OFFICE OF
INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

Industry, CA Processing and Distribution Center Originating Mail Consolidation

Audit Report

October 17, 2011

Report Number NO-AR-12-002

OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

HIGHLIGHTS

October 17, 2011

Industry, CA Processing and Distribution Center Originating Mail Consolidation

Report Number NO-AR-12-002

IMPACT ON:
Mail processing operations in the Santa Ana District of the Pacific Area.

WHY THE OIG DID THE AUDIT:
We performed this review as a result of a congressional request to examine the proposed consolidation of originating letter and flat mail processing operations from the Industry, CA Processing and Distribution Center (P&DC) into the Santa Ana, CA P&DC. Our objectives were to determine whether a business case exists to support the consolidation and assess compliance with established area mail processing (AMP) guidelines.

WHAT THE OIG FOUND:
There is a business case to support the consolidation, which will result in cost savings of approximately $1.32 million annually. Our analysis also indicated that (1) adequate machine and facility capacity exists to process mail at the gaining facility, (2) customer service will be minimally impacted, (3) no career employees will be laid off at either location, although there may be some reassignments, (4) the Santa Ana P&DC is more efficient and processes its mail volumes at a higher productivity level than Industry P&DC, and (5) AMP guidelines were generally followed. We noted that management did not meet one AMP timeline, which had no impact on the business case.

We also found that service impacts to Priority Mail® and package services were incorrectly included in the study.

WHAT THE OIG RECOMMENDED:
We are making no recommendations as the findings support a consolidation and AMP guidelines were generally followed. During the audit, management took corrective action to exclude Priority Mail and package services from the study.

WHAT MANAGEMENT SAID:
Management agreed with our finding that there is a business case to support the consolidation.

AUDITORS' COMMENTS:
Although the report does not contain any recommendations, the U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive.

Link to review the entire report

OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

October 17, 2011

MEMORANDUM FOR: DREW T. ALIPERTO
VICE PRESIDENT, OPERATIONS PACIFIC AREA

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

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

SUBJECT: Audit Report – Industry, CA Processing and Distribution Center Originating Mail Consolidation (Report Number NO-AR-12-002)

This report presents the results of our audit of the Industry, CA Processing and Distribution Center Originating Mail Consolidation (Project Number 11XG043NO000).

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

Attachments

cc: Megan J. Brennan
David E. Williams, Jr.
Frank Neri
Gerard K. Ahern
Corporate Audit and Response Management

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Introduction

This report presents the results of our audit of the Industry, CA Processing and Distribution Center (P&DC) originating mail[1] consolidation into the Santa Ana, CA, P&DC (Project Number 11XG043NO000). The report responds to a congressional request. Our objectives were to determine whether a business case exists to support the consolidation and assess compliance with established Area Mail Processing (AMP) guidelines. The audit addresses operational risk. See Appendix A for additional information about this audit.

Conclusion

A valid business case exists to consolidate originating mail processing operations from the Industry P&DC to the Santa Ana P&DC to achieve cost savings of approximately $1.32 million annually. Our analysis also indicated that:

- Adequate machine and facility capacity exists to process mail at the gaining facility.
- Customer service will be minimally impacted.
- No career employees will be laid off at either location, although there may be some reassignments.
- The Santa Ana P&DC is more efficient and processes its mail volume at a higher productivity level than the Industry P&DC.
- AMP guidelines were generally followed and one timeline was exceeded, but this had no impact on the business case.

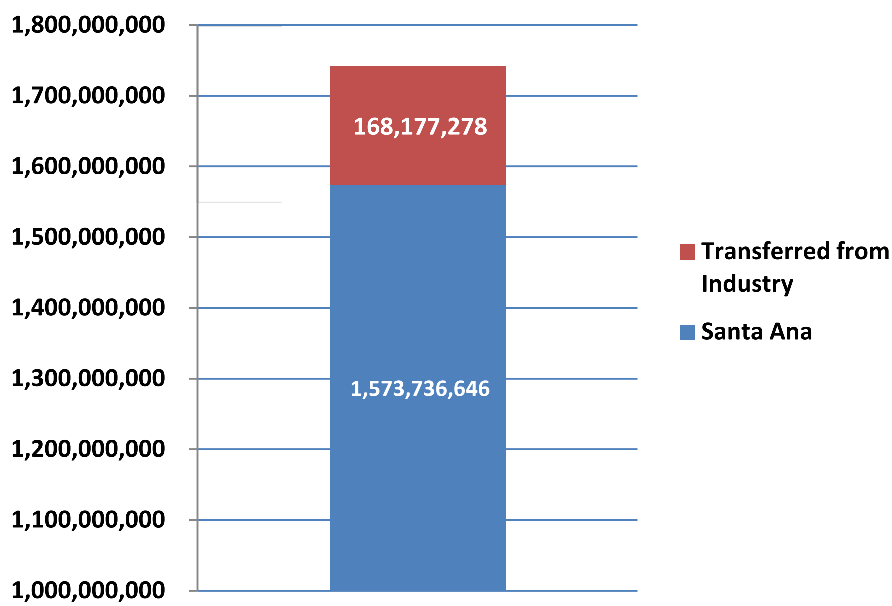
We also found that service impacts to Priority Mail and package services were incorrectly included in the AMP study. During our audit, management took corrective action and excluded these two service classes. Because there is a business case supporting the consolidation, we are not making any recommendations in this report.

[1] The P&DC where the mail piece enters the mail stream.

Capacity

Adequate facility and machine capacity exists at the Santa Ana P&DC to process the mail volume coming from the Industry P&DC. The outgoing mail volume that would be transferred from the Industry P&DC was approximately 168 million pieces, or 11 percent of the Santa Ana P&DC's total First-Handling Pieces (FHP) volume during the AMP review period of July 1, 2001, through June 30, 2010 (see Chart 1).

