



Office of Inspector General | United States Postal Service

Audit Report

Transfer of Mail Processing Operations from Selected Facilities

Report Number 21-240-R22 | May 4, 2022



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Highlights

Background

In April 2021, the U.S. Postal Service announced that, due to declining mail volume, it would relocate or remove unnecessary letter and flat sorting equipment as appropriate from 18 selected facilities to make space for package processing.

What We Did

Our objective was to review the Postal Service's plan to transfer processing operations from 18 mail processing facilities to analyze adherence to established policy and identify any associated risks and opportunities. For this audit, we obtained implementation plans, reviewed Postal Service handbooks, interviewed Postal Service managers, and performed site observations.

What We Found

The Postal Service considers transferring operations from these facilities to be more simplistic than consolidations, and refers to them as "operational mail moves," which are not defined in policy. While the Postal Service did complete project plans and individual implementation plans for the 18 mail moves,

the plans did not account for all cost impacts or require retention of any supporting analysis. Additionally, the Postal Service did not update feasibility studies for eight of the facilities that met the definition of a consolidation. We also found that the Postal Service did not update its policy to reflect the organizational restructure. While the Postal Service has broad authority to run its operations, following established policy for consolidations and establishing policy for less extensive mail moves is important to ensure that risks and opportunities are fully analyzed and transparent.

Recommendations

We recommended management create a policy that defines and provides guidance for executing operational mail moves to include requiring formal analysis and identifying risks and opportunities, implement Postal Service policies when removing remaining mail processing operations and equipment from facilities, and revise policy to include a timeframe for implementing a consolidation after a feasibility study has been approved and to reflect the organizational restructure.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

May 4, 2022

MEMORANDUM FOR: MICHAEL L. BARBER
VICE PRESIDENT, PROCESSING AND MAINTENANCE
OPERATIONS

A handwritten signature in black ink, reading "Melinda M. Perez", is positioned above the "FROM:" field.

FROM: Melinda M. Perez
Deputy Assistant Inspector General for Mission Operations

SUBJECT: Audit Report – Transfer of Mail Processing Operations from
Selected Facilities (Report Number 21-240-R22)

This report presents the results of our audit of the Transfer of Mail Processing Operations from Selected Facilities.

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

Attachment

cc: Postmaster General
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of the Transfer of Mail Processing Operations from Selected Facilities (Project Number 21-240). Our objective was to review the U.S. Postal Service's plan to transfer processing operations from 18 mail processing facilities and analyze its adherence to established policy as well as identify any associated risks and opportunities. See [Appendix A](#) for additional information about this audit.

Background

In 2011, the Postal Service announced its Network Rationalization Initiative (NRI) to align network processing facilities with declining mail volume through facility consolidations. Prior to implementing the consolidations, the Postal Service performed Area Mail Processing (AMP) feasibility studies as required by Postal Service policy.¹ The purpose of an AMP feasibility study is to determine if there is a business case for relocating processing and distribution operations from one location to another. AMP feasibility studies evaluate service impacts, impacts on local customers and Postal Service staff, and analyze associated costs and savings. The NRI was to be completed in two phases: Phase I involved consolidating 141 mail processing facilities between 2012 and 2013, and Phase II started in 2015 and involved consolidating 82 facilities. However, in May 2015, the Postal Service announced that it would indefinitely suspend Phase II consolidations due to declining service scores. At the time of the suspension, only 17 Phase II facilities were completely consolidated, 21 were partially consolidated, and 44 had no consolidation activities.

In 2015, we issued a management alert² on the substantial increase in delayed mail at the Postal Service that was caused in part by the implementation of consolidations and other network changes. In the alert, we recommended the Postal Service establish criteria for determining if the network had stabilized and ensure the criteria were met prior to resuming the Phase II consolidations or conducting any other optimization efforts. Postal Service management partially agreed but stated not all optimization efforts should cease and only the Phase II

consolidations were deferred at that time. To date, Postal Service management has not implemented this recommendation.

