



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Panama City, FL, Processing and Distribution Facility Consolidation

Audit Report

Report Number
NO-AR-16-005

January 4, 2016



1336





OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Highlights

A business case existed to support consolidating the Panama City, FL, P&DF. We estimated the consolidation should save the Postal Service about \$3.4 million annually, which is \$55,782 more than the Postal Service estimated.

Background

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

The Postal Service finished consolidating the Panama City, FL, Processing and Distribution Facility (P&DF) into the Pensacola, FL, Processing and Distribution Center (P&DC) on April 1, 2013.

This report responds to a request from Congresswoman Gwen Graham to review the consolidation. Our objectives were to determine whether a business case existed to consolidate mail processing operations from the Panama City P&DF into the Pensacola P&DC and assess compliance with established AMP guidelines.

What the OIG Found

A business case existed to support consolidating the Panama City, FL, P&DF. We estimated the consolidation should save the Postal Service about \$3.4 million annually, which is \$55,782 more than the Postal Service estimated. We found the Postal Service overestimated mail processing craft workhour savings and underestimated transportation savings. Also, we found the Postal Service underestimated one-time costs by \$55,088.

We also found the Pensacola P&DC has adequate machine capacity to process the additional mail from the Panama City P&DF and the Postal Service did not lay off any career employees as a result of the consolidation. In addition, the consolidation did not substantially impact the community and the Postal Service generally complied with established AMP guidelines.

We also found that productivity decreased at the Pensacola P&DC. In addition, the consolidation resulted in improved service standards. However, service performance slightly declined after the consolidation.

What the OIG Recommended

We recommended the vice president, Southern Area, adjust staffing and workhours at the Pensacola P&DC to ensure productivity targets are achieved and adjust transportation and other operational requirements to ensure the Pensacola P&DC meets service commitments.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

January 4, 2016

MEMORANDUM FOR: SHAUN MOSSMAN.
ACTING VICE PRESIDENT, SOUTHERN AREA

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

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

SUBJECT: Audit Report – Panama City, FL, Processing and Distribution
Facility Consolidation (Report Number NO-AR-16-005)

This report presents the results of our audit of the Panama City, FL, Processing and Distribution Facility Consolidation (Project Number 15XG038NO000).

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

Attachment

cc: Corporate Audit and Response Management

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Findings

Our objectives were to determine whether a business case existed for the consolidation of mail processing operations from the Panama City, FL, P&DF into the Pensacola, FL, P&DC and assess compliance with established AMP guidelines.

Introduction

This report presents the results of our audit of the Panama City, FL, Processing and Distribution Facility Consolidation (Project Number 15XG038NO000). The report responds to a request from Congresswoman Gwen Graham to review the consolidation. Our objectives were to determine whether a business case existed for the consolidation of mail processing operations from the Panama City, FL, Processing and Distribution Facility (P&DF) into the Pensacola, FL, Processing and Distribution Center (P&DC) and assess compliance with established Area Mail Processing (AMP) guidelines. See [Appendix A](#) for additional information about this audit.

The U.S. Postal Service consolidated Panama City P&DF originating mail¹ and destinating mail² operations into the Pensacola P&DC. The originating mail operations were moved on July 1, 2010, and the destinating mail operations were moved on April 1, 2013. The Postal Service completed the originating and destinating mail post implementation reviews (PIR)³ on February 15, 2013, and July 18, 2014, respectively.

The Postal Service developed a formal process for reviewing and implementing AMP feasibility studies⁴ and uses this process to determine whether to consolidate two or more postal facilities. The purpose of consolidations is to:

- Increase operational efficiency and improve productivity through more efficient use of assets, such as equipment, facilities, staffing, and transportation.
- Provide affected career employees with opportunities for job reassignments.
- Maintain the quality of service to Postal Service customers.
- Reduce overall costs.

Summary

A business case existed to support consolidating the Panama City P&DF. We estimated the consolidation should save the Postal Service about \$3.4 million annually, which is \$55,782 more than the Postal Service estimated. We found the Postal Service overestimated mail processing craft workhour savings and underestimated transportation savings. Also, we found the Postal Service underestimated one-time costs by \$55,088.

