



# OFFICE OF INSPECTOR GENERAL

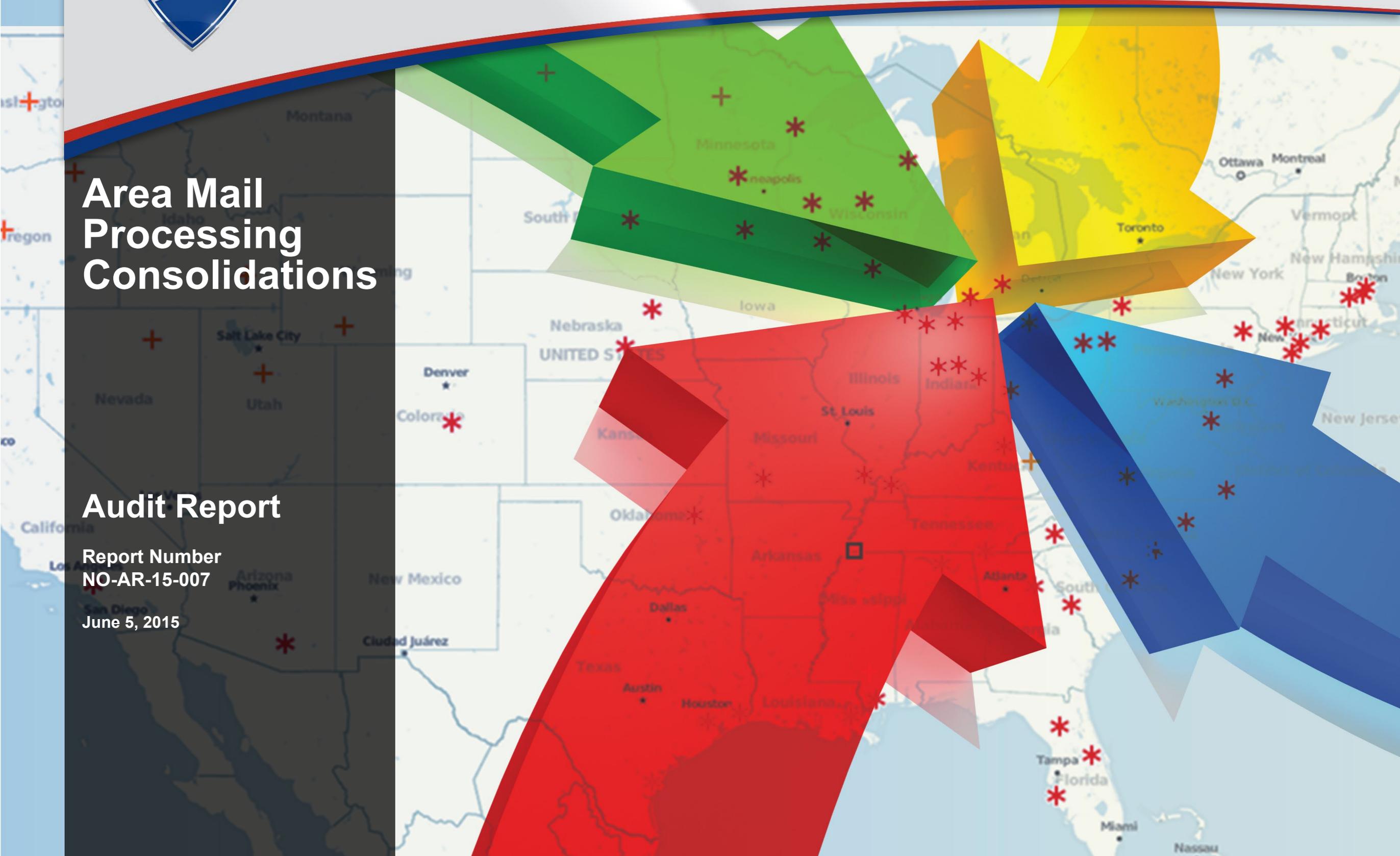
## UNITED STATES POSTAL SERVICE

### Area Mail Processing Consolidations

### Audit Report

Report Number  
NO-AR-15-007

June 5, 2015





# OFFICE OF INSPECTOR GENERAL

## UNITED STATES POSTAL SERVICE

## Highlights

***Our objective was to determine whether the Postal Service's AMP guidelines provide justification and sufficient transparency for consolidating AMP facilities.***

### Background

In 2011, the U.S. Postal Service announced the Network Rationalization Initiatives (NRI), which involved potentially consolidating or closing 252 of 487 mail processing facilities. During 2012 and 2013, the Postal Service consolidated 141 mail processing facilities during Phase 1 of the NRI. The projected annual savings were about \$865 million.

In the summer of 2012, the Postal Service announced its intention to implement revised service standards for market-dominant mail products on February 1, 2014. On January 24, 2014, the Postal Service postponed implementing the revised service standards and Phase 2 of the NRI consolidations.

On June 30, 2014, the former Postmaster General announced that, starting January 2015, 82 mail processing facilities' consolidations would be completed in Phase 2 of the NRI. The projected annual savings were about \$568 million. Thirty-seven of the 82 consolidations had already started. From the time of the initial NRI announcement, mail volume continued to decline indicating the need for further mail processing facilities' consolidations. In May 2015, the Postal Service's chief operating officer announced that the Postal Service would delay implementation of Phase 2 consolidations, but he did not provide a definite date they would resume.

An area mail processing (AMP) feasibility study determines whether there is a business case for relocating processing

and distribution operations. The study includes an analysis of customer and service impacts, transportation costs, equipment relocation costs, and other significant cost savings impacts. As part of the study, the Postal Service is required to hold public meetings and obtain comments.

