



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

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# **Lessons Learned from Mail Processing Network Rationalization Initiatives**

## **Management Advisory Report**

March 27, 2013

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Report Number NO-MA-13-004



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# HIGHLIGHTS

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## **BACKGROUND:**

In 2003, the President's Commission on the U.S. Postal Service found that the Postal Service had more facilities than needed and recommended optimizing the facility network by closing or consolidating mail processing centers. The Postal Accountability and Enhancement Act of 2006 encouraged the Postal Service to continue streamlining its processing and distribution network to eliminate excess costs. The Postal Service initiated 418 consolidation studies between fiscal years 2004 and 2011, resulting in 103 consolidations. The mail processing network included about 487 facilities in 2011.

The Postal Service has repeatedly revised plans to optimize its mail processing network. On September 15, 2011, the Postal Service announced the Network Rationalization Initiative, which studied 252 mail processing facilities for potential consolidations to reduce costs and improve efficiency. Management approved the Network Rationalization Initiative plan on February 22, 2012. On May 17, 2012, management modified the implementation schedule.

Our objective was to identify lessons learned from current and past mail processing network rationalization initiatives. The review focused on

lessons learned from project planning, communications, and execution of these initiatives.

## **WHAT THE OIG FOUND:**

The Postal Service has improved its mail processing network optimization efforts as a result of lessons learned from current and past initiatives; however, further refinements are warranted. The Postal Service could improve communications with stakeholders to enhance transparency.

Consolidation activities during the 2012 fall mailing season conflicted with information shared with stakeholders. In addition, overall cost saving projections were revised on several occasions, causing stakeholders to further question the initiative. When information is inconsistent, the Postal Service risks diminishing public confidence while increasing opposition to optimization efforts.

## **WHAT THE OIG RECOMMENDED:**

We recommended management improve communications with stakeholders by ensuring they share accurate and consistent information on consolidation impacts.

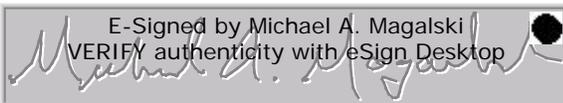
[Link to review the entire report](#)



March 27, 2013

**MEMORANDUM FOR:** DAVID E. WILLIAMS  
VICE PRESIDENT, NETWORK OPERATIONS

E-Signed by Michael A. Magalski  
VERIFY authenticity with eSign Desktop



**FROM:** Michael A. Magalski  
Deputy Assistant Inspector General  
for Support Operations

**SUBJECT:** Management Advisory – Lessons Learned  
from Mail Processing Network Rationalization Initiatives  
(Report Number NO-MA-13-004)

This report presents the results of our review of the Lessons Learned from Mail Processing Network Rationalization Initiatives (Project Number 12WG009CI000).

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  
Corporate Audit and Response Management

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## Introduction

This report presents the results of our review of the U.S. Postal Service's Network Rationalization Initiatives (NRI) (Project Number 12WG009CI000). Our objective was to identify Postal Service lessons learned from current and past mail processing NRI. The review focused on the project planning, communications, and execution of these initiatives. This self-initiated review addresses strategic risk. See [Appendix A](#) for additional information about this review.

The Postal Service has repeatedly revised plans to rationalize its mail processing network and launched a nationwide realignment in 2011 called the NRI. The goal of the initiative was to reduce costs and improve efficiency.

On September 15, 2011, management announced the initiative to study about 252<sup>1</sup> mail processing facilities for consolidation or closure. On December 5, 2011, the Postal Service submitted testimony to the Postal Regulatory Commission (PRC) about service changes needed for the initiative. On December 13, 2011, the postmaster general announced a moratorium through May 15, 2012, on the consolidation or closure of mail processing facilities. The moratorium resulted from a request by U.S. senators to give congress time to adopt legislation addressing the Postal Service's financial crisis.