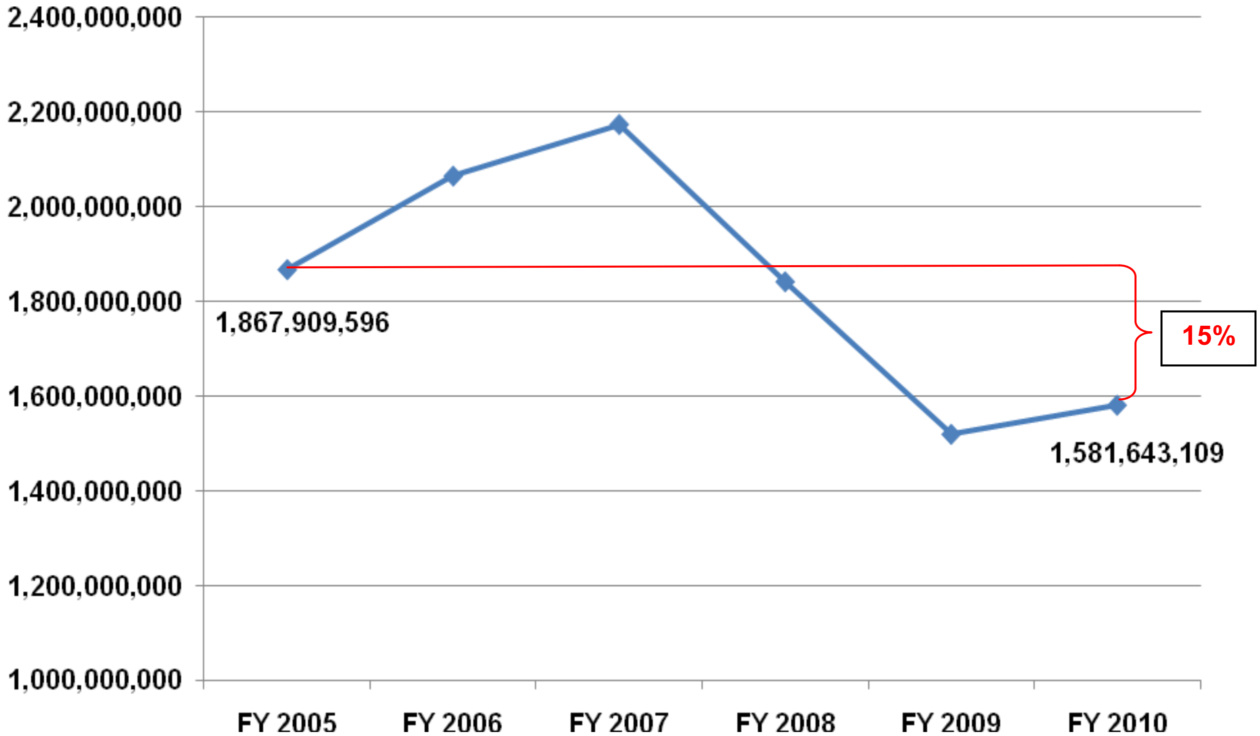
Chart 1: Proposed Santa Ana P&DC FHP Volume



The outgoing mail volume to be transferred is made up of 93 percent letters and 7 percent flats mail. The Industry P&DC will still process packages and Priority Mail. The added volume will help offset the 15 percent volume decline at Santa Ana P&DC that has occurred over the past 5 years.[2] The Santa Ana P&DC should be able to easily absorb the additional 168 million pieces in volume from the Industry P&DC, as it has processed much more volume in the past (see Chart 2).

[2] Mail declined from 1.9 billion mailpieces in fiscal year (FY) 2005 to 1.6 billion mailpieces in FY 2010.

Chart 2: Santa Ana P&DC FHP Volume
FYs 2005–2010[3]



- Floor Space. The Santa Ana P&DC has sufficient floor space to accommodate the additional Advanced Facer Canceller System (AFCS) to be transferred from the Industry P&DC. The Santa Ana P&DC also has adequate staging areas for processing additional mail volume.

- Dock Capacity. The Santa Ana P&DC has adequate dock door capacity for the arrival of originating mail from the Industry P&DC. The Santa Ana P&DC has 44 dock doors, many of which are not fully utilized (see Illustrations 1 and 2).

[3] Volume increased at the Santa Ana P&DC in FY 2010 due to consolidation of mail from Long Beach P&DC.

Illustration 1: The Santa Ana P&DC has 44 dock doors.

Source: OIG photograph taken July 30, 2011.

Illustration 2: The Santa Ana P&DC incoming dock was uncongested.

Source: OIG photograph taken July 26, 2011 at 7:09 p.m.

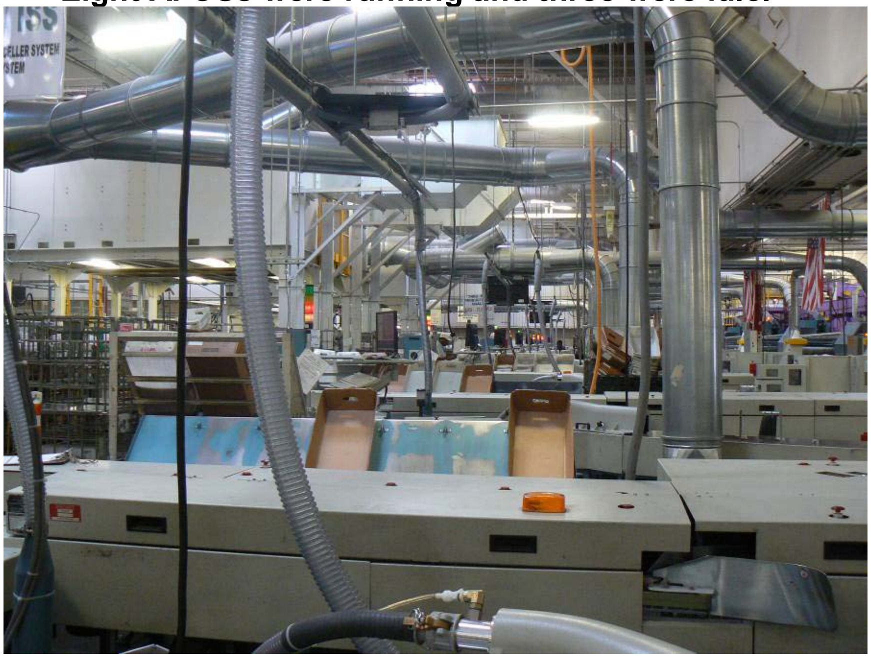
- Machine Capacity. The Santa Ana P&DC has sufficient machine capacity to process the combined Industry P&DC originating letter and flat mail. In fact, the Santa Ana P&DC will have additional excess capacity on all mail processing equipment after the consolidation. For example, the Santa Ana P&DC could handle up to about 56,462,000 additional flats per year and as much as 493,618,000 additional letter cancellations per year (see Table 1).

