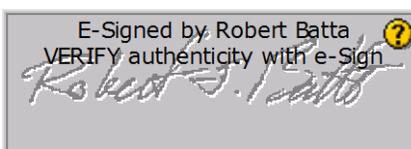




August 7, 2013

MEMORANDUM FOR: JOHN E. LARRIMORE, JR.
MANAGER, AREA MAIL PROCESSING AND FACILITY
CONSOLIDATIONS



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

SUBJECT: Management Alert – Modified Altoona, PA Originating and
Destinating Area Mail Processing Package
(Report Number NO-MA-13-006)

This management alert presents our review of the Modified Altoona, PA Originating and Destinating Area Mail Processing (AMP) Package. The alert specifically discusses errors made in the revised AMP package for consolidating Altoona, PA Processing and Distribution Facility (P&DF) originating and destinating mail into the Johnstown, PA P&DF (Project Number 13XG039NO000). Because of the significant adverse impacts of implementing this AMP, we are issuing this alert to facilitate corrective action prior to the proposed July 2013 implementation date.

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
Corporate Audit and Response Management

Introduction

As a result of a congressional request to review several Pennsylvania (PA) mail processing facility consolidations, the U.S. Postal Service Office of Inspector General (OIG) began an audit of the originating Altoona, PA Processing and Distribution Facility (P&DF) consolidation in February 2013. While reviewing the Area Mail Processing (AMP) package regarding consolidation of the Altoona, PA P&DF originating¹ mail into the Johnstown, PA P&DF, we became aware of a revised AMP package that expanded the consolidation to include the Altoona P&DF's destinating² operations. Our review of this revised AMP, scheduled to be implemented in July 2013, identified significant errors. Because of the significant adverse impacts of implementing this revised AMP, we are issuing this alert to facilitate corrective action prior to the proposed July 2013 implementation date.

Conclusion

Based on our review of the revised AMP, the Altoona P&DF would not have a sufficient number of mail processing employees to process the remaining destinating mail volume. The shortfall would amount to over 19 employees, or about 32,000 workhours. This error also resulted in a \$1.3 million overstatement in cost savings associated with this revised AMP (see [Appendix A](#)). Conversely, the revised AMP would have created overstaffing at the Johnstown P&DF by about 16 employees.

Excess Workhour Reductions

The revised AMP would result in excess workhour reductions at the Altoona P&DF. We estimate that 85,050 workhours would be necessary to process the remaining mail volume of 469 million mailpieces, while the revised AMP only allocated 52,822 workhours, resulting in a shortfall of 32,228 workhours. We identified nine operations that were not allocated any workhours under the revised AMP. [Table 1](#) identifies these operations, the workhours needed to staff them and the associated labor costs. By not allocating these workhours, the saving associated with the AMP was also overstated by about \$1.3 million.

¹ Originating is the point of entry into the mailstream.

² Destinating is the intended point of delivery for mail.

Table 1. Impacted Altoona P&DF Mail Processing Operations

Operation Number	Operation Description	Required Workhours	Workhour Cost³
55	Priority – Manual Incoming	1	\$ 69
151	Manual Letters – Incoming Primary	1,023	45,767
171	Manual Flats – Incoming Primary	910	40,691
240	Manual Distribution – Station/Branch	1,463	65,407
649	Business Reply Mail	259	8,969
769	Station/Branch Box Section	771	35,287
896	Delivery Barcode Sorter/Delivery Input Output Sub-System Barcode Sorter (DBCS/DIOSS BCS) Incoming Secondary	109	4,422
918	DBCS/DIOSS BCS Delivery Point Sequence (DPS), 1 st Pass	19,644	795,498
919	DBCS/DIOSS BCS DPS, 2 nd Pass	8,048	325,899
Total		32,228	\$1,322,009

Source: AMP package.

Altoona Processing and Distribution Facility Employees Adversely Impacted

The Altoona P&DF will lose more mail processing employees than necessary under the revised AMP, leaving it without enough employees to process the remaining workload. We estimate that 49 mail processing employees would still be needed at the Altoona P&DF; however, the revised AMP only allocated 30 employees, resulting in a shortfall of 19 mail processing employees. If this revised AMP had been executed, it would have resulted in the unnecessary relocation/reassignment of 19 employees.

Excess Staff at Johnstown

In regard to the Johnstown P&DF, the revised AMP would have resulted in an overstaffing of 16 employees. This overstaffing would have resulted in a decline in productivity of about 3 percent from prior performance. Based on prior consolidations, productivity normally improves from 5 to 10 percent at the site receiving the mail volume.

We discussed our concerns with management on May 22, 2013. During these discussions, management agreed they made mistakes in the AMP calculations and agreed to make the necessary corrections. They also stated that area personnel who prepared the AMP worksheets were not sufficiently trained, nor were they provided sufficient oversight while preparing the revised AMP package.

³ We calculated workhour savings by multiplying the workhour reduction proposed in the AMP by the workhour rate for the specific operation number, as identified in the AMP.

Recommendations

We recommend the manager, Area Mail Processing and Facility Consolidations:

1. Make necessary corrections in the revised Area Mail Processing package by adjusting workhours and employee complement accordingly and determine whether they should pursue the additional consolidation.
2. Provide sufficient training and oversight to area personnel tasked with completing an Area Mail Processing package to avoid future errors.

Management's Comments

Management agreed with recommendation 1. Management re-evaluated the Altoona P&DF consolidation and determined some workhours were not correctly accounted for while other workhours incorrectly understated potential savings. The corrected study reveals an annual savings of \$717,524 as opposed to the original savings of \$2,400,062. Management has already corrected the AMP study and implemented the final stage of the consolidation in July 2013.