On February 22, 2012, management announced an updated plant closure list consisting of 264 facilities. Of the 264 mail processing facilities being studied, six were on hold for further study, 35 were disapproved and will remain open, and 223 will be consolidated. After receiving stakeholder pushback regarding service impacts and the aggressive implementation schedule, management revised the initiative on May 17, 2012. The original plan to consolidate about 252 mail processing facilities was changed to a two-phase plan to coincide with changes in overnight service standards<sup>2</sup> and allowed for a methodical and measured implementation. Phase 1 of the plan anticipated about 48<sup>3</sup> facilities being consolidated from July through August 2012 and about 100 facilities being consolidated in 2013, and phase 2 anticipated about 114 facilities being consolidated in 2014.

## Conclusion

The Postal Service has improved its mail processing network optimization processes as a result of lessons learned from current and past initiatives. We noted improvements in

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<sup>1</sup> The Postal Service announced it would study 252 mail processing facilities for consolidation or closure. Eight facility studies had already been initiated before the announcement and four additional studies were undertaken after that, so the total number of facilities studied was 264.

<sup>2</sup> Current service standards for Priority Mail and First-Class Mail (FCM) are 1 to 3 days, Periodicals is 1 to 9 days, Package Services is 2 to 8 days, and Standard Mail is 3 to 10 days. Under the NRI, service standards would be 2 to 3 days for FCM, 2 to 9 days for Periodicals, 2 to 8 days for Package Services, and 3 to 10 days for Standard Mail.

<sup>3</sup> Forty-six facilities were consolidated, with two on hold pending further review.

project planning, communications, and execution; however, further refinements are warranted. The NRI was a top-down initiative, which standardized the review process and improved consistency; however, the initiative experienced communication challenges with stakeholders, which increased opposition. Consolidation activities during the 2012 fall mailing season also conflicted with some information shared with stakeholders. In addition, the Postal Service repeatedly revised estimated cost savings, which caused stakeholders to further question the initiative. When information is inconsistent, the Postal Service risks diminishing public confidence while increasing opposition to optimization efforts.

### **Mail Processing Network Rationalization Initiatives**

From fiscal years (FY) 2004 to 2011, the Postal Service initiated 418 area mail processing (AMP)<sup>4</sup> studies, 103 of which resulted in consolidations. The Postal Service has improved the process for reducing excess capacity in the mail processing network. Management revised policies, enhanced the process used to manage plant closures, and added a top-down<sup>5</sup> planning approach for identifying potential facilities for consolidation or closure.

On September 15, 2011, the Postal Service announced the NRI to improve operational and financial performance through:

- Eliminating overnight service standards<sup>6</sup> for FCM and Periodicals.
- Closing or consolidating 252 of 487 (52 percent) mail processing facilities.
- Reducing the transportation network.
- Reducing the workforce by 35,000 positions.
- Completing implementation by 2013.

According to management, right-sizing the Postal Service's mail processing network would lead to significant cost savings. When management announced the NRI, their plan was to streamline the network by studying 252 mail processing facilities throughout the U.S. for potential closure or consolidation.

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<sup>4</sup> An AMP is a study to analyze the feasibility of relocating mail processing operations from one location to another to improve capacity, efficiency, and service.

<sup>5</sup> A top-down planning approach occurs when consolidation opportunities are initiated from headquarters using modeling techniques. A bottom-up approach occurs when consolidation opportunities are initiated by local management.

<sup>6</sup> Current service standards for Priority Mail and FCM are 1 to 3 days, for Periodicals 1 to 9 days, for Package Services 2 to 8 days, and for Standard Mail 3 to 10 days. Under this initiative, service standards would be 2 to 3 days for FCM, 2 to 9 days for Periodicals, 2 to 8 days for Package Services, and 3 to 10 days for Standard Mail.

## Planning for the Mail Processing Network Rationalization Initiatives

The Postal Service has improved the planning process for mail processing consolidations. Management added a top-down approach when planning network consolidations and revised Handbook PO-408.<sup>7</sup> Management initiated 418 AMP studies between FYs 2004 and 2011 and, during the same period, the U.S. Postal Service Office of Inspector General (OIG) issued 32 audit reports related to consolidations and found that a valid business case existed for 31 of the 32 consolidations (97 percent). In a prior OIG management advisory,<sup>8</sup> we noted inconsistencies with the bottom-up planning approach because area operations are autonomous and standardized criteria for identifying consolidation opportunities did not exist at that time. Management subsequently included a top-down planning approach to achieve consistency and standardization.