Table 1: Santa Ana P&DC Machine Capacity

Equipment	Existing Equipment Count	Proposed Equipment Count	Proposed Annual Maximum Capacity Volume (000)	Combined Proposed Volume (000)	Proposed Excess Capacity Volume (000)	Proposed Excess Capacity
Advanced Flat Sorting Machine (AFSM)	4	4	251,100	194,638	56,462	22%
Delivery Input Output SubSystem (DIOSS)	8	10	1,041,600	343,268	698,332	67%
AFCS	11	14	889,526	395,909	493,618	55%
Delivery Bar Code Sorter (DBCS)	44	44	5,657,190	2,213,715	3,443,475	61%
DBCS Output SubSystem (DBCS-OSS) Capabilities	10	10	1,269,450	241,750	1,027,700	81%
Combined Input Output SubSystem	2	2	195,300	93,211	102,089	52%

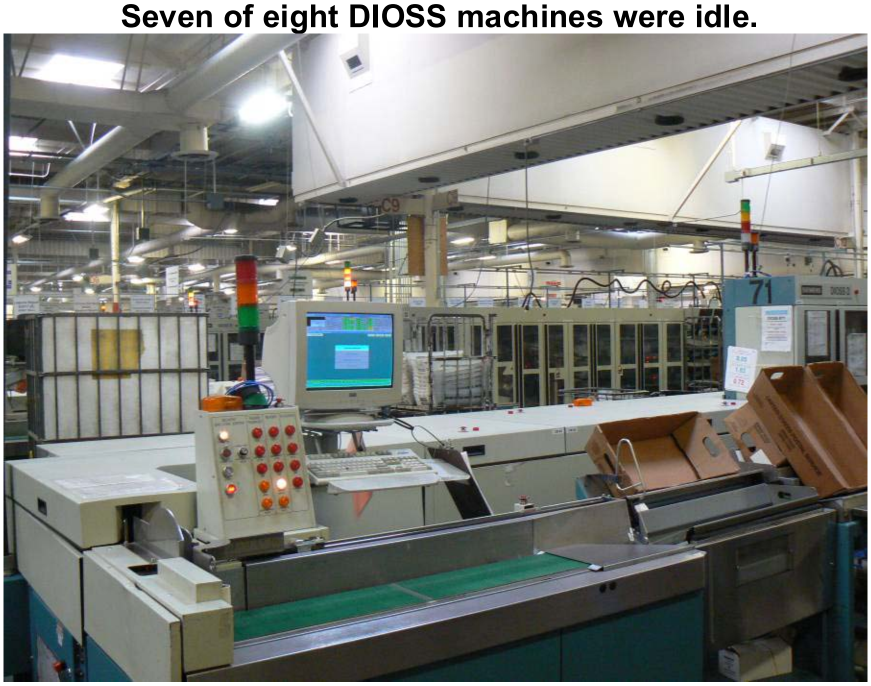
Our observations corroborated that excess capacity exists due to low mail volume (see Illustrations 3-5).

Illustration 3: Santa Ana P&DC
Eight AFCSs were running and three were idle.



Source: OIG photograph taken July 28, 2011 at 6:19 p.m.

Illustration 4: Santa Ana P&DC
Seven of eight DIOSS machines were idle.



Source: OIG photograph taken July 28, 2011 at 6:45 p.m.

Illustration 5: Santa Ana P&DC
One of four AFSM 100s was idle.

Source: OIG photograph taken July 26, 2011 at 7:23 p.m.

Customer Service

Customer service will be minimally impacted. We reviewed three measures of customer service: the External First-Class (EXFC)[4] measurement system, the Customer Experience Measurement System (CEMS),[5] and the projected service standard upgrades and downgrades.[6] We also reviewed the 24-hour clock indicators for both P&DCs. As of FY 2011 Year-to-Date (YTD) Week 39, the Santa Ana P&DC had difficulty meeting the “trips on time to delivery units” 24-hour clock indicator; however, it had minimal impact on their EXFC service scores.

[4] The EXFC is “a system whereby a contractor performs independent service performance tests on certain types of First-Class Mail (letters, flats, postcards) deposited in collection boxes and business mail chutes. It provides national, area, performance cluster, and city estimates, which are compared with the Postal Service’s service goals. The results are released to the public quarterly by the consumer advocate.” Handbook PO-420, *Small Plant Best Practices Guidelines,* November 1999, Appendix D, Page 40.

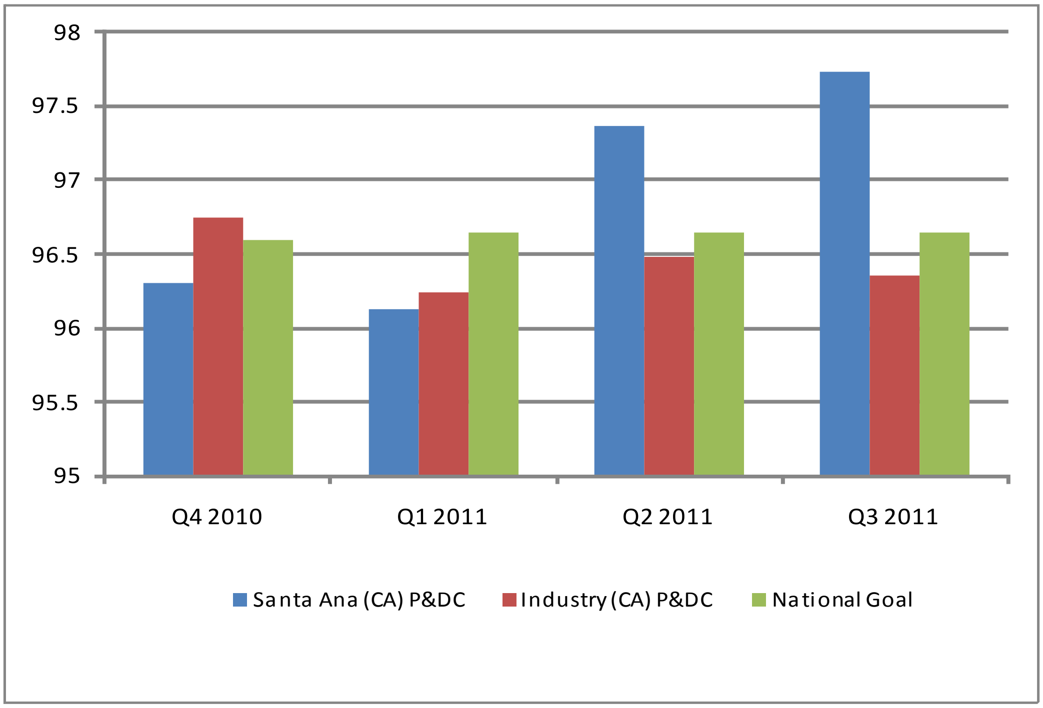
[5] Customer Experience Measurement System provides an end-to-end approach to assessing experience with the Postal Service from the customers’ perspective, including quality of service received.