As part of its *Delivering for America* (10-Year Plan) issued in March 2021, the Postal Service stated it will realign its facility footprint and processing capacity to match the changing mix of mail and packages. As part of the realignment, the Postal Service plans to procure new facilities, expand space-constrained facilities, and consolidate those that are underutilized. The Postal Service added that it would evaluate the remaining facility consolidations that were deferred in 2015 and implement some of those consolidations where facilities remain underutilized. In the plan, the Postal Service stated it would follow regulatory requirements when realigning processing facilities. And in several public meetings since the plan was announced, the Postmaster General has stated that realigning and consolidating the processing network is a priority for the Postal Service.

In April 2021, the Postal Service announced it would resume transferring mail processing operations from 18 selected facilities that were part of the previous Phase II consolidation efforts suspended in 2015. Specifically, the Postal Service said that due to declining mail volume, the Postal Service would relocate or remove unnecessary letter and flat sorting equipment as appropriate to make space for package processing. As of February 28, 2022, the Postal Service completed transfers from 13 facilities and had not provided an estimated completion date for the remaining five facilities.

The Postal Service classifies the moving, removing, and repurposing of mail processing equipment and operations at the 18 selected facilities as “operational mail moves”. The Postal Service does not consider operational mail moves to be consolidations and management stated these operational mail moves are simpler than a consolidation as fewer operations are moved. The 18 selected facilities originally began as consolidations during the 2015 Phase II NRI. Handbook PO-408 provides guidance for consolidations and defines them as “the consolidation of all originating and/or destinating distribution operations from one or more Post Offices/facilities into other automated processing facilities for the purpose

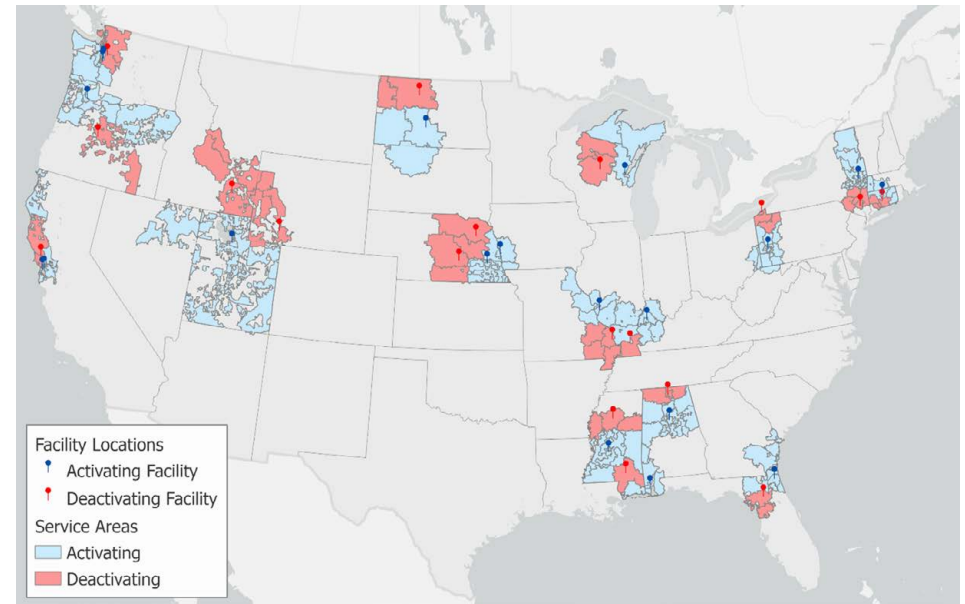
¹ Handbook PO-408, *Area Mail Processing Guidelines*, Section 2-1, March 2008.

² *Substantial Increase in Delayed Mail* (Report Number NO-MA-15-004, dated August 13, 2015).

of improving operational efficiency and/or service.” Handbook PO-408 also states that not all transfers require an AMP feasibility study and provides a list of exclusions.