Although management has improved their planning process, we noted challenges in estimating cost savings for the initiative. Specifically, management revised the estimated cost savings several times, causing stakeholders to further question the proposed savings.

- On September 15, 2011, the Postal Service announced the NRI to improve operational and financial performance. Management said they would study about 252 mail processing facilities for consolidation or closure with an annual cost savings of up to \$3 billion.
- On December 5, 2011, management submitted an estimated cost savings of \$2.6 billion to the PRC.
- On April 30, 2012, management submitted a revised plan to the PRC to study about 230 mail processing facilities for consolidation or closure. The annual cost savings estimate was reduced from \$2.6 billion to \$1.6 billion.<sup>9</sup>

The cost savings varied because management stated they were preliminary estimates, pending approval of the AMP studies. Management was not making decisions on which facilities to consolidate or close during the planning phase and, as a result, the OIG could not validate the reasonableness of the cost savings. These changes in cost savings caused further stakeholder resistance to the initiative.

A reduction in workhours and employee complement is the largest contributor to cost savings from mail processing network changes. With the NRI, management planned to

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<sup>7</sup> Handbook PO-408, *Area Mail Processing Guidelines*, provides a process for the review and implementation of AMP proposals.

<sup>8</sup> *Area Mail Processing Initiation Process*, OIG Management Advisory (Report Number EN-MA-O7-001, June 26, 2007).

<sup>9</sup> Subtracting the annualized contribution loss of \$.5 billion from cumulative cost savings of \$2.6 billion results in a net annual savings of \$2.1 billion from the December 5, 2011, PRC testimony and \$1.6 billion from the April 30, 2012, PRC revised testimony, respectively.

reduce 35,000 employees, mainly by using attrition and Article 12<sup>10</sup> union contract provisions. However union contracts make it challenging to reduce the workforce due to no layoff clauses for full-time employees. Subsequently, management revised the initiative as follows:

- Management had voluntary early retirement authority (VERA) for FY 2012 and may request an extension to FY 2013.<sup>11</sup>
- On May 25, 2012, management announced the availability of Voluntary Early Retirement (VER) and buyouts for 45,000 mail handlers. As of September 30, 2012, 2,952 mail handlers accepted the VER and buyout offer.
- On August 29, 2012, management offered VER to 3,300 managers and administrative staff.<sup>12</sup> The offer closed on December 31, 2012, and 196 employees accepted the offer.
- On September 28, 2012, management offered VER and buyouts for 187,700 American Postal Workers Union (APWU) employees. On January 31, 2013, 20,816 full-time career APWU employees separated from the Postal Service with this offer. In addition, as of February 5, 2013, 2,033 part-time employees accepted this offer.

#### Communication Associated with the Mail Processing Network Rationalization Initiatives

In a past review of network optimization initiatives,<sup>13</sup> we noted that management enhanced the AMP communications plan five times between April 1995 and March 2008. We recommended the Postal Service further enhance the communication plan through increased communications with employees during the AMP process and increased use of web-based communication for disseminating AMP details to stakeholders. The Postal Service agreed with our recommendation and used web-based tools to enhance communications with employees.

The Postal Service made significant improvements to the AMP communications plan, and communication with employees and mailers has improved. The Consumer and Industry Affairs and Corporate Communications groups have been actively engaged in the communication process during the revised NRI. In discussions with management, enhanced processes have been implemented for communications with stakeholders, including:

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<sup>10</sup> Article 12 of the Collective Bargaining Agreement applies when a major relocation of employees is planned in a major metropolitan area. The Postal Service must meet with the unions at the national level at least 90 days in advance of the plan's implementation and must also meet with unions at the regional level in advance of the relocation (6 months in advance, if possible). When an independent installation is discontinued, full-time and part-time employees will be involuntarily reassigned to continuing installations, to the maximum extent possible.

