly terminate or sublet vacated facilities. As a result, we are questioning $978,954 in associated lease costs.

Recommendation	Impact Category	Amount
1	Questioned Costs[22]	$978,954

Other Impact

Unauthorized use of unsecured Voyager eFleet cards at the Greensburg Post Office would put assets at risk.[23]

Recommendation	Impact Category	Amount
2	Assets Items at Risk[24]	$636,000

[22] Questioned cost includes unnecessary, unreasonable, unsupported, or an alleged violation of law, regulation, contract, and so forth. May be recoverable or unrecoverable. Usually a result of historical events.
[23] We calculated annual assets at risk by multiplying the monthly Voyager eFleet card maximum limit of $1,000 by 12 (months) and multiplying that number by 53 (the number of Voyager eFleet cards at the Greensburg Post Office).
[24] Assets that are at risk of loss because of inadequate internal controls.

Appendix C: Management's Comments

JOSHUA D. COLIN, PH.D.
VICE PRESIDENT, AREA OPERATIONS
EASTERN AREA

UNITED STATES
POSTAL SERVICE

August 7, 2013

MEMORANDUM FOR JUDITH LEONHARDT, DIRECTOR, AUDIT OPERATIONS

SUBJECT: New Castle and Greensburg, Pa Consolidation
(Report Number NO-AR-13-Draft)

The Eastern Area has reviewed the subject draft audit report and agrees with the recommendations along with the monetary impacts.

Recommendation #1:
Coordinate with the Facility Service Office when rental space is vacated to ensure management takes appropriate lease termination actions.

Management Response / Action Plan:
The Eastern Area agrees with the recommendation. On October 1, 2012, the Facilities department restructured which eliminated all Facilities Service Offices and created product lines and a Customer Relations Manager (CRM) for every area. The product line that is responsible for the development of the node study is the Facilities Planning Department. Once this function gains AVP approval and funding for the node study, the approved study is transferred to the Facilities Implementation Department for execution. This step has occurred and the district has notified Facilities that the space is vacant. In the future the CRM is the contact point for all Area/District coordination with Facilities as it relates to vacating facilities.

Target Implementation Date:
The implementation date is July 23, 2013.

Responsible Official:
Thomas Russell – Manager, Facilities Planning

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

Recommendation #2:
Pursue action to sublease or terminate lease agreements for vacated facilities.

Management Response / Action Plan:
The Eastern Area agrees with the recommendation. The development and approval of a node study on losing AMP sites is the catalyst for identifying disposal, or out lease/ sublease opportunities. The study identifies if it is operationally and financially feasible to vacate the facility and if so, how, depending on ownership. A node study was completed both on the Greensburg PA Mail processing annex and the New Castle P&DF. The following are a summary of actions:

Greensburg PA Mail Processing Annex:
The node study was approved on 7/24/2012 and recommended that the lease be terminated upon the lease expiration which is November 2015. The facility was vacated on 1/31/2013 and on 4/16/2013; the facility was turned over to our national real estate provider, CBRE, for either an early buy out or market it as a sublease. The landlord was contacted but due to the high vacancy rate, he is not interested in a buyout. Therefore the property has been on the market for a sublease opportunity.

New Castle P&DF:
The node study was approved on 10/1/2012 and recommended retaining the New Castle P&DF. However it also recommended utilizing the excess space in the P&DF by moving carriers from the New Castle Carrier annex into the P&DF and buy out or sublease the building and parking until lease expiration which is September 2023. The carrier annex was vacated on July 13, 2013 and on July 23, 2013; the facility was turned over to our national real estate provider, CBRE, for either an early buy or market it as a sublease. In addition CBRE is evaluating whether retaining the parking is beneficial to a sublease opportunity or not, and if found not to be beneficial, notice will be given to terminate the parking lot.

The Facilities department is in agreement that excess leased space should be terminated or subleased when possible. That action is underway on both these buildings and we are reviewing all other AMP node studies to insure timely action once operation's has vacated the building.

Target Implementation Date:
The implementation date is July 23, 2013.

Responsible Official:
Thomas Russell – Manager, Facilities Planning

5315 Campbells Run Rd
Pittsburgh PA 15277-7010
Phone: 412-494-2510
Fax: 412-494-2582

Recommendation #3:
Ensure Voyager eFleet credit cards are stored in a secure manner.

Management Response / Action Plan:
The Eastern Area agrees with the recommendation. The Voyager cards are secured and considered an accountable item, signed for by the individual carriers when they receive their accountable mail.

Target Implementation Date:
The implementation date is August 1, 2013.

Responsible Official:
Curtis Williams – Officer-in Charge

After reviewing the report, we have no Freedom of Information Act (FOIA) issues related to this audit. If you have any questions regarding this response, please contact Terry Schram, Facilities Customer Relations Manager at (412) 494-2527.

Joshua D. Colin, Ph.D.

cc: David E. Williams, Jr.
Linda M. Malone
Robert Cintron
Corporate Audit and Response Management

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