Management did not agree with our conclusion that the Altoona P&DF would not have enough employees to process the remaining workload asserting our conclusion is based on general rather than in-depth analysis. Management stated local facilities make the final determination on excessing impacted employees based upon reviews of necessary staff. Management added it follows the provisions of the National Agreement, specifically, Article 12, which governs reassignment of employees and stated that while implementing AMP's, employees are routinely placed into other non-mail processing facilities. Management also noted that the data input error is unique among the numerous AMP studies and asserted the errors would have been identified and corrected in the Post-Implementation Reviews. Finally, management stated there is still a positive business case for the consolidation and proceeded with the final stages of the consolidation.

With regard to recommendation 2, management agreed and will ensure that all personnel involved in the completion of AMP packages are trained by August 2013.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations in the report.

The OIG considers recommendation 1 significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are 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.

We believe our methodology of workhour analysis and our accompanying conclusion is accurate and reasonable. We conducted our analysis using data provided by the Postal Service which represented their intentions with respect to workhour reductions and employee impacts. Our detailed analysis of each mail processing operation impacted by the AMP study identified errors in the Postal Service's projections of required workhours that would have resulted in a staffing shortage of 19 employees at the Altoona P&DF had the AMP been implemented as approved. While management asserts that local facilities make the final decisions on excessing impacted employees, the calculations provided in the AMP set the goals for hourly and position reductions. Once management corrected the errors, their calculations for the proper staffing at the Altoona P&DF paralleled our analysis. We agree with management's claim that the errors identified in this AMP were unique and that the revised savings still supports the consolidation. Both the OIG and Postal Service management agreed errors were made in the initial Altoona P&DF AMP calculations. Management has re-evaluated the AMP package and corrected the errors which should provide proper staffing at both locations.

Appendix A: Other Impact

Other Impact

Recommendation	Impact Category	Amount
1	Predicted Savings Shortfall ⁴	\$1,322,009

⁴ The difference between the savings the Postal Service predicts for a project (such as capital investment, consolidation, etc.) and the actual savings realized or the OIG's estimate of savings which will be realized.

Appendix B: Management's Comments

DAVID E. WILLIAMS
VICE PRESIDENT, NETWORK OPERATIONS



July 26, 2013

JUDITH LEONHARDT
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Management Alert – Modified Altoona, PA Originating and
Destinating Area Mail Processing Package
(Report Number NO-MA-13-DRAFT)

We reviewed the management advisory performed by the Office of Inspector General on the Altoona Area Mail Processing Package and we appreciate the opportunity to provide feedback to your findings. Management has reviewed the alert in question and disagrees with the conclusions regarding the potential staffing impacts. These conclusions appear to be incorrect and based on a general rather than an in-depth review and analysis.

Management has determined that while some work hours were not correctly accounted for, there were others that incorrectly understated the potential savings. The corrected study reveals an annual savings of \$717,524 as opposed to the original value of \$2,400,062. This represents a reduction in mail processing savings, but an increase in maintenance savings.

Management disagrees with the conclusion that Altoona would not have sufficient employees to process the remaining workload. When implementing an AMP, local facilities make the final determination on excessing impacted employees based upon their review of necessary staff. The staffing section of the AMP study presents a potential impact to the facilities in question based upon planned work hour changes and annual man-year rates.

It is not correct to assume that management would or could reassign employees to the Johnstown facility based solely upon the study. The provisions of the National Agreements, specifically Article 12, govern the reassignment of employees. These provisions require specific steps that must be followed to keep dislocation and inconvenience to employees to a minimum. Impacted employees are provided reassignments based on available positions within a specific radius of their current location.

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You will observe that almost all AMP studies result in the losing facility reducing complement by more than the gaining facility would increase. Employees are routinely placed into other, non-mail processing facilities. The final determination of the number of employees to add to a gaining facility is made at the local level based upon current mail volumes and complement status.

As a matter of standard operating procedure, the Postal Service will conduct two Post-Implementation Reviews (PIR) following the implementation of the AMP. Each PIR serves as an evaluation of the effectiveness of consolidating mail processing operations and measures actual data before and after AMP implementation. Assuming the data input errors were undetected prior to PIR, it is reasonable to presume that these reviews would have resulted in the identification and correction of those errors.

In conclusion, it should be noted that the data input error found in this case is unique among the numerous AMP studies that have been completed and audited. There is still a positive business case for the consolidation of Altoona PA into Johnstown PA. Accordingly, management will be proceeding with the final stages of implementation for this AMP.

Recommendation 1

Make necessary corrections in the revised Area Mail Processing package by adjusting workhours and employee complement accordingly and determining whether they should pursue the additional consolidation.

Management Response/Action Plan:

Management agrees with this recommendation. Management has already corrected the study in question and made corrections. Management will be implementing the final stages of this consolidation as planned.

Target Implementation Date:

July, 2013

Responsible Official:

Manager, Processing Operations

Recommendation 2

Provide sufficient training and oversight to area personnel tasked with completing an Area Mail Processing package to avoid future errors.

Management Response/Action Plan:

Management agrees with this recommendation. Management will ensure that all personnel involved in the completion of AMP packages are trained appropriately.

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Target Implementation Date:
August, 2013

Responsible Official:
Manager, Processing Operations

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



David E. Williams

cc: Ms. Brennan
Corporate Audit and Response Management