In an October 6, 2014, management alert, we reported the Postal Service had not analyzed the impact of planned service standard changes or informed stakeholders of the changes related to Phase 2 AMP consolidations. Postal Service management responded that ordinarily such information is included in the individual AMP feasibility studies. However, because service standards were in the process of being changed, estimates of the impacts of planned service standard changes could not be determined at the time the feasibility studies were completed. Management included language in each feasibility study stating estimates of the impacts would be publicly available in the future. The Postal Service published the estimates in January 2015.

Our objective was to determine whether the Postal Service's AMP guidelines provide justification and sufficient transparency for consolidating AMP facilities.

### What The OIG Found

The AMP guidelines provided sufficient instruction for justifying consolidations, and required analysis and disclosure of the impact on delivery service standards. Also, we analyzed



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## UNITED STATES POSTAL SERVICE

***We analyzed 60 Phase 2 consolidations approved in 2012 and 2013 and determined they were cost justified and all yielded cost savings.***

***Our projection of the savings for the 45 consolidations that have not started is \$253.1 million, about \$60 million less than the Postal Service's estimate of \$311.8 million.***

60 Phase 2 consolidations approved in 2012 and 2013 and determined they were cost justified and all yielded cost savings. Our projection of the savings for the 45 consolidations that have not started is \$253.1 million, about \$60 million less than the Postal Service's estimate of \$311.8 million.

However, the process should be more transparent. Specifically, the guidelines do not:

- Include a timeframe for implementing an AMP consolidation once a feasibility study is approved. Consequently, the AMP feasibility study could be significantly out of date by the time the consolidation occurs. As of April 1, 2014, four of the 94 gaining AMP feasibility studies facilities contained data over 2 years old; 88 contained data over 3 years old; and two contained data over 4 years old.

- Define the term "substantive change." A substantive change is the standard for determining whether an AMP feasibility study should be revised.
- Require updating of the public notification website when the consolidation schedule changes.

Improved transparency could result in better acceptance of consolidations and improved stakeholder relations.

### **What The OIG Recommended**

We recommended the vice president, Network Operations, update the AMP guidelines to include guidelines for determining a timeframe for implementing an AMP consolidation once a feasibility study is approved, define the term "substantive change," and require weekly updates of the public notification website.

# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

**June 5, 2015**

**MEMORANDUM FOR:** LINDA M. MALONE.  
VICE PRESIDENT, NETWORK OPERATIONS

E-Signed by Robert Batta  
VERIFY authenticity with e-Sign  
*Robert J. Batta*

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

**SUBJECT:** Audit Report – Area Mail Processing  
Consolidations (Report Number NO-AR-15-007)

This report presents the results of our audit of the Area Mail Processing Consolidations (Project Number 14XG036NO000).

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

***In May 2015, the Postal Service's chief operating officer announced that the Postal Service would delay implementation of Phase 2 consolidations, but he did not provide a definite date they would resume.***

## Introduction

This report presents the results of our self-initiated audit of Area Mail Processing Consolidations (Project Number 14XG036NO000). Our objective was to determine whether the U.S. Postal Service's area mail processing (AMP) guidelines provided justification and sufficient transparency for consolidating AMP facilities. See [Appendix A](#) for additional information about this audit.

AMP is the consolidation of all originating and/or destinating distribution operations from one or more post offices™ or other postal facilities into other automated processing facilities for the purpose of improving operational efficiency and/or service.<sup>1</sup> The AMP process begins with either a top-down or bottom-up approach. With the top-down approach, the chief operating officer and executive vice president contacts the area vice president (AVP) about initiating a feasibility study. This approach was used with the Phase 2 Network Rationalization Initiatives (NRI). With the bottom-up approach, the district manager or senior plant manager notifies the AVP about his or her intention to conduct an AMP feasibility study. An AMP feasibility study determines whether there is a business case for relocating processing and distribution operations.<sup>2</sup> The study includes an analysis of customer and service impacts, transportation costs, equipment relocation costs, and other significant cost savings impacts. As part of the study, the Postal Service is required to hold public meetings and obtain comments.

In 2011, the Postal Service announced the NRI, which involved potentially consolidating or closing 252 of 487 mail processing facilities. During 2012 and 2013, the Postal Service consolidated 141 mail processing facilities during Phase 1 of the NRI. The projected annual savings were about \$865 million.

In the summer of 2012, the Postal Service announced its intention to implement revised service standards for market-dominant mail products on February 1, 2014. On January 24, 2014, the Postal Service postponed implementing the revised service standards and Phase 2 NRI consolidations. On June 30, 2014, the former Postmaster General (PMG) announced that, starting January 2015, 82 mail processing facilities<sup>3</sup> consolidations would be completed in Phase 2 of the NRI. Thirty-seven of the 82 consolidations had already started. The Postal Service estimated \$750 million in annual savings or \$3.5 billion over the next 5 years from the Phase 2 of the NRI. Of the \$750 million in annual savings, \$568 million related to the Phase 2 AMP consolidations and the remaining \$182 million was related to other planned operational changes. From the time of the initial NRI announcement, mail volume continued to decline indicating the need for further mail processing facilities' consolidations. In May 2015, the Postal Service's chief operating officer announced that the Postal Service would delay implementation of Phase 2 consolidations, but he did not provide a definite date they would resume.

In an October 6, 2014, management alert,<sup>4</sup> we reported the Postal Service had not analyzed the impact of planned service standard changes or informed stakeholders of the changes related to Phase 2 AMP consolidations. Postal Service management responded that ordinarily such information is included in the individual AMP feasibility studies. However, because service standards were in the process of being changed, estimates of the impacts of planned service standard changes could not be determined at the time the feasibility studies were completed. Management included language in each feasibility study stating estimates of the impacts would be publicly available in the future. The Postal Service published the estimates in January 2015. See [Figure 1](#) for the location of the 82 facilities to be consolidated in Phase 2 of the NRI.