The mail processing operations transferred or scheduled to be transferred out of 18 various Processing and Distribution Centers (P&DC), Customer Service Mail Processing Centers (CSMPC), Processing and Distribution Facilities (P&DF), and Delivery Distribution Centers (DDC) include delivery point sequence³ (DPS) and flat⁴ mail operations. All 18 facilities have other postal operations that will remain at the location, including delivery,⁵ retail,⁶ business mail entry unit (BMEU),⁷ cross-dock,⁸ package,⁹ and nonmachinable outside¹⁰ (NMO) operations (see Table 1). See Figure 1 for the 18 selected facilities and their respective service areas. When transfers are completed, the activating facilities will be servicing both the red and blue highlighted areas.

Figure 1. Map of the 18 Selected Facilities and Service Areas



Source: Postal Service PostalPro Webpage.

-
- 3 An automated process of sorting mail by carrier routes into delivery order, eliminating the need for carriers to sort mail manually in the delivery unit prior to their departure to the routes.
- 4 A mailpiece that exceeds one of the dimensions for letter-size mail.
- 5 A post office, post office station, or post office branch or other facility such as a carrier annex that has carrier mail delivery functions.
- 6 A postal unit that sells postage stamps and provides other postal retail services to customers.
- 7 The area of a postal facility where mailers present bulk, presorted, and permit mail for acceptance.
- 8 A dock transfer that entails transporting mail that has not and will not be processed in the facility.
- 9 Mail that does not meet the mail processing category of letter-size mail or flat-size mail.
- 10 A parcel or mailpiece that, because of size, weight, or other characteristic, cannot be sorted by mechanized mail processing equipment and must be handled manually.

Table 1. Transfer of Operations at the 18 Selected Facilities

Deactivating ¹¹ Facilities	Activating ¹² Facilities	Operations Being Transferred	Remaining Operations at Deactivating Facilities	Date Transfer Completed
Bend, OR, CSMPC	Portland, OR, P&DC	DPS mail	Retail and Delivery	9/4/2021
Cape Girardeau, MO, P&DF	Saint Louis, MO, P&DC	DPS mail	Delivery	2/17/2022
Erie, PA, P&DF	Pittsburgh, PA, P&DC	DPS & Flat mail	Retail, Delivery, and Packages	9/8/2021
Gainesville, FL, P&DC	Jacksonville, FL, P&DC	DPS mail	Retail, Delivery, Flats, and Packages	10/27/2021
Grand Island, NE, P&DF	Lincoln, NE, P&DF	DPS mail	Retail and Delivery	10/25/2021
Grenada, MS, CSMPC	Jackson, MS, P&DC	DPS mail	Retail and Delivery	7/24/2021
Hattiesburg, MS, CSMPC	Mobile, AL, P&DC	DPS mail	Retail and Delivery	9/16/2021
Huntsville, AL, P&DF	Birmingham, AL, P&DC	DPS mail	Retail and Packages	TBD
Mid-Hudson, NY, P&DC	Albany, NY, P&DC	DPS mail	Retail and Packages	10/1/2021
Minot, ND, CSMPC	Bismarck, ND, P&DF	DPS mail	Retail and Delivery	8/13/2021
Norfolk, NE, P&DF	Omaha, NE, P&DC	DPS mail	Retail and Delivery	10/18/2021
North Bay, CA, P&DC	Oakland and San Francisco P&DCs	DPS mail	Retail and Packages	TBD
Paducah, KY, P&DF	Evansville, IN, P&DF	DPS mail	Retail and NMO	9/25/2021
Pocatello, ID, CSMPC	Salt Lake City, UT, P&DC	DPS mail	Retail and Manual Packages	TBD
Rock Springs, WY, CSMPC	Salt Lake City, UT, P&DC	DPS mail	Retail and Delivery	9/11/2021
Seattle, WA, East DDC	Seattle, WA, P&DC	DPS mail	Retail, Delivery, and Flats	TBD
Southern, CT, P&DC	Harford, CT, P&DC	DPS mail	BMEU, NMO, and Cross-Dock	TBD
Wausau, WI, P&DF	Green Bay, WI, P&DC	DPS mail	BMEU, NMO, and Cross-Dock	10/16/2021

Source: Postal Service announcement, Postal Service PostalPro web page, and U.S. Postal Service Office of Inspector General analysis of Postal Service data.