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

EXFC Scores

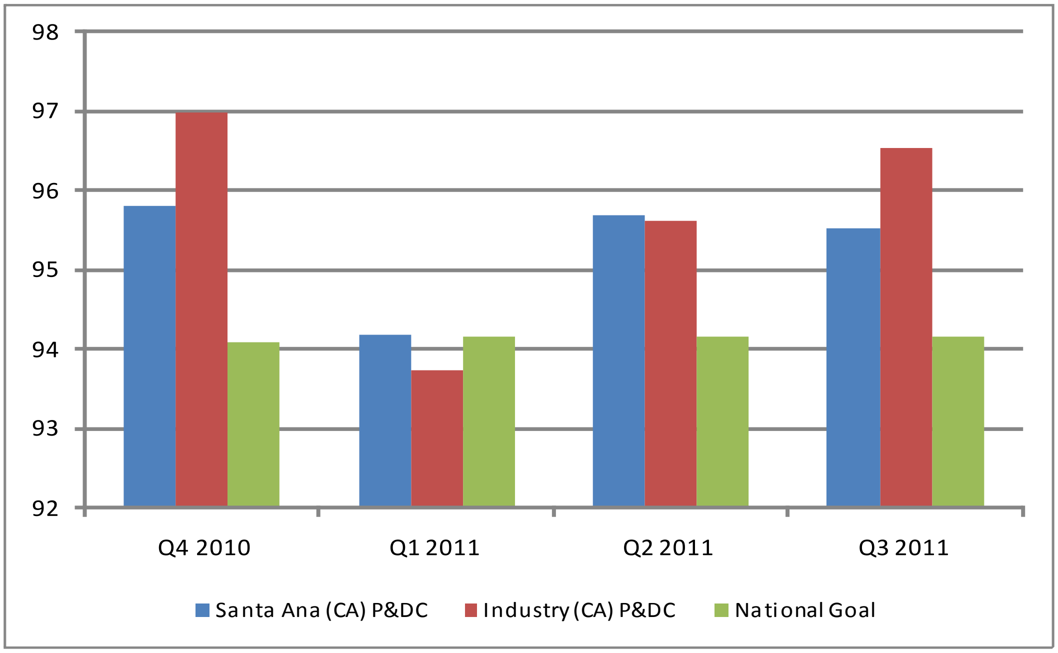
- The Industry P&DC had higher overnight service scores than the Santa Ana P&DC in Quarter 4, FY 2010 and Quarter 1, FY 2011. However, in Quarter 2 and Quarter 3, FY 2011, the Santa Ana P&DC outperformed the Industry P&DC and exceeded the national goal in overnight service. The overnight service performance in Quarter 3, FY 2011 was 97.73 percent on-time for the Santa Ana P&DC and 96.36 percent on-time for the Industry P&DC (see Chart 3).

Chart 3: Santa Ana P&DC Versus Industry P&DC Overnight EXFC Service Scores Quarter 4, FY 2010–Quarter 3, FY 2011



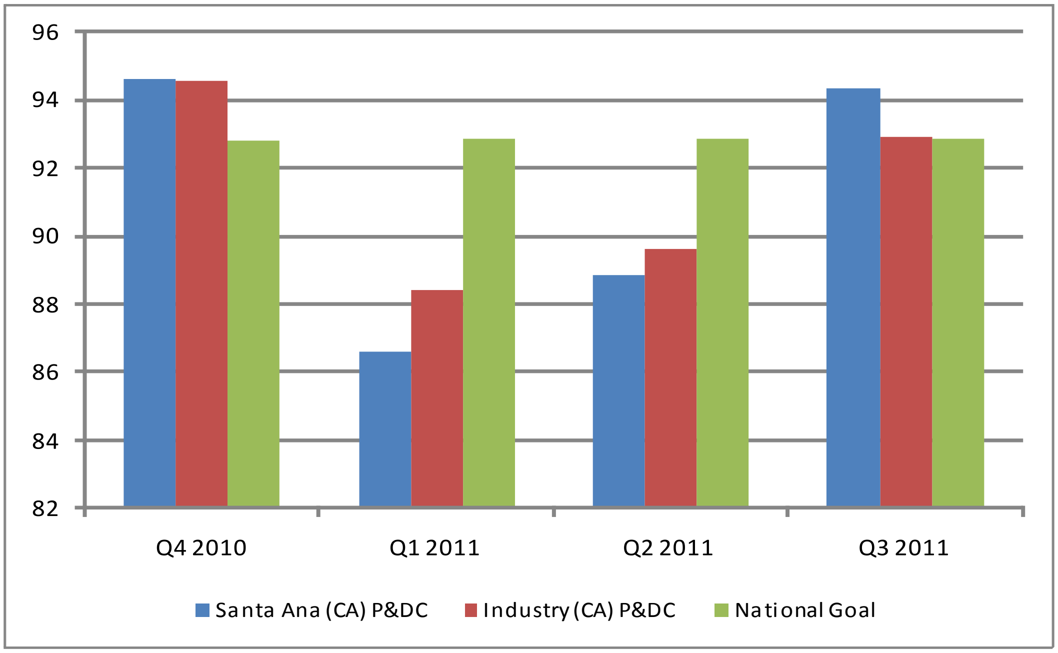
- For 2-day service standards, the Santa Ana P&DC was above the national goal for the previous four quarters and the Industry P&DC exceeded the national goal in three of the previous four quarters (see Chart 4).

**Chart 4: Santa Ana P&DC Versus Industry P&DC
2-Day EXFC Service Scores
Quarter 4, FY 2010–Quarter 3, FY 2011**



- In Quarter 1 and Quarter 2, FY 2011, the Santa Ana P&DC and the Industry P&DC both had 3-day service scores below the national goal. In Quarter 3, however, both plants improved their scores and exceeded the national goal (see Chart 5).