<sup>1</sup> Handbook PO-408, *Area Mail Processing Guidelines*, March 2008, Section 1-1.1.

<sup>2</sup> Handbook PO-408, Sections 1-4.1 and 2-1.

<sup>3</sup> See [Appendix B](#) for a list of the consolidations.

<sup>4</sup> *Lack of Service Standard Change Information in Area Mail Processing Feasibility Studies* (Report Number [NO-MA-15-001](#), dated October 6, 2014).

**Figure 1. Phase 2 Map of Area Mail Processing Consolidations**

**See Figure 1 for the location of  
the 82 facilities  
to be consolidated in  
Phase 2 of the NRI.**



Source: Phase 2 of the NRI.

***The AMP guidelines provided sufficient instruction for justifying consolidations.***

***We analyzed 60 Phase 2 consolidations approved in 2012 and 2013, and determined they were cost justified and all resulted in cost savings.***

## Conclusion

The AMP guidelines provided sufficient instruction for justifying consolidations. They require analysis and disclosure of the impact of the consolidation on delivery service standards. Also, using data from April 1, 2013 through March 31, 2014, we analyzed 60 Phase 2 consolidations approved in 2012 and 2013, and determined they were cost justified and all resulted in cost savings. Of the 60 consolidations, 23 were already initiated at the time of our audit. Based on our review of the remaining 37 consolidations,<sup>5</sup> we projected the 45 consolidations that have not been initiated would save about \$253.1 million, compared to the Postal Service's estimate of \$311.8 million.<sup>6</sup>

However, the AMP process should be more transparent. Specifically, the guidelines do not:

- Specify when all parts of a consolidation should start once the AMP feasibility study is approved.
- Define the term “substantive change,” which is the standard for revising an AMP feasibility study.
- Require updating of the Rapid Information Bulletin Board System<sup>7</sup> (RIBBS) when the consolidation schedule changes.

Improved transparency could result in better acceptance of consolidation decisions and improved stakeholder relations.

## Timeframe for Initiating a Consolidation

The AMP guidelines do not specify when a consolidation should be initiated once the AMP feasibility study is approved. Over time, there is more likely to be changes in mail volume, labor rates, and labor hours that could impact an AMP's projected cost savings. At the time the Phase 2 feasibility studies were completed, the Postal Service used the most current data available. However, as of April 1, 2014, four of the 94 AMP feasibility studies<sup>8</sup> contained data over 2 years old; 88 contained data over 3 years old; and two contained data over 4 years old (see [Table 1](#)).

<sup>5</sup> The statistical sample size of 37 was based on a universe of 45 consolidations. See [Appendix B](#) for details of the sample.

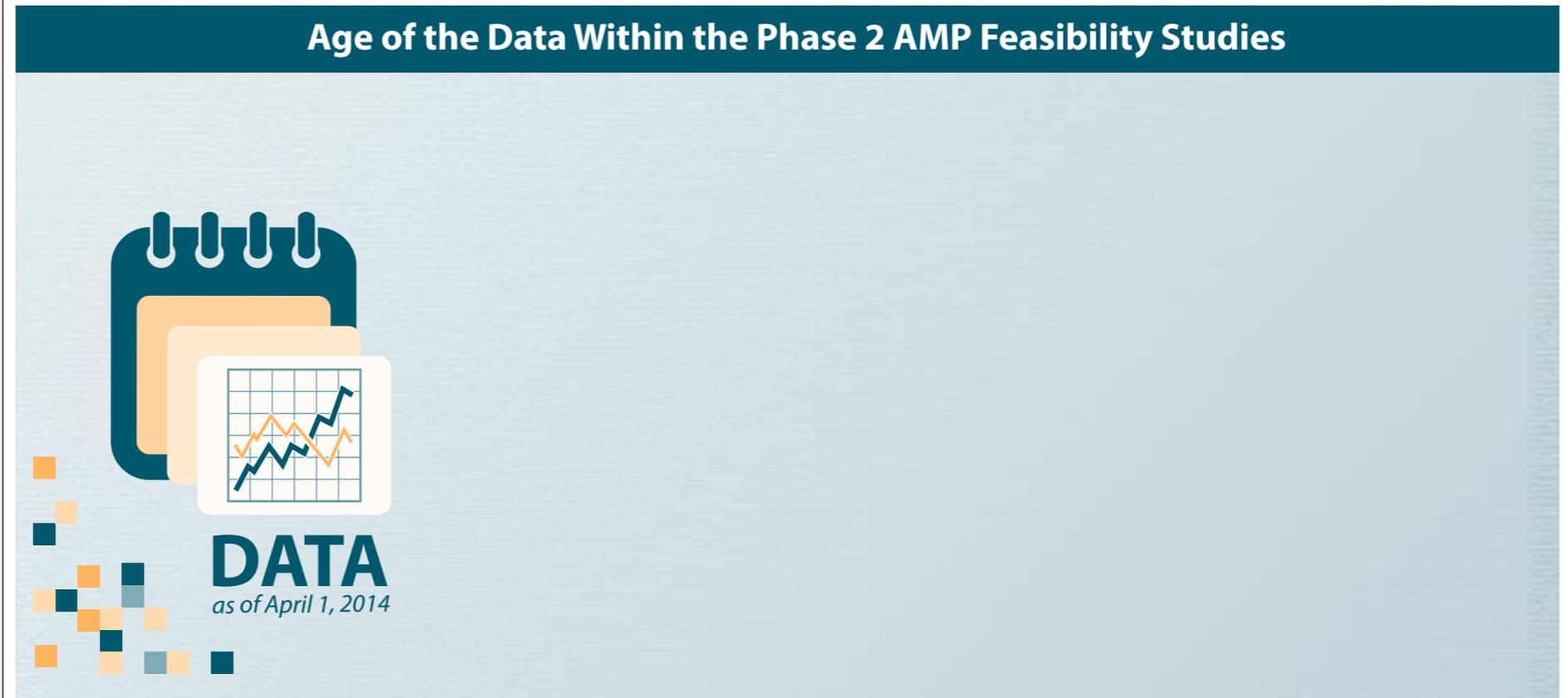
<sup>6</sup> In *The Post Implementation Review Process* (Report Number CI-AR-12-007, dated September 28, 2012) the U.S. Postal Service Office of Inspector General (OIG) reported the 35 final AMP post-implementation reviews (PIR) reported annual savings of about \$467 million based on the methodology used, more than \$367 million (369 percent) over the projected savings.