Further, we found the Pensacola P&DC has adequate machine capacity to process the additional mail from the Panama City P&DF and the Postal Service did not lay off any career employees as a result of the consolidation. In addition, the consolidation did not substantially impact the community and the Postal Service generally complied with established AMP guidelines.

We also found that productivity decreased at the Pensacola P&DC. In addition, the consolidation resulted in improved service standards. However, service performance slightly declined after the consolidation.

1 The processing facility where the mailpiece enters the mailstream.

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

3 The PIR provides a process to evaluate the effectiveness of consolidating mail processing operations. The PIR measures actual data before and after AMP implementation.

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

This report has not yet been reviewed for release under FOIA or the Privacy Act. Distribution should be limited to those within the Postal Service with a need to know.

Cost Savings

The Postal Service estimated the Panama City P&DF consolidation would save \$3.36 million annually. However, we found the consolidation will produce \$3.41 million in annual savings. The difference comes from the fact that the Postal Service overestimated mail processing craft workhour savings and underestimated transportation savings and one-time costs because the AMP did not include relocation costs for 10 employees who were transferred to the Pensacola P&DC (see Table 1).

Table 1. Total Annual Savings

Category	Postal Service Projected Savings	OIG-Identified Additional Savings	OIG-Calculated Annual Savings
Total Annual Savings	\$3,362,202	\$55,782	\$3,417,984
One-Time Costs	(616,244)	55,088	(561,156)
Total First Year Savings	\$2,745,958	\$110,870	\$2,856,828

Source: Panama City P&DF AMP feasibility study and U.S. Postal Service Office of Inspector General (OIG) calculations.

The Postal Service and OIG estimates differed because:

- Postal Service personnel overestimated mail processing craft workhours in the destinating AMP feasibility study by 625 workhours. This resulted in an overestimate of savings totaling \$23,818.
- Postal Service personnel used the incorrect data when preparing the transportation section of the AMP feasibility study. For example, route 323BG was counted twice. This resulted in an underestimate of \$79,600 in transportation savings.

These miscalculations totaled \$55,782 (see Table 2).

Table 2. Misstated Savings

Category	Postal Service Projected Savings/(Costs)	OIG-Calculated Savings/(Cost)	Difference ⁵
Mail Processing Craft Workhours	\$1,162,789	\$1,138,972	\$(23,818)
Transportation	121,991	201,591	79,600
Total Annual Savings	\$1,284,780	\$1,340,563	\$55,782

Source: Panama City P&DF AMP feasibility study and OIG calculations.

⁵ The amount in the Misstated Savings difference column will appear slightly incorrect due to rounding.

The Postal Service estimated the Panama City P&DF consolidation would save \$3.36 million annually. However, we found the consolidation will produce \$3.41 million in annual savings.

Productivity

Productivity⁶ at the Pensacola P&DC did not meet the target outlined in the destinating AMP feasibility study following the consolidation of the Panama City P&DF mail operations. Specifically, productivity decreased by 21.96 percent (see Table 3). Postal Service management stated productivity was less than projected because of unforeseen overall mail volume declines and increases in package volumes and workhours.

Table 3. Productivity Impact (in pieces per hour)

Facility	Proposed	After Consolidation*	Percentage Difference
Pensacola P&DC ⁷	4,620	3,605	-21.96%

Source: Enterprise Data Warehouse (EDW)⁸ and OIG calculations.
* April 2013 through March 2014.

Machine Capacity

The Pensacola P&DC has machine capacity and adequate floor and dock space to process additional mail volume from the Panama City P&DF. We determined the Pensacola P&DC has overall excess machine capacity of 56 percent or 1 billion additional mailpieces (see Table 4). The Postal Service moved three machines from the Panama City P&DF to the Pensacola P&DC to accommodate the additional mail, but plans to remove one of the machines. Based on our observations, we found one machine listed in Web End-of-Run (WebEOR)⁹ that was not located in the Pensacola P&DC. The machine was removed from Pensacola in October 2014 but not removed from WebEOR. During our fieldwork, management took corrective action to remove the machine from WebEOR.