NOTE: Highlighted locations won't have any mail processing operations remaining after the transfer.

¹¹ Facility that will have mail processing operations relocated or removed.

¹² Facility that will receive transferred mail processing operations.

Findings Summary

The Postal Service considers transferring operations from these facilities to be more simplistic than consolidations, and refers to them as “operational mail moves,” which are not defined in policy. While the Postal Service did complete project plans and individual implementations plans for the 18 mail moves, the plans did not account for all cost impacts or require retention of any supporting analysis. Additionally, the Postal Service did not update AMP feasibility studies for the eight transfers that met the definition of a consolidation (see highlighted

“The Postal Service considers transferring operations from these facilities to be more simplistic than consolidations, and refers to them as ‘operational mail moves,’ which are not defined in policy.”

its operations, following established policy for consolidations and establishing policy for less extensive mail moves is important to ensure that risks and opportunities are fully analyzed and transparent.

Finding #1: Policy Concerns Regarding Implementation of the Transfers

The Postal Service does not have a policy that defines or explains how to complete operational mail moves or how it should conduct and retain data analysis related to cost savings or service impacts. Specifically, Handbook PO-408 defines and provides guidance for consolidations but does not define or provide guidance for implementing mail moves. While the Postal Service did complete project plans and individual implementations plans for the 18 mail moves, the plans did not account for all cost impacts or require retention of any supporting analysis. For example, the plans did not include a transportation or equipment relocation cost impact analysis and the Postal Service did not

cells in [Table 1](#)). Finally, the guidelines for consolidating facilities, Handbook PO-408, has not been updated to reflect new positions and roles from the recent Postal Service organizational restructure. While the Postal Service has broad authority to run

“Handbook PO-408 defines and provides guidance for consolidations but does not define or provide guidance for implementing mail moves.”

the deactivating facilities will be eliminated, creating a net reduction in what mail processing workhours would have been.

Additionally, the Postal Service did not complete updated AMP feasibility studies for eight facilities that met the definition of a consolidation before resuming the transfers. Specifically, eight of the 18 deactivated facilities no longer have

any mail processing operations and only Retail and/or Delivery operations remain (see highlighted cells in [Table 1](#)). Handbook PO-408 provides guidance for consolidations and requires the Postal Service to conduct an AMP feasibility study to determine if there is a business case for relocating all processing and distribution operations from one location to another. All 18

facilities were scheduled to be consolidated during the 2015 Phase II NRI and the Postal Service completed AMP feasibility studies for 17 of the 18 facilities back in 2011. However, after evaluating remaining mail operations at the 18 facilities along with the continual decline in mail volume and meeting with Division Directors and local management at the 18 facilities, the Postal Service determined they did not need to complete updated AMP feasibility studies before resuming the transfers.

retain service standards impact analysis for 16 of the 18 transfers. Management did, however, estimate the Postal Service would save \$17.43 million in mail processing workhours from completing the transfers. These savings occur from the reassignment of employees to vacant positions at nearby facilities, instead of the hiring of new employees. The positions at

“Eight of the 18 deactivated facilities no longer have any mail processing operations and only Retail and/or Delivery operations remain.”

In a 2015 audit,¹³ we noted that Handbook PO-408 does not specify when a consolidation should be completed once the AMP feasibility study is approved. Over time there is likely to be changes in mail volume, labor rates, and workhours that could impact projected savings identified in feasibility studies. As a result, we recommended the Postal Service update guidelines to include timeframes for implementing an AMP consolidation once a feasibility study is approved. While the Postal Service initially disagreed with the recommendation, stating that specific timeframes could produce unexpected and counterproductive actions to meet deadlines, it ultimately agreed to implement the recommendation through the audit resolution process, stating that a consolidation should be implemented within one year of a feasibility study's approval unless construction or expansion is required at the gaining facility, or if there are contractual or legal restrictions placed on the Postal Service. However, the Postal Service has not yet updated Handbook PO-408 to reflect these timeframes.