<sup>7</sup> RIBBS provides up-to-date information on mail restoration programs, impacted delivery areas, and the latest on postal and mailer news.

<sup>8</sup> The Postal Service completed AMP feasibility studies to move mail processing operations from 79 losing facilities to 94 gaining facilities. Three of the 82 Phase 2 consolidations did not require an AMP feasibility study because they are either an annex or a delivery distribution center (DDC). The three facilities are the Fayetteville, NC, and Jet Cove, TN, annexes; and the Seattle, WA, DDC.

**Table 1. Age of the Data Within the Phase 2 AMP Feasibility Studies**

***The AMP guidelines do not specify when a consolidation should be initiated once the AMP feasibility study is approved.***



Source: AMP feasibility studies.

According to Postal Service policy,<sup>9</sup> after an AMP proposal has been approved, the AVP sets the implementation date for the consolidation. But the policy does not specify when a consolidation should start once it is approved. Using more up-to-date data from April 1, 2013, through March 31, 2014, for the consolidations that had not been initiated at the time of our review, we found the projected cost savings was \$253.1 million. This projection was \$58.7 million, or 19 percent, less than the Postal Service's \$311.8 million projection, which relied on the older data.

The labor unions, management associations, the mailing industry, and congressional representatives we interviewed were generally satisfied with the transparency of the Phase 1 AMP consolidations. However, the delayed implementation of the Phase 2 AMP consolidations caused stakeholders' to have concerns about:

- The transparency of the timing of the Phase 2 AMP consolidations.
- What makes up the \$750 million in projected savings from the Phase 2 AMP consolidations.<sup>10</sup>

<sup>9</sup> Handbook PO-408, Section 6-2.

<sup>10</sup> On June 30, 2014, the former PMG announced the Phase 2 AMP consolidations will save \$750 million annually.

***The AMP guidelines do not define the term “substantive change” even though this is the standard for revising a feasibility study. Also, they do not require RIBBS updates when the AMP consolidation sites or schedules change.***

Because of concerns about the timing of and justifications for the Phase 2 AMP consolidations, labor unions and congressional representatives have taken action<sup>11</sup> to delay Phase 2.

### **Definition of the Term ‘Substantive Change’**

The AMP guidelines do not define the term “substantive change” even though this is the standard for revising a feasibility study. Postal Service policy states that when substantive changes to the implemented AMP are warranted, the AVP must outline those changes and provide any necessary revised worksheets, along with supporting justification, to the managers who approved the original proposal and to the headquarters senior vice president, Operations.<sup>12</sup>

We concluded the AMP guidelines should identify what constitutes a substantive change in the elements of a feasibility study, including customer and service impacts, transportation costs, equipment relocation costs, maintenance costs, space costs, and any other significant cost-saving impacts. Also, the AMP guidelines should specify timeframes for evaluating a feasibility study to determine if substantive change(s) occurred.

We interviewed two AMP coordinators; one coordinator stated the term “substantive change” is a matter of interpretation and should be considered when:

- Moving a postmark from one automated facility to another.
- A sectional center facility<sup>13</sup> (SCF) is impacted. Specifically, when a 3-digit ZIP Code<sup>14</sup> SCF designation is no longer used, causing mailing labels to be changed throughout the Postal Service’s infrastructure.
- There is a shift from a manual operation to an automated process.

The other AMP coordinator stated he did not know what the term “substantive change” means. Unclear guidelines could jeopardize stakeholders’ confidence in NRI activities and the costs/benefits of an implemented consolidation may not be properly assessed.

### **Requirement to Update Rapid Information Bulletin Board System**

The AMP guidelines do not require RIBBS updates when the AMP consolidation sites or schedules change. As a result, dates or other changes to the consolidation are not always reflected in RIBBS. Communication is an integral part of the AMP process. Clear, consistent, and accurate communication is especially important when an AMP feasibility study is announced.<sup>15</sup> If RIBBS is not properly updated when changes occur, then stakeholders do not have timely and accurate information.

11 For example, on September 18, 2014, the National Postal Mail Handlers Union (NPMHU) initiated a grievance regarding the Postal Service’s decision to proceed with Phase 2 of the NRI. The NPMHU believed the Postal Service was in violation of Handbook PO-408. Also, on November 12, 2014, members of the House of Representative’s Committee on Oversight and Government Reform urged leadership of the House of Representative’s Committee on Appropriations to include in any legislation making further appropriations for fiscal year 2015 a moratorium on closing or consolidating additional mail processing facilities. Finally, on December 1, 2014, 29 senators wrote to the Postmaster General asking that the consolidations be delayed.