⁶ Productivity is calculated by dividing mail volume by workhours.

⁷ The Pensacola P&DC currently processes several classes of mail.

⁸ The repository intended for all data and the central source for information on retail, financial, and operational performance.

⁹ WebEOR allows users to retrieve, view, and store various end-of-run statistics from automated mail processing equipment.

Table 4. Pensacola P&DC Excess Machine Capacity

Source: WebEOR and OIG analysis.

* The number of machines is based upon current counts at the Pensacola P&DC.

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

*** We calculated mail volume for the Panama City P&DF and Pensacola P&DC from July 1, 2014 – June 30, 2015. Volume is total pieces fed¹⁰ combined from the Panama City P&DF and the Pensacola P&DC.

**** This reflects the average of excess capacity.¹¹

Employee Impact

Consolidation of the Panama City P&DF into the Pensacola P&DC caused some employees to be reassigned, but no career employees were laid off. The AMP feasibility study proposed a loss of 164 full-time craft employee positions at the Panama City P&DF and a gain of 26 full-time craft employee positions at the Pensacola P&DC. The AMP feasibility study proposed a net reduction of 138 full-time craft employee positions (see [Table 5](#)).

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

¹¹ The Machine Excess Capacity percentage will appear slightly incorrect due to rounding.

Table 5. AMP Feasibility Study Craft Staffing Impacts

Position	Panama City, FL			Pensacola, FL			Net Change
	On-Rolls	Proposed	Change	On-Rolls	Proposed	Change	
Craft	177	13	(164)	206	232	26	(138)

Source: Panama City P&DF AMP feasibility study.

However, based on staffing, as of October 20, 2015, consolidating mail processing operations from the Panama City P&DF eliminated all 177 full-time craft employee positions rather than the initially projected 164 employees, a difference of 13. In addition, as the AMP feasibility study proposed, seven management positions have been eliminated (see Table 6). Employees had opportunities to fill other vacancies, while attrition, transfers, and retirement reduced the number of employees who had to be accommodated.

The Postal Service complied with stakeholder communication policies when conducting the consolidation and generally followed AMP guidelines.

Table 6. Panama City P&DF Staffing Impacts

Position	AMP Feasibility Study			Current	
	Actual	Proposed	Difference	Actual	Difference From Study
Craft	177	13	(164)	0	13
Management	7	0	(7)	0	0

Source: Panama City P&DF AMP feasibility study and Web Complement Information System (WebCOINS).¹²

Area Mail Processing Guidelines

The Postal Service complied with stakeholder communication policies when conducting the consolidation and generally followed AMP guidelines. However, the Postal Service did not include the service standard impacts worksheet in the approved destinating AMP feasibility studies because it could not do so until the revised service standards were implemented in January 2015.

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

Community Impact

Consolidation of the Panama City P&DF into the Pensacola P&DC did not substantially impact the community. The Postal Service did not make any changes to the local mailbox collection times or retail window service as a result of the consolidation and kept a business mail entry unit (BMEU)¹³ open at the Panama City P&DF.

According to Handbook PO-408, each Post Office is required to make a local postmark available after the consolidation. A local postmark is available upon customer request at the Panama City P&DF and the Pensacola P&DC plans to continue providing one as well.

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

¹³ The area of a postal facility where mailers present bulk, presorted, and permit mail for acceptance.

Customer Service

Moving the mail operations from Panama City to Pensacola improved service standards. Specifically, there were 207 net upgrades¹⁴ for all classes of mail at the Panama City P&DF¹⁵ (see Table 7). Service standard upgrades improve customer service by requiring mail to arrive at the destinating facility for delivery sooner.

Table 7. Service Standard Impacts

Panama City P&DF Service Standard Changes 3-Digit ZIP Code Pairs ¹⁶			
Mail Class	Upgrade	Downgrade	Net Change
First-Class Mail	10	0	10
Priority Mail	4	4	0
Periodicals	64	1	63
Standard Mail	128	3	125
Package Services	13	4	9
All Classes Net	219	12	207

Source: Panama City P&DF AMP feasibility study dated July 1, 2010.