Additionally, in a 2019 audit¹⁴ that evaluated trends and practices used by the Postal Service to optimize its processing network, we recommended that Postal Service management revise and update AMP feasibility studies to determine whether cost savings could be realized and if consolidations should continue. In response to our recommendation, Postal Service management agreed and stated that they planned to update the studies once a decision was made and approval was given to initialize consolidations. To date, the Postal Service has not provided its decision but has resumed implementing the 18 transfers without updating the 2011 AMP feasibility studies.

We also found that management has not updated Handbook PO-408 to be consistent with the organization's restructure and it includes obsolete roles such as Area Vice President. Without an updated handbook, the Postal Service is unable to effectively follow and implement AMP guidelines for future consolidations.

Although the Postal Service has broad authority to determine how to run its operations, establishing policy that requires consideration of all cost impacts for operational moves or following established policy for consolidations, is important to ensure that risks and opportunities are fully analyzed. As a result, the Postal Service could be at risk of not fully considering, supporting, or documenting potential impacts on employees, costs, and service as it continues to optimize its processing network.

Finally, the audit team conducted an analysis to determine potential impacts on career employees.¹⁵ When the Postal Service announced the transfers, it stated that mail moves would not result in layoffs of career employees.

While the audit team found there were no layoffs of career employees, the employees were still impacted by the transfers by being reassigned to vacant positions at nearby facilities. Specifically, on

February 17, 2022, the Postal Service announced a reduction in force¹⁶ at six mail processing facilities that would be closing and consolidated into other facilities. The six identified facilities were part of the 18 selected facilities reviewed as part of this audit. The announcement states that employees at these facilities must apply for lateral, downgrade, or promotion positions at nearby facilities by May 6, 2022, to maintain employment.

“The employees were still impacted by the transfers by being reassigned to vacant positions at nearby facilities.”

Recommendation #1

We recommend the **Vice President, Processing and Maintenance Operations**, develop a policy that defines and provides guidance for executing operational mail moves, which includes the requirement to perform formal analysis of potential impact and identifying risks and opportunities.

¹³ *Area Mail Processing Consolidations* (Report Number NO-AR-15-007, June 5, 2015).

¹⁴ *U.S. Postal Service Processing Network Optimization* (Report Number NO-AR-19-006, September 9, 2019).

¹⁵ Full-time employees who are assigned to work schedules of five 8-hour days in a service week.

¹⁶ A reduction in force is the administrative process through which the Postal Service eliminates positions and accounts for the employees who formerly occupied those positions.

Recommendation #2

We recommend the **Vice President, Processing and Maintenance Operations**, implement Handbook PO-408, *Area Mail Processing Guidelines*, Section 2-1, when removing remaining mail processing equipment and operations from facilities.

Recommendation #3

We recommend the **Vice President, Processing and Maintenance Operations**, revise Postal Service Handbook PO-408, *Area Mail Processing Guidelines*, to include a timeframe for implementing a consolidation after a feasibility study has been approved and to reflect the organizational restructure.

Management's Comments

Management agreed with recommendation 1, partially agreed with recommendations 2 and 3, but disagreed with the finding on Policy Concerns Regarding Implementation of the Transfers. See [Appendix B](#) for management's comments in their entirety.

Regarding management's disagreement with the finding, management stated that the audit report does not consider these facility actions in the proper context; specifically, these actions were part of a larger series of actions and fell under prior AMP studies. Management noted that the 18 facilities in question were already subject to AMP review procedures and they re-initiated the finalization actions associated with each of the 18 AMP studies, thereby completing the AMP actions that commenced previously. Management also stated that they disagree with the OIG's conclusion that eight of the 18 facilities required updated feasibility studies as required in Handbook PO-408.

Management also questioned the report's assertion that the Postal Service did not follow through on its response to the OIG's Substantial Increase in Delayed Mail audit (Report Number NO-MA-15-004) to identify criteria for determining if the network had stabilized and ensuring that criteria were met prior to resuming Phase II consolidations. Management added that they based their decision to finalize implementation at the 18 sites on a reasoned and considered set

of factors and, importantly, included current data on mail volume, workhours, transportation, equipment capability, and maintenance costs.