12 Handbook PO-408, Section 6-7.

13 A Postal Service facility that serves as the processing and distribution center (P&DC) for post offices in a designated geographic area as defined by the first three digits of the ZIP Codes of those offices. Some SCFs serve more than one 3-digit ZIP Code range.

14 A presort level in which all pieces in the bundle or container are addressed for delivery within the same first three digits of a 5-digit ZIP Code area.

15 Handbook PO-408, Section 4-1.

# Recommendations

***We recommend management update the AMP guidelines to include guidelines for determining a timeframe for implementing an AMP consolidation once a feasibility study is approved, define the term “substantive change,” and require weekly updates of the public notification website.***

We recommend the Postal Service vice president, Network Operations, update the area mail processing guidelines to:

1. Include guidelines for determining a timeframe for implementing an area mail processing consolidation once a feasibility study is approved.
2. Define “substantive change” with respect to changes that warrant revisions to area mail processing feasibility studies and specify timeframes for evaluating a feasibility study to determine whether substantive change(s) occurred.
3. Require weekly updates of the Rapid Information Bulletin Board System to ensure it is accurate.

## Management’s Comments

Management did not state whether they agreed or disagreed with the findings. However, management disagreed with recommendations 1 and 2 and agreed with recommendation 3. Also, management disagreed with the calculated savings shortfall.

Regarding recommendation 1, management stated that implementation guidelines need to be general because specific timeframes could produce unexpected and counter-productive actions to meet deadlines. Management also stated that systemic changes may be impeded by external influences impacting implementation timelines and flexibility in the implementation is warranted to ensure prudent decision making.

Regarding recommendation 2, management stated that revisions to AMP feasibility studies must be based upon event driven dynamics and not timelines.

Regarding recommendation 3, management stated they are currently using the RIBBS website to communicate implementation plans weekly. Management plans to update the AMP communications plan to include the use of RIBBS website for future implementation activities by July 2015.

Regarding the calculated savings shortfall, management stated the methodology used to estimate the revised numbers was not the same as used in the AMP process and relied upon data from a different time period. Management also stated the accuracy of the savings estimates computed for each AMP feasibility study, using the original data, is not questioned in the report. Also, as noted in a previous OIG report, the AMP post implementation reviews outlined substantially more savings than originally projected.

See [Appendix C](#) for management’s comments, in their entirety.

## Evaluation of Management’s Comments

Regarding management’s disagreement with recommendation 1, we continue to believe that guidelines for determining a timeframe for implementing an AMP consolidation once a feasibility study is approved are necessary. As the data used in an AMP feasibility study becomes older, there is increased risk that there are changes in mail volume and costs that could impact whether the consolidation is still cost justified. The guidelines would help reduce the risk by determining an implementation timeframe that, if passed, would require the AMP feasibility study to be updated with more current data. In May 2015, the Postal Service’s chief operating officer announced that the Postal Service would delay implementation of Phase 2 consolidations, but he did not provide a definite date they would resume. This delay puts the Postal Service at risk of future consolidations being implemented based on untimely data.

Regarding management's disagreement with recommendation 2, we continue to believe the AMP guidelines should define "substantive change" with respect to changes that warrant revisions to AMP feasibility studies and specify timeframes for evaluating a feasibility study to determine whether substantive change(s) occurred. Without a definition of the term, it is not clear when a feasibility study should be revised. Also, without a timeframe for evaluating an AMP feasibility study, there is no assurance that the study will be timely updated.

Regarding management's disagreement with the calculated savings shortfall, we updated the AMP feasibility studies with more current data using the same assumptions used by the Postal Service when completing the AMP studies. We agree that our prior audit report on post implementation reviews reported substantially more savings than originally projected. However, the savings shortfall we calculated for this report was mainly based on reduced mail volume and labor rates from the time the AMP feasibility studies were originally performed.

The OIG considers management's comments responsive to recommendation 3 and corrective actions should resolve the associated issue in the report. We view the disagreements on recommendations 1 and 2 as unresolved and plan to pursue them through the formal audit resolution process.

The OIG considers all recommendations significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed for recommendation 3. Recommendation 3 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.

# Appendices

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### Background

AMP is the consolidation of all originating and/or destinating distribution operations from one or more post offices or facilities into other automated processing facilities for the purpose of improving operational efficiency and/or service.

The AMP process begins with either a top-down or bottom-up approach. With the top-down approach, the chief operating officer and executive vice president contacts the AVP about initiating feasibility study. This approach was used with the Phase 2 of the NRI. With the bottom-up approach, the district manager or senior plant manager notifies the AVP about intentions to conduct an AMP feasibility study. An AMP feasibility study determines whether there is a business case for relocating processing and distribution operations from one location to another. The study includes an analysis of customer and service impacts, transportation costs, equipment relocation costs, and other significant cost savings impacts. As part of the study, the Postal Service is required to hold public meetings and obtain comments.

In 2011, the Postal Service announced the NRI to potentially consolidate or close 252 of its 487 mail processing facilities. During 2012 and 2013, the Postal Service executed Phase 1 of the NRI by consolidating 141 mail processing facilities. In the summer of 2012, the Postal Service announced its intention to implement revised service standards for market-dominant mail products on February 1, 2014. On January 24, 2014, the Postal Service postponed implementing the revised service standards and Phase 2 NRI consolidations.

On June 30, 2014, the former PMG announced plans to start implementing Phase 2 in January 2015. The Postal Service estimated \$750 million in annual savings or \$3.5 billion over the next 5 years from the Phase 2 AMP consolidations. Of the \$750 million in annual savings, \$568 million was related to the Phase 2 AMP consolidations and the remaining \$182 million was related to other planned operational changes. From the time of the initial NRI announcement, mail volume continued to decline indicating the need for further mail processing facilities' consolidations. In May 2015, the Postal Service's chief operating officer announced that the Postal Service would delay implementation of Phase 2 consolidations, but he did not provide a definite date they would resume.