Customer service performance as measured by the External First-Class¹⁷ Measurement (EXFC) System declined after the consolidation of the Panama City P&DF into the Pensacola P&DC.¹⁸ We found that 2-day and 3-day service performance in Pensacola slightly declined on average by 1.41 and 2.45 percent, respectively (see Table 8).

Table 8. Pensacola P&DC 2-Day and 3-Day EXFC Service Performance

Standard	Before Consolidation*	After Consolidation**	Difference
2-Day	96.06	94.65	1.41
3-Day	91.25	88.80	2.45

Source: EDW, Postal Service, and OIG calculations. Red text denotes a decrease in service.

*April 2012 through March 2013.

**May 2013 through April 2014.

Since the consolidation of the Panama City P&DF into the Pensacola P&DC,¹⁹ the Postal Service implemented new service standards nationwide on January 2015. As part of the Postal Service's Network Rationalization²⁰ of Mail Processing Operations,

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

15 The originating AMP dated October 2, 2009, stated mail moving from Panama City to Pensacola will require the service standards from Panama City to Tallahassee and Dothan to be downgraded from overnight to a 2-day service. In addition, the destinating AMP dated September 15, 2011, stated the new service standards will be published once the AMP decisions for new service standards are made. The Postal Service published the new service standards on January 14, 2015.

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

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

18 We analyzed EXFC scores for ZIP Codes 324 and 325, 12 months before and after April 2013.

19 The 12 month period after the AMP consolidation was May 2013 to April 2014.

20 In FY 2011, the Postal Service announced the Network Rationalization Initiatives, which involved potentially consolidating or closing 252 of 487 mail processing facilities.

the overnight service standard was eliminated and 2-day and 3-day service standards²¹ changed. This impacted the number of days between the acceptance and delivery of mail. As a result of the service standard changes, service performance in Pensacola for 2-day and 3-day service declined, as did the national averages (see Table 9). In fiscal year (FY) 2015, the EXFC Measurement System determined Pensacola P&DC service performance for 2-day delivery increased by less than 1 percent and was above the national average by 1.92 percent.²² But 3-day delivery performance declined by 13.85 percent and dropped below the national average by 1.60 percent.²³

As a result of the service standard changes, service performance in Pensacola for 2-day and 3-day service declined, as did the national averages.

Table 9. Pensacola P&DC and National Average EXFC Service Performance

Standard	Pensacola P&DC After Consolidation*	Pensacola P&DC (FY 2015)	Difference ²⁴	National Average (FY 2015)	Difference Between Pensacola P&DC and National Average (2015)
2-Day	94.65	95.27	.61	93.35	1.92
3-Day	88.80	74.96	13.85	76.56	1.60

Source: EDW, Postal Service, and OIG calculations. Red text denotes a decrease in service and green text denotes an increase in service.

*May 2013 through April 2014.

Other Issues

In this report, we addressed issues from Congresswoman Graham’s congressional inquiry related to the objectives of this audit and also determined mail volume, overtime, and standby time hours for the Panama City P&DF and the Pensacola P&DC for the period October 1, 2014 to September 30, 2015 (see Table 10). Additionally, the service standards from the Pensacola P&DC to Tallahassee, FL, ZIP Codes were downgraded from overnight to 2-day as a result of the consolidation and remained at 2-day when service standards changed in January 2015.

Table 10. Other Issues – Mailpieces and Hours

Facility	Mailpieces		Hours	
	First Handling Pieces (FHP) ²⁵ Volume	Delivery Point Sequence (DPS) ²⁶ Total Pieces Handling (TPH) ²⁷ Volume	Overtime	Standby Time
Panama City P&DF	0	0	0	0
Pensacola P&DC	437,257,035	313,041,169	56,144.29	26.10

Source: EDW.