**Chart 5: Santa Ana P&DC Versus Industry P&DC
3-Day EXFC Service Scores
Quarter 4, FY 2010–Quarter 3, FY 2011**

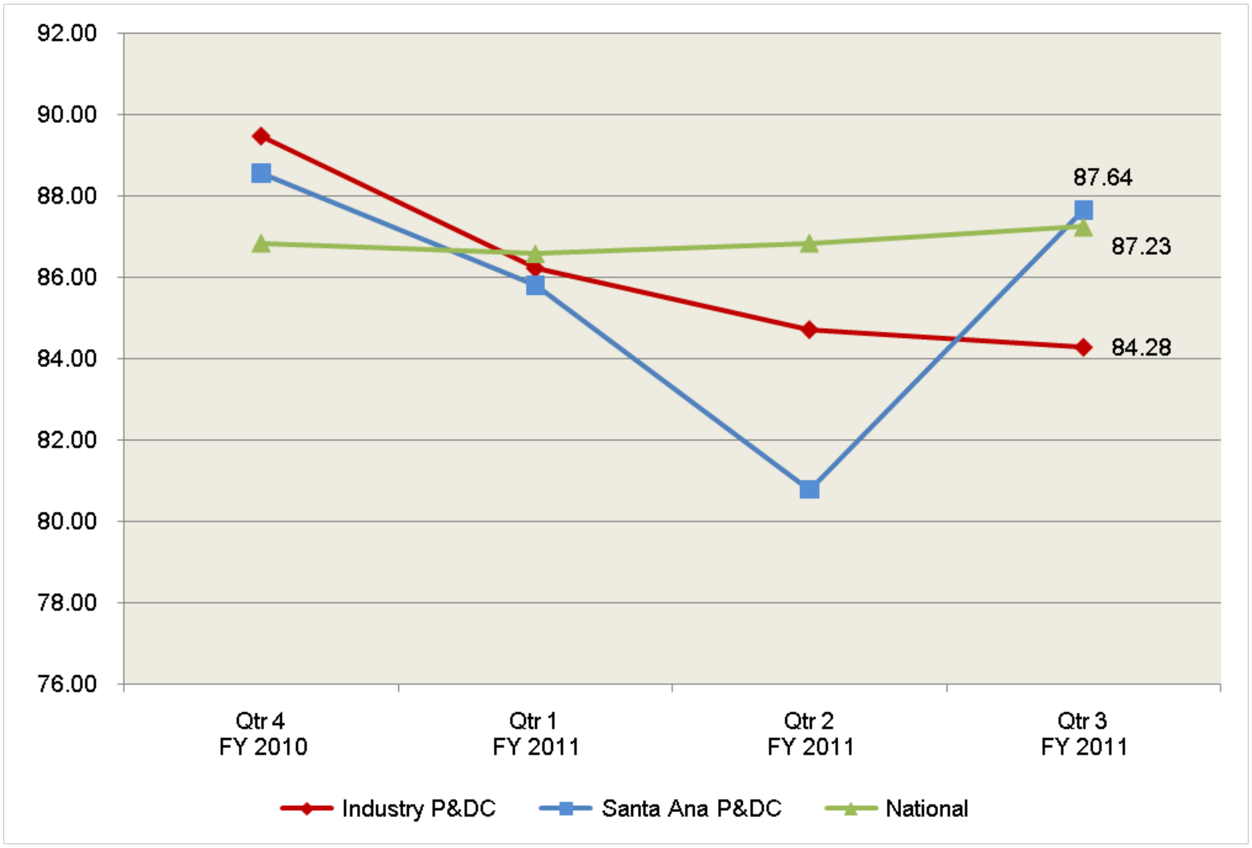


Customer Experience Measurement System

The CEMS average residential scores[7] for the Industry P&DC and the Santa Ana P&DC were above the national average in Quarter 3, FY 2011. In Quarter 4, FY 2010, both P&DCs had scores above the national average, but fell below the national average in Quarters 1 and 2, FY 2011 (see Chart 6).

[7] CEMS residential scores measure the experience with the Postal Service from a residential customers' perspective. The CEMS percentage is based on the number of residential customers that rank the Postal Service good, very good, or excellent.

**Chart 6: Quarter 4, FY 2010–Quarter 3, FY 2011
Customer Experience Measurement Program
Residential Scores**



24-Hour Clock Indicators

The Santa Ana P&DC and the Industry P&DC generally outperformed the national average in most 24-hour clock indicators. Both P&DCs scored 100 percent on the “clear delivery point sequence mail second pass by 7 a.m.” indicator. The Santa Ana P&DC and the Industry P&DC did not meet the performance indicator goal for “mail cancelled by 8 p.m.” Both P&DCs also had difficulty meeting the national goal for “trips on time” to delivery units. The additional mail volume from the consolidation could influence timely delivery of mail. However, management stated sufficient additional sorting equipment and transportation would be added to ensure that mail meets operational clearance times. Consequently, the 24-hour clock indicators below established goals should not negatively impact EXFC service scores for the gaining facility (see Table 2).

Table 2: 24-Hour Clock Indicators (FY 2011 YTD, Week 39)[8]

Indicator	SANTA ANA P&DC	INDUSTRY P&DC	NATIONAL AVERAGE	NATIONAL GOAL
Cancel 80 percent of collection mail by 8 p.m.	61.8%	74.9%	67.2%	80%
Clear outgoing primary mail by 11 p.m.	96.1%	96.7%	93.9%	100%
Clear outgoing secondary mail by 12 a.m.	93.0%	98.6%	90.4%	100%
Clear Managed Mail Program (MMP) mail by 12 a.m.	91.2%	Not applicable	91.4%	100%
Assign mail to commercial/FedEx outgoing mail by 2:30 a.m.	99.6%	99.9%	91.3%	100%
Clear Delivery Point Sequence 2nd Pass by 7 a.m.	100.0%	100.0%	98.9%	100%
Trips on-time between 4–9 a.m. to delivery units	84.8%	79.9%	78.9%	86.90%

Service Standards

The AMP study identified a net of 22 upgrades and eight downgrades that will impact customer service. Specifically:

- There were six upgrades and no downgrades to First-Class Mail® service standards. The upgrades were to overnight service and will impact approximately 1.4 percent of average daily volume or 43,733 mailpieces per day. The originating 2-day service commitment for First-Class Mail to San Diego, CA (ZIP Codes 919-926) will be upgraded to overnight service.

- There were two net service upgrades to Standard Mail and six net service upgrades to Periodicals.

- There will be no changes to service standards for Priority or Package Services mail.[9]

Chart 7 shows the number of service standard changes by class of mail in the AMP study.

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[8] The 24-hour clock Indicators use a color coding system. Red indicates that attention is needed, yellow indicates that performance is not yet at goal, and green show performance is at or approaching goal.
[9] The study incorrectly included 6 upgrades to Priority Mail service and 4 upgraded pairs in package services. However, we found that the planned impacts on service standards will not affect Priority Mail or package services, as these mail classes will still be worked at the Industry P&DC after the consolidation. During our audit, management took corrective action and excluded these service impacts from the study. Consequently, no recommendations are being made in this area.

Chart 7: Impact on Service Standards on All Mail Classes

3-Digit ZIP Code Pair Service Standard Impacts	Upgrades	Downgrades	Net Change
First-Class Mail	6	0	**6**
Priority Mail	0	0	**0**
Periodicals	10	4	**6**
Standard Mail	6	4	**2**
Package Services	0	0	**0**
All Classes	**22**	**8**	**14**

Finally, the last pick up from the collection boxes at the Industry P&DC would be changed from 8 p.m. to 7:30 p.m. The hours of operation for the business mail entry unit and retail unit at the Industry P&DC will not change.