### Objective, Scope, and Methodology

Our objective was to determine whether the Postal Service's AMP guidelines provide justification and sufficient transparency for consolidating AMP facilities.

To accomplish our objective, we:

- Statistically sampled 60 of the 79 Phase 2 AMP consolidations. We calculated cost estimates for mail processing,<sup>16</sup> management, maintenance, and transportation using data from April 1, 2013, through March 31, 2014. We compared our projected cost savings to the Postal Service's projected cost savings for the 45 consolidations that had not been initiated at the time of our review.
- Interviewed the manager, AMP and Facility consolidations; various Postal Service area AMP coordinators; and plant managers to obtain information on the Phase 2 AMP consolidations.

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<sup>16</sup> We reviewed Function 1 workhours, which are related to mail processing operations.

- Interviewed representatives from the following unions and a management association:
  - American Postal Workers Union
  - National Association of Letter Carriers
  - National Association of Postal Supervisors
  - NPMHU
  - National Rural Letter Carriers Association
- Interviewed representatives from the major mailers.
- Reviewed the Postal Service Handbook PO-408, *Area Mail Processing Guidelines*, March 2008; *Area Mail Processing Communication Plan*, November 2011; the Postal Accountability and Enhancement Act, P.L. 109-435; and Title 39 of the Code of Federal Register.
- Generated a questionnaire for stakeholders, and used this electronic survey of mailers to obtain their opinions on the AMP consolidations process.

We conducted this performance audit from July 2014 through June 2015, in accordance with generally accepted government auditing standards and included such tests of internal controls, as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on April 1, 2015, and included their comments where appropriate.

We assessed the reliability of the Enterprise Data Warehouse system and the Web Complement Information System Data by comparing the Postal Service cost savings for the Phase 2 consolidations to our calculations of cost savings. 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 (in millions)
Lack of Service Standard Change Information in Area Mail Processing Feasibility Studies	<a href="#">NO-MA-15-001</a>	10/06/14	None
<p><b>Report Results:</b> The Postal Service had not analyzed the impact of planned service standard changes or informed stakeholders of the changes related to Phase 2 AMP consolidations. Specifically, management did not complete the service standard impacts worksheet in 91 of the 94 AMP feasibility studies. The Postal Service took corrective action in January 2015.</p>			
Toledo, OH, Processing and Distribution Center Mail Consolidation	<a href="#">NO-AR-14-009</a>	08/28/14	None
<p><b>Report Results:</b> While the Postal Service generally followed AMP guidelines, the AMP worksheets had errors because maintenance and transportation costs were underestimated and the Postal Service did not complete some of the AMP study steps within established timeframes. The consolidations did have a negative impact on carriers, with about 28 percent more carriers returning after 5 p.m. This resulted in customers receiving their mail later, as well as an increased risk to carriers' safety. Management agreed with our recommendations to re-evaluate cost savings to include additional transportation and maintenance costs, update data as necessary, and adjust the AMP proposal based on the post-implementation review and to re-evaluate staffing and resources at the Columbus and Michigan Metroplex P&amp;DCs to ensure mail is timely processed and available to carriers for delivery before 5 p.m. and monitor mail processing at the Columbus P&amp;DC to minimize mail delays.</p>			
Consolidation of the Huntsville, AL, Processing and Distribution Facility	<a href="#">NO-AR-14-005</a>	05/05/14	None
<p><b>Report Results:</b> The Postal Service generally followed AMP guidelines although there were instances when some of the AMP study steps were not completed within established timeframes. However, the Postal Service has not yet fully implemented the destinating mail consolidation because the overnight service standards were not revised as anticipated. Without these revisions, the Birmingham P&amp;DC has insufficient machine capacity to process all of Huntsville's destinating letter mail. Consequently, some letter mail still has to be processed at the Huntsville Processing &amp; Distribution Facility (P&amp;DF). Management agreed with our recommendations to continue processing Huntsville's delivery point sequence mail at the Huntsville P&amp;DF and to re-evaluate staffing and resources at the Huntsville P&amp;DF to ensure timely processing of delivery point sequence mail so fewer carriers return after 5 p.m.</p>			
Altoona, PA Originating and Destinating Mail Consolidation	<a href="#">NO-AR-13-010</a>	09/30/13	\$138,839
<p><b>Report Results:</b> The Postal Service complied with stakeholder communication policies when conducting the AMP study and generally followed the AMP guidelines although there were instances when some of the AMP study steps were not completed within established timeframes. Management agreed with our recommendations to re-evaluate maintenance savings and make adjustments to the AMP proposal in the first PIR.</p>			
New Castle and Greensburg, PA Consolidation	<a href="#">NO-AR-13-004</a>	08/16/13	\$978,954
<p><b>Report Results:</b> The Postal Service complied with the stakeholder communications policies and procedures, and employees generally followed the AMP guidelines although there were instances where some of the AMP study steps were not completed within established timeframes. However, we found the 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 leases associated with the vacated facilities were properly terminated or subleased. 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. Management agreed with our recommendations 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.</p>			

Report Title	Report Number	Final Report Date	Monetary Impact (in millions)
Lessons Learned from Mail Processing Network Rationalization Initiatives	NO-MA-13-004	03/27/13	None

**Report Results:** The Postal Service has improved its mail processing network optimization efforts as a result of lessons learned from current and past initiatives; however, further refinements are warranted. The Postal Service could improve communications with stakeholders to enhance transparency. Consolidation activities during the 2012 fall mailing season conflicted with information shared with stakeholders. In addition, overall costs saving projections were revised on several occasions, causing stakeholders to further question the initiative. When information is inconsistent, the Postal Service risks diminishing public confidence while increasing opposition to optimization efforts. Management agreed with our recommendation to improve communications with stakeholders by ensuring they share accurate and consistent information on consolidation impacts.