21 Service standards are a stated goal for service achievement for each class of mail.

22 Pensacola P&DC 2-day service performance increased from 94.65 (May 2013 – April 2014) to 95.27 (October 2014 – September 2015), which was above the FY 2015 national average score of 93.35.

23 Pensacola P&DC 3-day service performance decreased from 88.80 (May 2013 – April 2014) to 74.96 (October 2014 – September 2015), which was below the FY 2015 national average score of 76.56.

24 The EXFC Service Performance percentage in the difference column will appear slightly incorrect due to rounding.

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

26 DPS provides the Postal Service with a more efficient way of preparing the carrier’s mail into delivery sequence through the use of automated processing equipment.

27 The total volume of FHP and subsequent handling pieces for manual operations. For machine operations, TPH is total pieces fed minus any reworks or rejects.

Recommendations

We recommend management adjust staffing and workhours at the Pensacola P&DC to ensure productivity targets are achieved and adjust transportation and other operational requirements to ensure the Pensacola P&DC meets service commitments.

We recommend the acting vice president, Southern Area:

1. Adjust staffing and workhours at the Pensacola Processing and Distribution Center to ensure productivity targets are achieved.
2. Adjust transportation and/or other operational requirements to ensure the Pensacola Processing and Distribution Center meets service commitments.

Management's Comments

Management agreed with the findings and recommendations identified in the report.

Regarding recommendation 1, management stated they will use the headquarters F-1 Scheduler Model to adjust the clerk and mail handler staffing at the Pensacola P&DC. In addition, management at the area and district level will monitor the F-1 Variance Program to drive productivity improvement. Management expects to complete implementation of the recommendation by May 15, 2016.

Regarding recommendation 2, management stated that since the operational window change in January 2015, the Southern Area has made several changes to drive service improvement including changes to transportation trips involving Pensacola and other Southern Area plants. Management also stated that the Southern Area has had regular meetings with other areas to drive improvement of Commercial Mail Service between opportunity pairs. Finally, the Southern Area will review EXFC and Commercial Mail Service for any necessary transportation improvements. Management expects to fully implement the recommendation by May 15, 2016. 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 and corrective actions should resolve the issues identified in the report.

The recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. All recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendices

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Appendix A: Additional Information

Background

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

Title 39, U.S.C. Part 1, Chapter 1, §101, states that the Postal Service "...shall provide prompt, reliable, and efficient services to patrons in all areas...."

Further, the September 2005 Postal Service Strategic Transformation Plan states, "The Postal Service will continue to provide timely, reliable delivery to every address at reasonable rates."

The Postal Accountability and Enhancement Act of 2006 highlights "...the need for the Postal Service to increase its efficiency and reduce its costs, including infrastructure costs, to help maintain high-quality, affordable postal service...."

This report responds to a request from Congresswoman Graham to review the consolidation of mail processing operations from the Panama City P&DF into the Pensacola P&DC. The congresswoman's concerns include employee impact and the degradation of service standards between Panama City, FL, Pensacola, FL, and Tallahassee, FL.

To implement the Panama City P&DF destinating AMP feasibility study, the Postal Service, on April 1, 2013, moved all of the destinating operations from the Panama City P&DF to the Pensacola P&DC. The Panama City P&DF's retail operation, Post Office box section, and BMEU remain. The carriers were relocated to the Panama City Northside station, 3.07 miles away from the Panama City P&DF. As a result of the consolidation, ZIP Code 324 destinating mail volume was transferred to the Pensacola P&DC, which processes mail volume for ZIP Code 325. On July 1, 2010, the Postal Service moved ZIP Code 324 originating mail volume to the Pensacola P&DC. The Panama City P&DF is approximately 106 miles from the Pensacola P&DC (see [Figure 1](#)).

Figure 1. Location of Panama City and Pensacola Facilities



Source: Panama City P&DF AMP feasibility study.

Objectives, Scope, and Methodology

Our objectives were to determine whether a business case existed for the consolidation of mail processing operations from the Panama City P&DF into the Pensacola P&DC and assess compliance with established AMP guidelines.