Finally, management stated that the report does not precisely document their response to a recommendation from a 2015 report regarding implementing a consolidation after a feasibility study's approval. Management stated that they only partially agreed to the earlier recommendation and the Postal Service did not accept an unqualified one-year period for implementation of an AMP; instead, the Postal Service only agreed to such period "in principle" and subject to numerous conditions.

Regarding recommendation 1, management stated that they will establish written policy guidance formalizing their practice for executing operational mail moves and requiring completing appropriate analysis for any mail move, tracking savings/costs associated with these mail moves, and correcting issues as they are identified. The target implementation date is September 30, 2022.

Regarding recommendation 2, management partially agreed with this recommendation only to the extent the AMP process applies to the activity they are undertaking. However, management did not agree to use the AMP process for mail moves; therefore, they stated they will develop written policy guidance for executing operational mail moves, as noted in their response to recommendation 1.

Regarding recommendation 3, management stated that the timeframe for implementing a consolidation needs to be general, as they need flexibility to allow them to react to external influences and make prudent decisions. Management further stated that they will update Handbook PO-408 and include the outcome of the audit resolution process for the recommendation from the OIG's 2015 Substantial Increase in Delayed Mail report regarding a timeframe for implementing a consolidation once a feasibility study is approved. Additionally, management stated that their update to Handbook PO-408 will reflect the current organizational structure. The target implementation date is April 1, 2023.

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.

Regarding the disagreement on our finding and management's note that these actions were part of a larger series of actions and fell under prior AMP studies, as stated in our report, management classified these transfers as operational mail moves. The Postal Service does not have a policy that defines or explains how to complete operational mail moves or how it should conduct and retain data analysis. Further, even though management agreed to a prior OIG recommendation to revise and update AMP feasibility studies, they stated that they planned to update the studies once a decision was made and approved initializing consolidations but they did not do so for these 18 facilities.

Additionally, management has not provided any support showing that they have implemented or requested closure of our prior recommendation to identify criteria for determining if the network had stabilized and ensure the criteria were met prior to resuming the Phase II consolidations.

Specific to recommendation 3, we recognize unexpected changes and external influences may delay consolidation activities. However, as stated in our report, the feasibility studies were conducted 10 years before the consolidation efforts were resumed in 2021. The OIG stands by our prior recommendation that a reasonable timeframe needs to be set so that feasibility studies are still accurate and relevant to prevent the Postal Service from relying on outdated information in its decision-making process.

All recommendations require OIG concurrence before closure. The OIG requests written confirmation when corrective actions are completed. 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

Scope and Methodology

The scope of our audit was the 18 facilities listed in the April 2021 Postal Service Mail Processing announcement that were to have mail processing operations and equipment relocated or removed.

To accomplish our objective, we:

- Interviewed Postal Service headquarters key personnel from Processing Operations and Area Mail Processing Implementation;
- Reviewed Postal Service Handbook PO-408, dated March 2008, and Postal Service Handbook M-32, dated September 2018;
- Judgmentally selected two deactivated and their respective activated facilities from the western and eastern regions with the largest distance in miles where operations were being transferred. This produced the total judgmental sample of four deactivated facilities and their four respective activated facilities to sample for our audit;
- Interviewed local management of our judgmental sample to discuss communication, execution, and impacts of the transfers;
- Performed site observations at the Pittsburgh PA, P&DC and Erie PA, P&DF to observe results of a completed transfer;
- Analyzed job classification changes at each facility before and after transfers were completed to determine impacts on employees;

- Analyzed impact on service standards;
- Interviewed representatives from the American Postal Workers Union;
- Analyzed employee workhours to determine how hours were being assigned after transfers were completed;
- Reviewed Postal Service implementation plans used for the transfer of operations from 18 selected facilities.

We conducted this performance audit from September 2021 through May 2022 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 March 16, 2022, and included their comments where appropriate.