## Appendix B: Listing of 82 Area Mail Processing Consolidations and 37 Statistically Sampled Sites

The 37 AMP consolidations we statistically reviewed are highlighted in gray.

	<b>Losing Facility</b>	<b>Gaining Facility</b>
1	Huntsville, AL, P&DF	Birmingham, AL, P&DC
2	Tucson, AZ, P&DC	Phoenix, AZ, P&DC
3	Eureka, CA, Customer Service Mail Processing Center (CSMPC)	Medford, OR, CSMPC
4	Industry, CA, P&DC	Santa Ana, CA, P&DC Anaheim, CA, P&DC
5	North Bay, CA, P&DC	Oakland, CA, P&DC
6	Redding, CA, CSMPC	West Sacramento, CA, P&DC
7	Colorado Springs, CO, P&DC	Denver, CO, P&DC
8	Southern Connecticut P&DC	Hartford, CT, P&DC Springfield, MA, National Distribution Center
9	Stamford, CT, P&DC	Westchester, NY, P&DC
10	Gainesville, FL, P&DC	Jacksonville, FL, P&DC
11	Manasota, FL, P&DC	Fort Myers, FL, P&DC
12	Mid-Florida P&DC	Orlando, FL, P&DC
13	Athens, GA, P&DF	North Metro, GA, P&DC
14	Augusta, GA, P&DF	Columbia, SC, P&DC Macon, GA, P&DC
15	Pocatello, ID, CSMPC	Salt Lake City, UT, P&DC
16	Fox Valley, IL, P&DC	South Suburban, IL, P&DC
17	Gary, IN, P&DC	South Suburban, IL, P&DC
18	Kokomo, IN, P&DF	Indianapolis, IN, P&DC
19	Lafayette, IN, P&DF	Indianapolis, IN, P&DC
20	Muncie, IN, P&DF	Indianapolis, IN, P&DC
21	South Bend, IN, P&DC	Fort Wayne, IN, P&DC
22	Salina, KS, P&DF	Wichita, KS, P&DC
23	Campton, KY, CSMPC	Louisville, KY, P&DC
24	Lexington, KY, P&DC	Louisville, KY, P&DC Knoxville, TN, P&DC
25	Paducah, KY, P&DF	Evansville, IN, P&DC
26	New Orleans, LA, P&DC	Baton Rouge, LA, P&DC
27	Central Mass, MA, P&DC	Boston, MA, P&DC Middlesex Essex, MA, P&DC

	<b>Losing Facility</b>	<b>Gaining Facility</b>
28	Middlesex Essex, MA, P&DC	Boston, MA, P&DC
29	Northwest Boston, MA, P&DF	Boston, MA, P&DC Middlesex Essex, MA, P&DC
30	Southern MD, P&DC	Suburban, MD, P&DC
31	Iron Mountain, MI, P&DF	Green Bay, WI, P&DC
32	Kalamazoo, MI, P&DC	Grand Rapids, MI, P&DC and P&DF
33	Lansing, MI, P&DC	Michigan Metroplex P&DC Grand Rapids, MI, P&DC
34	Bemidji, MN, CSMPC	Minneapolis, MN, P&DC
35	Duluth, MN, P&DF	Saint Paul, MN, P&DC
36	Mankato, MN, P&DF	Minneapolis, MN, P&DC
37	Saint Cloud, MN, P&DF	Minneapolis, MN, P&DC
38	Cape Girardeau, MO, P&DF	Saint Louis, MO, P&DC
39	Springfield, MO, P&DF	Kansas City, MO, P&DC
40	Grenada, MS, CSMPC	Jackson, MS, P&DC
41	Gulfport, MS, P&DF	Mobile, AL, P&DC
42	Hattiesburg, MS, CSMPC	Mobile, AL, P&DC
43	Asheville, NC, P&DF	Greenville, SC, P&DC
44	Fayetteville, NC, P&DC	Charlotte, NC, P&DC Raleigh, NC, P&DC
45	Fayetteville, NC, Annex	Fayetteville, NC, P&DC
46	Rocky Mount, NC, P&DF	Raleigh, NC, P&DC
47	Minot, ND, CSMPC	Bismarck, ND, P&DC
48	Grand Island, NE, P&DF	Omaha, NE, P&DC
49	Norfolk, NE, P&DF	Omaha, NE, P&DC
50	Elko, NV, CSMPC	Salt Lake City, UT, P&DC
51	Mid-Hudson, NY, P&DC	Albany, NY, P&DC
52	Queens, NY, P&DC	Brooklyn, NY, P&DC
53	Akron, OH, P&DC	Cleveland, OH, P&DC
54	Dayton, OH, P&DC	Columbus, OH, P&DC
55	Toledo, OH, P&DF	Michigan Metroplex P&DC Detroit, MI, P&DC Columbus, OH, P&DC