Employee Impact

The consolidation of the Industry P&DC's originating letter and flat operations into the Santa Ana P&DC will have a minimal impact on employees. The Santa Ana P&DC is approximately 34 miles from the Industry P&DC and some employees may be reassigned to the Santa Ana P&DC. Specifically, in mail processing operations (or Function 1):

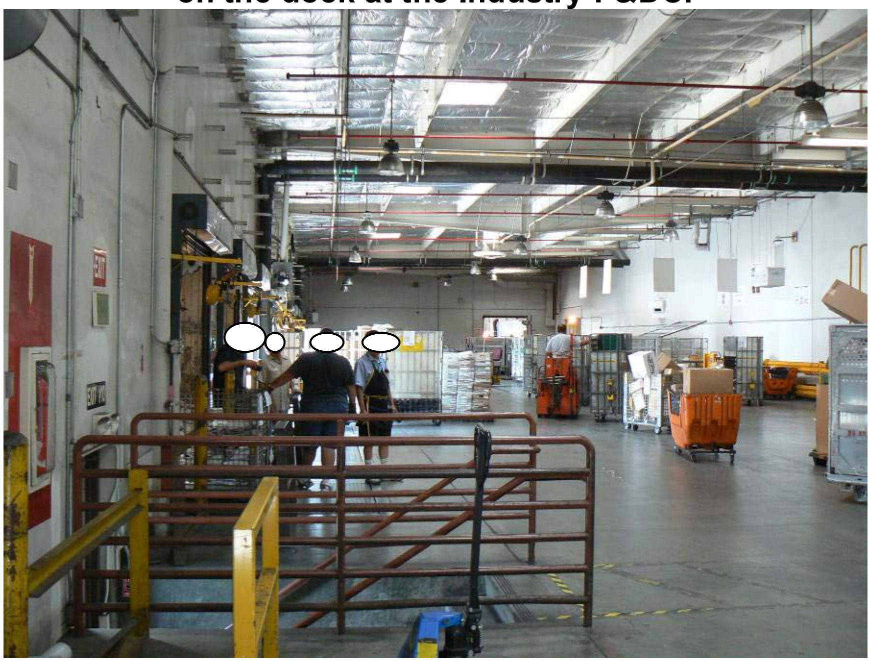
- There will be a reduction of 82 full-time equivalent (FTE) craft positions and four Executive and Administrative Schedule (EAS) positions at the Industry P&DC.
- The Santa Ana P&DC will gain 61 FTE craft positions and one EAS position.
- The consolidation would result in a net decrease of 21 FTE craft positions and three EAS positions. However, there are 223 employees (or almost 41 percent) at the Industry P&DC and 225 employees (or over 31 percent) at the Santa Ana P&DC eligible to retire.[10] With the number of employees already eligible for retirement, the number of positions impacted by a consolidation could be significantly minimized.

[10] Employees eligible to retire as of July 28, 2011.

Efficiency

The Santa Ana P&DC is more efficient than Industry P&DC. For example, in FY 2010, the Santa Ana P&DC's FHP productivity was 1,138 pieces per workhour compared to the Industry P&DC's productivity of 1,034 pieces per workhour. Even though both facilities improved FHP productivity through Quarter 3, FY 2011,[11] with Santa Ana P&DC's FHP productivity of 1,296 pieces per workhour and Industry P&DC's FHP productivity of 1,097 pieces per workhour, the Santa Ana P&DC was still more efficient (see Illustration 6).

Illustration 6: Employees idle due to lack of mail volume on the dock at the Industry P&DC.



Source: OIG photograph taken July 27, 2011 at 4:37 p.m.

When compared to similar-sized facilities, both the Santa Ana and Industry P&DCs achieved productivity levels above the average for their respective groups. For example, the Santa Ana P&DC FHP productivity of 1,138 pieces per workhour was above the group average of 1,024 pieces per workhour, and Industry P&DC's FHP productivity of 1,034 pieces per workhour was above the group average of 1,004 pieces per workhour.

Saturday Consolidation Effect

The Santa Ana P&DC has successfully processed all Industry P&DC originating mail on Saturdays since Quarter 1, FY 2000, over 11 years ago, with no capacity issues. The docks at Santa Ana were not congested on Saturday and trucks arrived partially empty during our observations (see Illustrations 7 and 8).

[11] Quarter 3 of FY 2011 ending June 30, 2011.

Illustration 7: Empty dock at the Santa Ana P&DC on Saturday, July 30, 2011; employees waited for the last two trucks.

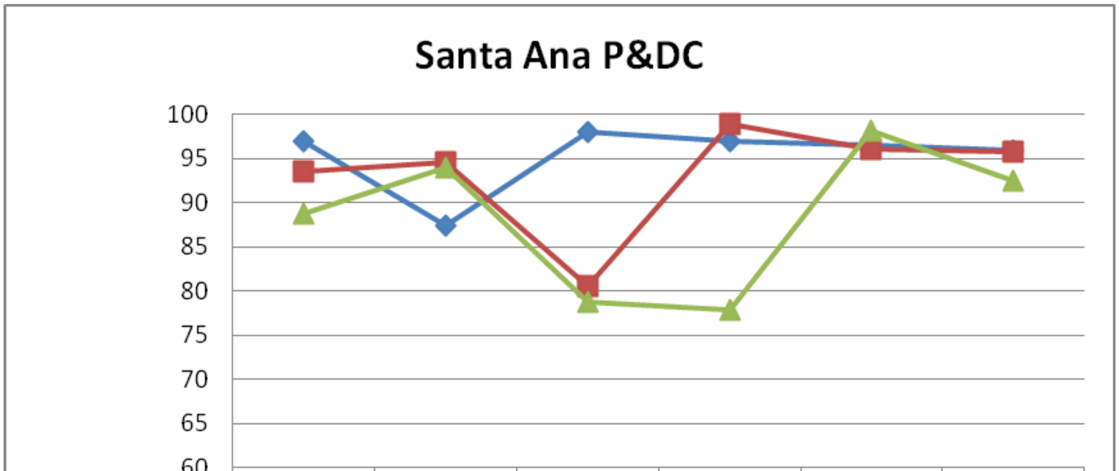
Source: OIG photograph taken July 30, 2011 at 7:45 p.m.

Illustration 8: Santa Ana P&DC The last Industry P&DC truck arrived more than 50 percent empty.

Source: OIG photograph taken July 30, 2011 at 8:15 p.m.