We assessed the reliability of WebCOINS, Variance Programs, Labor Utilization Reporting System, and Service Standard Directory data by interviewing agency officials knowledgeable about the data and reviewed related documentation. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Transportation Network Optimization and Service Performance</i>	Assess opportunities to optimize the Postal Service's transportation network and meet service performance goals.	20-144-R20	6/5/2020	\$199.6
<i>U.S. Postal Service Process Network Optimization</i>	Evaluate trends and practices the Postal Service uses to optimize its processing network.	NO-AR-19-006	9/9/2019	None

Appendix B: Management's Comments

JASON R. DECHAMBEAU
ADVICE PRESIDENT
PROCESSING AND MAINTENANCE OPERATIONS



April 20, 2022

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Transfer of Mail Processing Operations from
Selected Facilities (Report Number 21-240-DRAFT)

Thank you for providing the Postal Service an opportunity to review and comment on the findings and recommendations contained in the draft audit report, *Transfer of Mail Processing Operations from Selected Facilities*.

As an initial matter, we wish to clarify the underlying rationale for undertaking the 18 mail moves that are the subject matter of the audit report. The audit report acknowledges that these were part of "Phase II" of Network Rationalization, which involved consolidating 82 facilities. The report further acknowledges that in May 2015, the Postal Service announced that it would indefinitely suspend Phase II consolidations. However, the audit report does not consider these facility actions in the proper context. The 18 plants in question here were already subject to area mail processing (AMP) review procedures under Handbook PO-408. For the 18 sites in question here, the consolidations were only partially implemented by 2015, and were paused from 2015 until 2021.¹ In 2021, management re-initiated the finalization actions associated with each of the 18 AMP studies, thereby bringing to completion the AMP actions that commenced previously. The mail moves in question here thus consist of the final steps in executing AMPs that were initiated previously. The audit report does not appear to acknowledge that these actions were part of a larger series of actions and fell under prior AMP studies.

The Postal Service therefore disagrees with OIG's conclusion that 8 of these mail moves required that the Postal Service conduct a new AMP process. The AMP procedures set forth in Handbook PO-408 only apply in certain circumstances. The Postal Service is fully committed to adhering to Handbook PO-408 when those procedures apply to a particular consolidation activity. However, for the reasons

¹ This was discussed in the press release announcing the mail moves, where it was explained that the mail moves were associated with partial consolidations that had been "paused" in 2015. See <https://about.usps.com/newsroom/national-releases/2021/0427-usps-accelerates-key-network-infrastructure-investments-ahead-of-2021-holiday-season.htm>

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noted above, none of the mail moves considered in this report necessitated an entirely new AMP process.

While new AMP procedures were not required, the Postal Service did review current data to ensure that the 18 mail moves were appropriate to implement. In this regard, we question the audit report's assertion that the Postal Service did not follow through on its management response in OIG Report Number NO-MA-15-004 to the effect that the Postal Service identify criteria for determining if the network had stabilized and ensure the criteria were met prior to resuming the Phase II consolidations. Among the partially consolidated facilities that were paused in 2015, the Postal Service chose to pursue 18 to finalization after examining the current data, while also determining based upon that information that four others would not move forward, and that two would be investigated further.² Decisions to pursue, or not pursue, finalization of the set of 26 sites that were considered were made based on a review of current mail volumes, workhours, transportation, equipment capability and maintenance costs. Specifically, management conducted analysis with current mail volumes to validate that the mail to be moved would fit in the activation facility. Management additionally reviewed transportation and maintenance impacts. Officials also met with each of the mail processing division directors to ensure that other operational changes made since 2015 did not conflict with the mail moves. When necessary, we moved equipment and employees where needed to ensure the activation site was capable of making expected clearance times and could maintain or improve service. Thus, the decision to pursue finalization of implementation at the 18 sites was based on a reasoned and considered set of factors, and importantly included current data.

Further, the report does not precisely document management's response to the OIG's recommendation in that same 2015 report that a consolidation should be implemented within one year of a feasibility study's approval, unless construction or expansion is required at the gaining facility, or if there are contractual or legal restrictions placed on the Postal Service. In the audit resolution process, the Postal Service stated:

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

[Response:] Management partially agrees 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 is warranted to ensure prudent decision making. Management will review and update the Area Mail Processing Handbook (PO-408) to provide

² See the Impacted Facility List, found at https://about.usps.com/what/strategic-plans/delivering-for-america/assets/USPS_MailMoves_FacilityList.pdf.

more direction and clarity specifically in section 6-2 (Implementation Date) and 6-3 (Transition Period).