	<b>Losing Facility</b>	<b>Gaining Facility</b>
56	Youngstown, OH, P&DF	Cleveland, OH, P&DC
57	Tulsa, OK, P&DC	Oklahoma City, OK, P&DC
58	Bend, OR, CSMPC	Portland, OR, P&DC
59	Eugene, OR, P&DF	Portland, OR, P&DC
60	Pendleton, OR, CSMPC	Portland, OR, P&DC
61	Erie, PA, P&DF	Pittsburgh, PA, P&DC Rochester, NY, P&DC
62	Lancaster, PA, P&DF	Harrisburg, PA, P&DC
63	Scranton, PA, P&DF	Lehigh Valley, PA, P&DC
64	Florence, SC, P&DF	Columbia, SC, P&DC
65	Dakota Central, SD, P&DF	Sioux Falls, SD, P&DC
66	Chattanooga, TN, P&DC	Nashville, TN, P&DC Atlanta, GA, P&DC
67	Jet Cove, TN, Annex	Memphis, TN, P&DC
68	Abilene, TX, CSMPC	Austin, TX, P&DC Midland, TX, P&DC
69	Beaumont, TX, P&DC	North Houston, TX, P&DC
70	Corpus Christi, TX, P&DC	San Antonio, TX, P&DC
71	Houston, TX, P&DC	North Houston, TX, P&DC
72	Provo, UT, CSMPC	Salt Lake City, UT, P&DC Grand Junction, CO, CSMPC Las Vegas, NV, P&DC
73	Norfolk, VA, P&DC	Richmond, VA, P&DC
74	Roanoke, VA, P&DC	Greensboro, NC, P&DC
75	Seattle, WA, DDC	Seattle, WA, P&DC
76	Tacoma, WA, P&DC	Seattle, WA, P&DC
77	Wenatchee, WA, CSMPC	Spokane, WA, P&DC
78	Eau Claire, WI, P&DF	Saint Paul, MN, P&DC
79	La Crosse, WI, P&DF	Saint Paul, MN, P&DC
80	Madison, WI, P&DF	Milwaukee, WI, P&DC
81	Wausau, WI, P&DF	Green Bay, WI, P&DC
82	Rock Springs, WY, CSMPC	Salt Lake City, UT, P&DC

Source: Postal Service Network Operations AMP.

## Appendix C: Management's Comments

LINDA M. MALONE  
VICE PRESIDENT, NETWORK OPERATIONS



May 26, 2015

LORI LAU DILLARD  
Director, Audit Operations

SUBJECT: Audit Report – Area Mail Processing Consolidations  
(Report Number NO-AR-15-DRAFT)

Thank you for providing the Postal Service with the opportunity to review and comment on the subject draft report.

Management does not agree with the predicted savings shortfall identified by the OIG in this report. The methodology used to estimate these revised numbers was not the same as that used in the Area Mail Processing (AMP) process and relied upon data from a different time period. The accuracy of the savings estimates computed for each AMP decision package, using the original data, is not questioned in this report. The OIG, as noted in footnote 8 on page 3 of the report, performed an audit on the Post-Implementation Review (PIR) process (Report Number CI-AR-12-007). The OIG found that PIRs, for the 35 studies reviewed in that report, reported annual savings of about \$467 million based on the methodology used, more than \$367 million over the projected savings.

The subject report was initiated to determine whether the Area Mail Processing (AMP) guidelines in USPS Handbook PO-408, *Area Mail Processing (AMP) Guidelines*, provided justification and sufficient transparency for consolidating mail processing facilities. The report focuses on the studies underlying the AMP decisions currently being implemented under phase 2 of the Network Rationalization Initiative. These studies were performed using a top-down approach. We appreciate the concurrence of the Office of Inspector General (OIG) that the AMP guidelines provide a sufficient framework for management analysis of consolidation proposals and decision-making. We also appreciate that the OIG's independent review of the 82 consolidations yielded a positive business case in every instance.

As noted in this report, the data used by the Postal Service in the AMP studies was the most current data available at the time of each study. These studies were initiated, completed, and approved within USPS Handbook PO-408 process. The OIG analysis of these studies still shows that in every instance the AMP study yields a positive business case.

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Management is committed to continuously improving the AMP process. It is our view that some changes in the process could improve stakeholder understanding of the justification for management decisions. To this end, we have implemented the use of the Rapid Information Bulletin Board System (RIBBS) website to communicate the current implementation plan, and will use it to publish any material changes that may occur. This website is updated on a weekly basis and has evolved to include information that the mailing industry has deemed important to its plans. Management also had extensive outreach to the mailing community and will explore opportunities to make other improvements in the AMP communication plan.

Recommendation 1

Include guidelines for determining a timeframe for implementing an Area Mail Processing consolidation once a feasibility study is approved.

Management Response/Action Plan:

Management disagrees with this recommendation. Implementation guidelines need to be general because specific timelines could produce unexpected and counter-productive actions to meet deadlines. In addition, systemic changes may be impeded by external influences that would impact implementation timelines. We believe that flexibility in the implementation is warranted to ensure prudent decision making.

Target Implementation Date:

N/A

Responsible Official:

N/A

Recommendation 2

Define "substantive change" with respect to changes that warrant revisions to area mail processing feasibility studies and specify timeframes for evaluating a feasibility study to determine whether substantive change(s) occurred.

Management Response/Action Plan:

Management disagrees with this recommendation. Revisions to AMPs must be based upon event driven dynamics and not timelines.

Target Implementation Date:

N/A

Responsible Official:

N/A

Recommendation 3

Require weekly updates of the Rapid Information Bulletin Board System to ensure it is accurate.

Management Response/Action Plan:

Management agrees with this recommendation. Management is currently using the Rapid Information Bulletin Board System (RIBBS) website to communicate implementation plans. These plans are updated on a weekly basis. Management will update the area mail processing communications plan to include the use of the RIBBS website for all future implementation activities.

Target Implementation Date:

July, 2015

Responsible Official:

Manager, Processing Operations

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



Linda M. Malone  
Vice President, Network Operations

cc: Mr. Williams  
Corporate Audit and Response Management



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