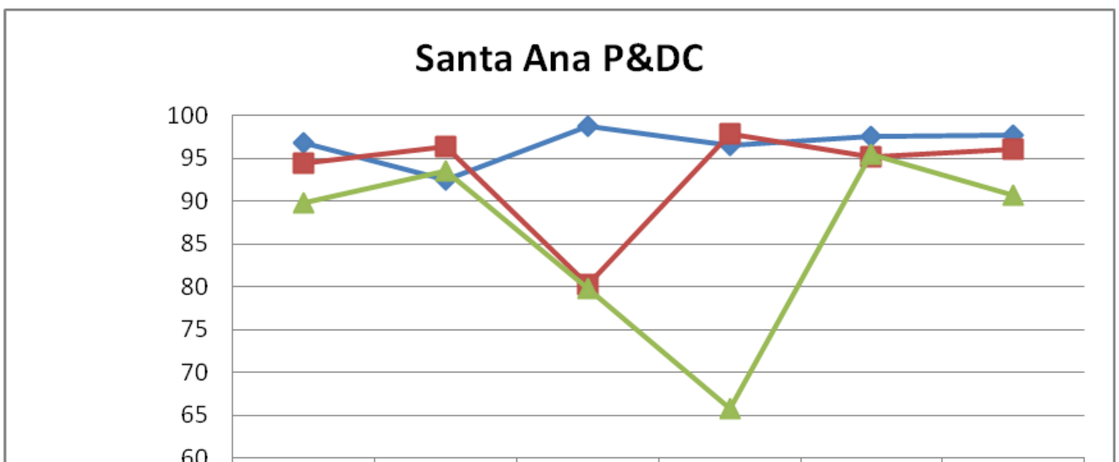
Management has maintained Saturday service scores with minimum variation when compared to rest of weekdays in FY 2010 and Quarters 1-3, FY 2011 (see Charts 8 and 9).

Chart 8: EXFC Service Scores by Day of Week FY 2010



	Saturday	Monday	Tuesday	Wednesday	Thursday	Friday
Overnight	96.97	87.34	98.01	96.88	96.53	95.9
Two Day	93.53	94.59	80.52	98.93	96.02	95.79
Three Day	88.73	93.93	78.78	77.93	98.19	92.54

Chart 9: EXFC Service Scores by Day of Week Quarters 1-3, FY 2011



	Saturday	Monday	Tuesday	Wednesday	Thursday	Friday
Overnight	96.77	92.52	98.73	96.58	97.6	97.66
Two Day	94.35	96.33	80.29	97.8	95.12	96.02
Three Day	89.82	93.55	79.81	65.73	95.5	90.72

Cost Savings

Cost savings will primarily result from workhour reductions. The Postal Service estimated the annual cost savings from the consolidation to be $1,321,651 taking into account workhours, maintenance, transportation, and equipment costs. The U.S. Postal Service Office of Inspector General (OIG) agreed with this estimate. Chart 10 provides a breakdown and comparison of cost savings in the first year.

Chart 10: Cost Savings Breakdown and Comparison

Savings/Cost	AMP Study	OIG Analysis
Mail Processing Craft Workhour Savings	$1,632,220	$1,632,220
Non-Mail Processing/Management	0	0
Management Workhour Savings	357,225	357,225
Transportation Costs	(980,290)	(980,290)
Maintenance Savings	312,496	312,496
Space Costs	0	0
Total Annual Savings	**1,321,651**	**1,321,651**
Total One-Time Costs	(202,968)	(202,968)
Total First Year Savings	**$1,118,683**	**$1,118,683**

Note: Red numbers in the chart indicate a cost.

AMP Guidelines

The Postal Service complied with stakeholder communication policies and procedures and the AMP guidelines were generally followed. Only one of the AMP study steps was not completed within the established timeframe. Not meeting this timeframe did not adversely affect the consolidation determination process. See Chart 11 for a timeline of events.

Chart 11: AMP Timeline of Events

Event	Date	Was Step Accomplished?	Accomplished Within Timeframe?
Area vice president (AVP) notified district manager or district manager notified AVP of intent to conduct study.	9/24/10	Yes	Yes
Stakeholders notified on the intent to conduct study.	10/6/2010	Yes	Yes
District manager completed feasibility study and submitted to AVP within 2 months of notification to conduct study.	12/13/2010	Yes	No[12]
District manager held public input meeting within 45 days after study submitted to AVP.	1/26/2010	Yes	Yes
District manager summarized information from public meeting and written comments within 15 days after meeting.	1/26/2011	Yes	Yes
The AVP and headquarters vice president reviewed the feasibility study within 60 days from the time the study is submitted to the AVP.	3/25/2011	Yes	Yes
The AVP approved study after finalized worksheets were approved by area and headquarters and submitted study to senior vice president (SVP), Operations.	4/5/2011	Yes	Yes
The SVP, Operations, approved study within 2 weeks of receipt from the AVP.	5/16/2011	Yes	Yes

[12] This step was completed 19 days late but did not adversely affect the consolidation study process.

Management's Comments

Management agreed with our finding that there is a business case to support consolidation of originating letter and flat mail processing operations from the Industry, CA P&DC into the Santa Ana, CA P&DC. See Appendix C for management's comments in their entirety.

Evaluation of Management's Comments

Although the report does not contain any recommendations, the U.S. Postal Service OIG considers management's comments responsive.

Appendix A: Additional Information

Background

The U.S. Postal Service ended Quarter 3, FY 2011 (April 1-June 30) with a net loss of $3.1 billion, compared to a net loss of $3.5 billion for the same period in FY 2010. Total mail volume declined to 39.8 billion pieces for the quarter, compared to 40.9 billion pieces in Quarter 3, FY 2010. Postal Service Quarter 3 revenue reflects the anemic state of the economy during the past 3 months. Additionally, the growth in electronic communications continues to erode core First-Class Mail volume. Net losses for the 9 months ending June 30 amount to $5.7 billion in 2011 compared to $5.4 billion in 2010.

Even with significant cost reductions and revenue growth initiatives, current financial projections indicate the Postal Service will have a cash shortfall and will have reached its statutory borrowing limit by the end of the fiscal year. Absent substantial legislative change, the Postal Service will be forced to default on payments to the federal government. "We continue to take aggressive actions to reduce costs and bring the size of our infrastructure into alignment with reduced customer demand," says postmaster general and CEO, Patrick Donahoe.

In testimony before Congress,[13] the U.S. Government Accountability Office (GAO) said action is urgently needed to facilitate the Postal Service's financial viability, as it cannot support its current level of service and operations. Congress, the Postal Service, the administration, and stakeholders need to agree on a package of actions to restore the Postal Service's financial viability and take steps to modernize and restructure it. The Postal Service needs to become a leaner, more flexible organization, so that it can operate more efficiently, control costs, keep rates affordable, and meet customers' changing needs. Postal Service operations, networks, and workforce need to be realigned with the changes in mail usage and customer behavior, as the Postal Service now has costly excess capacity.