Ultimately, however, the recommendation was closed out with management concluding the following:

The Postal Service is committed to implementing an approved Area Mail Processing (AMP) proposal as soon as operationally feasible. In principle, full implementation should be within one year of approval, providing there is not one of the following items involved or required:

- A. Construction or expansion of the gaining site facility.
- B. Contractual or legal restrictions imposed on the Postal Service.
- C. Contractual restrictions in relationship to the movement of personnel, either from the losing or gaining site.
- D. Actions from external forces, agencies or organizations that may prevent the Postal Service from completion of the task.

As indicated above, the 2015 report's recommendation was only partially agreed to, and subject to numerous conditions. The Postal Service did not accept an unqualified one-year period for implementation of an AMP; instead, the Postal Service only agreed to such period "in principle" and subject to numerous conditions.

Management therefore disagrees with Finding #1: *Policy Concerns Regarding Implementation of the Transfers*. Moving, removing, and repurposing mail processing equipment and operations as part of our operational mail moves is an ongoing Postal Service strategy dating back decades that allows for more efficient, timely delivery of mail and packages. The decision to relocate and remove unnecessary letter and flat sorting equipment was made due to the sharp decline in mail volume and in recognition of the need for additional package processing.

Below we furnish our response to each of the three recommendations.

Recommendation [1]:

We recommend the **Vice President, Processing and Maintenance Operations**, develop a policy that defines and provides guidance for executing operational mail moves, which includes the requirement to perform formal analysis of potential impact and identifying risks and opportunities.

Management Response/Action Plan:

Management agrees with this recommendation to develop written policy guidance for executing operational mail moves. Such guidance will include a requirement for completing appropriate analysis for any mail move, just as we require for any mail move today. We will also require tracking of savings/costs associated with these

mail moves, and correction of issues as they are identified, just as we do today. That said, we will establish a guidance document that formalizes these practices.

Target Implementation Date: September 30, 2022

Responsible Official: Senior Director, HQ Strategic Planning & Implementation

Recommendation [2]:

We recommend the **Vice President, Processing and Maintenance Operations**, implement Handbook PO-408, Area Mail Processing Guidelines Section 2-1, when removing remaining mail processing equipment and operations from facilities.

Management partially agrees with this recommendation, but only to extent the AMP process applies to the activity we are undertaking. In that regard, Management cannot agree to use the AMP process for mail moves. Rather, the AMP process was intended to only apply to certain consolidation activities. As noted in our response to Recommendation 1, we will develop written policy guidance for executing operational mail moves.

Target Implementation Date: N/A

Responsible Official: N/A

Recommendation [3]:

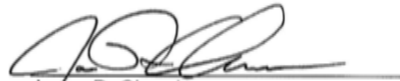
We recommend the **Vice President, Processing and Maintenance Operations**, revise Postal Service Handbook PO-408, Area Mail Processing Guidelines, to include a timeframe for implementing a consolidation after a feasibility study has been approved and to reflect the organizational restructure.

Management partially agrees with this recommendation. As stated in NO-AR-15-007, which was closed by the OIG on October 30, 2019, our implementation guidelines need to be general because specific timeframes could produce unexpected and counter-productive actions to meet deadlines. In addition, systemic changes may be impeded by external influences impacting implementation timelines and flexibility in the implementation is warranted to ensure prudent decision making. Management will nonetheless update the Handbook PO-408 and include the outcome of the audit resolution process (as reprinted above). In addition, when Handbook PO-408 is updated, it will reflect the current organizational structure and provide additional clarity.

Target Implementation Date: April 1, 2023

Responsible Official: Senior Director, HQ Strategic Planning & Implementation

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Jason DeChambeau
Acting Vice President, Processing & Maintenance Operations

cc: *Manager, Corporate Audit Response Management*

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