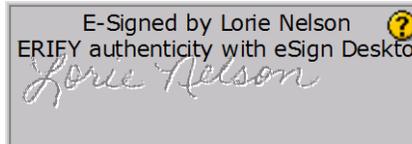




December 27, 2016

MEMORANDUM FOR: LUKE T. GROSSMANN
VICE PRESIDENT, FINANCE AND PLANNING



FROM: *for*
John E. Cihota
Deputy Assistant Inspector General
for Finance, Pricing, and Investments

SUBJECT: Fiscal Year 2016 Decision Analysis Report Summary
(Report Number CP-CAP-17-001)

The U.S. Postal Service Office of Inspector General (OIG) reviews decision analysis reports (DAR) in advance of Investment Review Committee (IRC) meetings to determine whether the requested investments are reasonable business decisions or are in the best interest of the U.S. Postal Service (Project Number 17BDA001CP000). The purpose of this memorandum is to summarize the business process issues that the OIG identified during fiscal year (FY) 2016.

The Postal Service uses DARs to recommend investments to the IRC for approval. These investment projects can include the purchase of vehicles or support equipment, lease renewals, or research and development proposals. DARs describe a problem the Postal Service is facing or an opportunity it may have, along with the details needed to justify the expenditure. All investment projects must be justified either as an economic opportunity or as a means of sustaining existing postal operations into the future by correcting or eliminating a problem. The DAR provides the details needed, including back-up documentation, to enable the IRC to make informed decisions regarding the use of postal funds.

In FY 2016, the OIG evaluated 28 DARs, totaling about \$839 million. The 28 DARs required Postal Service Headquarters Finance team validation and subsequent IRC approval or disapproval.¹ We provided our individual reviews to DAR sponsors and the IRC considered these reviews during its approval process.

¹ The IRC must review and vote on individual projects (new projects or expansion of existing projects) of \$5 million or more for combined total capital investments, deployment/implementation expenses, and annual operating costs. The IRC is comprised of the chief financial officer, chief operating officer, general counsel, chief Human Resources officer, chief information officer, and chief Marketing and Sales officer.

We determined that the DARs reviewed in FY 2016 were reasonable business decisions or in the best interest of the Postal Service. However, based on our analysis of the DARs before IRC and postmaster general approval, we identified business process issues in three programs totaling \$83.9 million.

The first DAR had issues stemming from aggressive business approaches and increased risk, managing large information technology projects, multiple year deployments, aggressive deployment schedules, and dependence on regulatory approval.

The other two DARs had issues stemming from Business Decision Information and adequate disclosures, related to developing a tool to ensure accurate measurement of the return on investment (ROI), establishing optimal run times, and monitoring staff clock rings.

Specifically, we noted the following concerns:

- *Informed Visibility Modification (Corporate Reporting/Enterprise Analytics)* – Although we determined that the approval of the DAR modification was required to protect the original investment in the project, we concluded that the original investment is now a sunk cost to the Postal Service and should be considered a high risk project. In addition, large information technology projects that take place over multiple years are not easy for any organization to manage and increase risk.
- *Product Tracking and Reporting FY 2016 Enhancements* – A measurement tool should be established to ensure the accurate measurement of the achieved ROI as compared to the projected ROI.
- *Pilot High Throughput Package Sorter (HTPS) - Denver Processing & Distribution Center Program* – Because the HTPS is using the Small Package Sorting System as a foundation, recommendations from a prior OIG report were applicable.² Specifically, management should ensure optimal run times are established to maximize machine use and reduce manual parcel sorting, the site is able to achieve optimum run times and processed package volumes, and staff clock rings are properly monitored to enable tracking of labor savings.

We concluded that the DARs were reasonable business decisions or were in the best business interest of the Postal Service and identified no systemic issues across all DARs.

² *Small Package Sorting System Performance and Functionality at the West Valley Processing & Distribution Center* (Report Number [MI-AR-15-006](#), dated August 24, 2015).

Management's Comments

This report did not have recommendations. Management stated they appreciated the OIG's work and are pleased that the DARs were reasonable business decisions or in the best interests of the Postal Service and that no systemic issues were identified. They also stated that project sponsors review OIG responses and consider whether any recommendations require a change to the DAR, and that management asks the OIG for input before the IRC votes on each project. Finally, management stated they will take all OIG recommendations under advisement and seek to address them either within the DARs or through discussions with the OIG.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive.

Appendix A: Management's Comments

LUKE T. GROSSMANN
VICE PRESIDENT, FINANCE AND PLANNING



December 14, 2016

John E. Cihota
Deputy Assistant Inspector General
For Finance, Pricing, and Investments

SUBJECT: Draft Fiscal Year 2016 Decision Analysis Report Summary
(Report Number CP-CP-17-DRAFT)

We appreciate the work of the Office of Inspector General (OIG) in providing the Postal Service with analysis and, in some cases, recommendations regarding Decision Analysis Reports (DAR) coming before the Investment Review Committee (IRC). Project Sponsors review the OIG responses as part of the Concurrence process and consider whether any recommendations require a change to the DAR. Additionally, before the IRC votes on each project, the Chief Financial Officer asks the OIG representative for their input on the project. If there are any issues raised, they are discussed in the meeting.

We are pleased that the OIG has found that the DARs were reasonable business decisions or were in the best business interest of the Postal Service and identified no systemic issues across all DARs. We will take all recommendations by the OIG under advisement and will seek to address them either within the DARs where appropriate or by discussion with the OIG.

A handwritten signature in black ink, appearing to read "Luke Grossmann".

Luke Grossmann

cc: Ms. Banks
Mr. Orth

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