To accomplish our objectives, we reviewed and analyzed data from July 2010 to September 2015 including workhour/cost savings; changes in workload (mail volume, capacities); impact on productivity; service; equipment; transportation; and employee issues. In addition, we conducted observations at the Panama City P&DF and the Pensacola P&DC; interviewed the senior plant manager, transportation manager, and postmaster; and reviewed documentation to determine compliance with established AMP guidelines. We used computer-processed data from the EDW, Mail Condition Reporting System,²⁸ WebCOINS, and WebEOR.

We conducted this performance audit from July 2015 through January 2016 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management on December 3, 2015, and included their comments where appropriate.

²⁸ A system of reports that identifies and monitors problems in mail processing in a Postal Service facility.

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

Prior Audit Coverage

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

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Toledo, OH, Processing and Distribution Center Mail Consolidation</i>	NO-AR-14-009	8/28/2014	None
Report Results: The report determined that a business case existed to support mail consolidation from the Toledo P&DC into the Columbus and Michigan Metroplex P&DCs. The overall cost savings was \$9.3 million annually, which was about \$100,000 more than the Postal Service estimated. Management agreed with the findings and recommendations.			
<i>Southeastern Pennsylvania Processing and Distribution Center Consolidation</i>	NO-AR-14-006	5/16/2014	None
Report Results: The report determined that a business case existed to support the consolidation, which should save about \$3.8 million in the first year and \$9.4 million annually in subsequent years. The OIG found the AMP proposal overestimated annual savings by \$4.6 million because it did not include additional workhour and transportation costs associated with the consolidation. Management agreed with the findings and recommendations.			
<i>Consolidation of the Huntsville, AL, Processing and Distribution Facility</i>	NO-AR-14-005	5/5/2014	None
Report Results: The report determined that a business case existed to support the consolidation. Management agreed with recommendations to continue processing Huntsville's DPS mail at the Huntsville P&DF and to re-evaluate staffing and resources at the Huntsville P&DF to ensure timely processing of DPS mail so fewer carriers return after 5 p.m.			
<i>Altoona, PA, Originating and Destinating Mail Consolidation</i>	NO-AR-13-010	9/30/2013	None
Report Results: A business case existed to support the consolidation. Management agreed with the recommendation to re-evaluate maintenance savings and make adjustments to the AMP proposal in the first PIR.			

Appendix B: Management's Comments

MIKE L. BARBER
MANAGER, OPERATIONS SUPPORT (A)
SOUTHERN AREA



December 23, 2015

Laurie Dillard
Director Audit Operations

Subject: Panama City, FL Processing and Distribution Facility Consolidation Report
Number NO-AR-16DRAFT

Recommendation 1:

Adjust staffing and workhours at the Pensacola Processing and Distribution Center to ensure productivity targets are achieved.

Management Response/Action Plan:

Management agrees with the recommendation.

Management will utilize the HQ approved F1 Scheduler model to adjust the clerk and mail handler staffing at the Pensacola P&DC. In addition, Management at the Area and District level will regularly monitor the F1 Variance Program down to the LDC and operational sub-categories to drive productivity improvement.

Target Implementation Date: Fully implemented by May 15, 2016.

Responsible Official: Mike Barber, Acting Manager Operations Support, Southern Area

Recommendation 2:

Adjust transportation and/or other operational requirements to ensure the Pensacola Processing and Distribution Center meets service commitments.

Management Response/Action Plan:

Management agrees with the recommendation.

Since the implementation of the Operational Window Change in January 2015, the Southern Area has made several changes to drive service improvement including changes to inter plant and STC trips involving Pensacola and other Southern Area plants. We have also had regular meetings with other Areas to drive improvement on Commercial Mail Service between opportunity pairs.

The Southern Area will conduct a review of opportunity service pairs for the Pensacola P&DC for both EXFC and Commercial Service and implement any necessary transportation changes.

Target Implementation Date: Fully implemented by May 15, 2016

Responsible Official: Mike Barber, Acting Manager Operations Support, Southern Area

A handwritten signature in black ink, appearing to read "Michael L. Barber".

Michael L. Barber

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**INSPECTOR
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