Title 39 U.S.C., § 101, Part 1, Chapter 1, states that the Postal Service ". . . shall provide prompt, reliable, and efficient services to patrons in all areas." Further, the September 2005 Postal Service Strategic Transformation Plan states, "The Postal Service will continue to provide timely, reliable delivery to every address at reasonable rates." The Postal Accountability and Enhancement Act, P.L. 109-435, Title II, dated December 20, 2006, highlights ". . . the need for the Postal Service to increase its efficiency and reduce its costs, including infrastructure costs, to help maintain high quality, affordable postal services. . . ."

This report responds to a request from U.S. Representatives Grace F. Napolitano (CA-38), Judy Chu (CA-32), and Adam Schiff (CA-29) to independently review the consolidation of originating letter and flat mail processing operations from the Industry

[13] GAO-11-428T, testimony before the Subcommittee on Federal Workforce, U.S. Postal Service and Labor Policy, Committee on Oversight and Government Reform, House of Representatives, dated March 2, 2011.

P&DC into the Santa Ana P&DC. The representative's concerns included whether savings will be realized and service levels will be maintained.

This consolidation would move the originating letter and flat mail from Industry P&DC to the Santa Ana P&DC. According to the AMP study, approximately 168 million originating mailpieces would be transferred to the Santa Ana P&DC for processing. The Industry P&DC and the Santa Ana P&DC are approximately 34 miles apart and are in the Santa Ana District in the Pacific Area (see Map 1).

Map 1: Districts within the Postal Service Pacific Area

Objectives, Scope, and Methodology

Our audit objectives were to determine whether a business case exists to support the consolidation of the originating letter and flat mail processing operations from the Industry P&DC into the Santa Ana P&DC and whether AMP guidelines were followed. We reviewed data from July 1, 2009, to June 30, 2010, to analyze potential efficiencies for both plants as well as capacity at the Santa Ana P&DC. Additionally, we reviewed service scores from Quarter 4, FY 2010 through Quarter 3, FY 2011. We also estimated the costs and savings from this analysis. We conducted observations at both sites during July 2011 and interviewed Postal Service management.

We used computer-processed data from the following systems:

- CEMS
- Electronic Facilities Management System
- Enterprise Data Warehouse

- Web Complement Information System
- Web End-of-Run

We conducted this performance audit from June through October 2011 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 September 13, 2011, and included their comments where appropriate.

We assessed the reliability of computer-generated data by interviewing agency officials knowledgeable about the data. We determined the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
Area Mail Processing Communications	EN-AR-09-001	2/4/2009	N/A	Management agreed with our recommendation to add employee input notifications but disagreed with the recommendation to explore additional communication channels.
Canton Processing and Distribution Facility Outgoing Mail Consolidation	NO-AR-09-011	9/22/2009	N/A	We made no recommendations.
New Castle Processing and Distribution Facility Outgoing Mail Consolidation	NO-AR-10-002	2/1/2010	N/A	We made no recommendations.
Manasota Processing and Distribution Center	EN-AR-10-003	2/12/2010	N/A	Management agreed with our recommendations.
Lakeland Processing and Distribution Center Consolidation	EN-AR-10-004	2/12/2010	N/A	We made no recommendations.
Dallas Processing and Distribution Center Outgoing Mail Consolidation	NO-AR-10-003	2/24/2010	$114,000,000	Management agreed with monetary impact and the recommendations.
Consolidation of Lima Processing & Distribution Facility Mail Operations Into the Toledo Processing & Distribution Center	NO-AR-10-007	7/2/2010	N/A	Management agreed with the recommendations.
Charlottesville Processing and Distribution Facility Consolidation	NO-AR-10-008	8/3/2010	N/A	We made no recommendations.
Review of Wilkes-Barre, PA Processing and Distribution Facility Consolidation	NO-AR-11-001	10/4/2010	N/A	We made no recommendations.

Marysville, CA Processing and Distribution Facility Consolidation	NO-AR-11-002	11/23/2010	N/A	We made no recommendations.
Houston, TX Processing and Distribution Center Mail Consolidation	NO-AR-11-004	12/14/2010	$189,744,682	Management agreed with the recommendations.
Columbus, GA Customer Service Mail Processing Center Originating Mail Consolidation	NO-AR-11-005	2/14/2011	N/A	We made no recommendations.
Implementation of Lima, OH to Toledo, OH Area Mail Processing Consolidation	EN-AR-11-004	3/31/2011	$105,125	Management agreed with the recommendations.
Assessment of Overall Plant Efficiency 2011	NO-MA-11-004	5/20/2011	$647,586,823	Management agreed they could improve operational efficiency by reducing more than 14 million workhours by the end of FY 2013. This would allow the Postal Service to achieve at least median productivity levels in the network and avoid costs of more than $647.5 million based on workhour savings for 1 year.
A Strategy for a Future Mail Processing & Transportation Network	RARC-WP-11-006	7/6/2011	N/A	The Postal Service continues to make gradual progress in rightsizing the network. In the next 10 years, over half of the Postal Service work force will be eligible to retire and substantive restructuring with significant savings can occur with minimal relocations and layoffs. Very large portions of customers are open to relaxing existing service standards in exchange for achieving substantial economies.
Oshkosh, WI Processing and Distribution Facility Consolidation	NO-AR-11-006	7/29/11	N/A	Management agreed with recommendation 1, stating they will re-evaluate the workroom floor space/layout and dock space. However, they disagreed with the logic used in our analysis of floor space needs, asserting the analysis was too high level. Management agreed with recommendation 2, stating they will reassess letter and flat processing machine capacity.

Appendix B: Management's Comments

DREW T. ALIPERTO
VICE PRESIDENT, PACIFIC AREA OPERATIONS

UNITED STATES
POSTAL SERVICE

October 11, 2011

ROBERT J. BATTA
DEPUTY ASSISTANT INSPECTOR GENERAL FOR MISSION OPERATIONS
OFFICE OF THE INSPECTOR GENERAL

SUBJECT: Area Response, Audit Report – Industry Post Office Facility Consolidation (Report Number NO-AR-12)

The Pacific Area appreciates you taking the time to review our plans to consolidate originating letter and flat mail processing operations from Industry P&DC into Santa Ana P&DC. We have reviewed your Audit Report – Industry, CA Processing and Distribution Center Originating Consolidation (Project Number 11XG043NO000) and are in agreement with your findings that there is a business case to support this "Service Up / Cost Down" strategy.

Actual savings resulting from this AMP will be updated during the Post Implementation Review studies following our anticipated April 2012 implementation.

Drew T. Aliperto

cc: Gerald K. Ahern
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