**OFFICE OF INSPECTOR GENERAL**
UNITED STATES POSTAL SERVICE

**HIGHLIGHTS**

August 3, 2012

**Efficiency Review of the Los Angeles Network Distribution Center**

Report Number NO-AR-12-007

### BACKGROUND:

This report presents the results of our audit of the Los Angeles Network Distribution Center (NDC) located in the Los Angeles District of the Pacific Area. The U.S. Postal Service faces significant financial challenges. It concluded fiscal year 2011 with a net loss of almost $5.1 billion, despite reducing operating expenses by $4.8 billion. To maximize efficiency, the goal is to process mail with the least amount of resources and still meet service timeframes.

Our objective was to determine the efficiency of operations at the Los Angeles NDC. We performed this audit based on a comparison of all NDCs' productivity.

### WHAT THE OIG FOUND:

While the Los Angeles NDC made progress in reducing workhours over the past several years, further opportunities exist for improvement. Specifically, the Los Angeles NDC did not attain the average productivity of all NDCs above the median productivity or take full advantage of existing automation. Consequently, the Los Angeles NDC used 200,019 more workhours than necessary. If the Postal Service eliminated these workhours, there would be an annual avoidance of about $6.5 million in labor costs. Additionally, the Los Angeles NDC damaged a daily average of 3,700 of the 175,000 pieces of mail handled daily. This could adversely impact service and result in about $500,000 in revenue at risk annually.

### WHAT THE OIG RECOMMENDED:

We recommended the vice president, Pacific Area Operations, instruct Los Angeles NDC management to reduce workhours to produce an annual cost avoidance of $6.5 million, or increase volume by 39 million pieces, or a combination of both. We also recommended periodic evaluation of operating efficiency and staffing at the Los Angeles NDC to determine whether further workhour adjustments are necessary. Additionally, we recommended improving supervision of employees and maintenance of mail processing equipment, maximizing automation, and ensuring there is separation of non-machineable and machineable parcels throughout the processing network.