<sup>11</sup> VERA allows agencies that are undergoing substantial restructuring, reshaping, downsizing, transfer of function, or reorganization to temporarily lower the age and service requirements to increase the number of employees who are eligible for retirement.

<sup>12</sup> The buyout incentive was not offered to this group of managers and administrative staff.

<sup>13</sup> *U.S. Postal Service Past Network Optimization Initiatives* (Report Number CI-AR-12-003, dated January 9, 2012).

- Adoption of a communications plan that includes a timeline of when and how rationalization information is distributed. This timeline includes:
  - Sending out press releases and key messages timely.
  - Providing scripted talking points for all levels of management.
  - Providing release dates and times for information updates to the Postal Service intranet.
  - Providing scripted stand-up talks with impacted employee groups.
  - Providing briefings to unions before releasing information to the public.
- Additional coordination has aided the communications process for both internal and external stakeholders, including:
  - Holding more press conferences on the modified rationalization efforts.
  - Tracking progress with a newly created hot action report that is distributed every morning.
  - Developing Business Service Network (BSN) eSERVICE<sup>14</sup> portals for customers to enter concerns and issues.
  - Using the CustomerFirst! system<sup>15</sup> for any customer with mail concerns and issues.
  - Using cross-functional teams to enhance coordination, informing stakeholders of up-to-date information, and ensuring unexpected changes or events can be more efficiently and effectively addressed.

While the Postal Service has improved communications with stakeholders, there continues to be concern regarding the consistency of information provided, the transparency of information shared with stakeholders, and the perception that management does not consider public input when making decisions to consolidate operations. When communications are inconsistent, the Postal Service risks diminishing public confidence while increasing opposition to optimization efforts.

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<sup>14</sup> BSN eSERVICE is a dedicated nationwide network providing service support to the Postal Service's largest customers for service issues, information, and requests.

<sup>15</sup> A system that Postal Service BSN representatives uses to track and provide feedback on mail concerns.

Specifically:

- Management conducted limited consolidation activities from September through December 2012 at the Kilmer, NJ Processing and Distribution Center (P&DC) and Steubenville, OH Customer Service Mail Processing Center (CSMPC). Management stated these activities were essential and had a limited impact on operations. Although these consolidation activities were limited, they contradict some communications<sup>16</sup> indicating no consolidations would occur during this period. Headquarters management stated that they provided information during presentations that might limit consolidations from September through December 2012. Management stated Steubenville CSMPC incoming primary mail operations were scheduled to move during the summer but were delayed. As a result, management revised the plan and made those moves in November.
- Congressional staffers stated constituents complained that they were not provided with relevant and timely information during public meetings. Specifically, the Postal Service did not provide attendees with detailed information on the impact of consolidations on mail delivery.
- Congressional staffers provided varied and conflicting information on how well the Postal Service shared information directly with their offices.

### Execution of the Mail Processing Network Rationalization Initiatives

The Postal Service announced the initiative on September 15, 2011. It was the largest infrastructure plan the agency ever proposed. There has not been enough time to assess results from the initial phase of consolidations. Our prior review of locally initiated consolidations showed that results generally exceed projections, based on the process the Postal Service used to assess results.

Management received stakeholder pushback about the initiative, updated its PRC filings and changed to a phased incremental plan to be completed by 2014.

- Phase 1 consolidations occurred from July through August 2012<sup>17</sup> with 46<sup>18</sup> consolidations.
- Phase 1 resumed January 2013 with about 92<sup>19</sup> planned consolidations.

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<sup>16</sup> Various communications included the May 17, 2012, Press Release; Release Number 12-058, *Postal Moves Ahead with Modified Network Consolidation*; the Mandatory Stand-Up Talk for Postal Service employees, *Modified Network Consolidation Plan*, May 16 - 17, 2012; Postal Service Newslink, *Modified Network Consolidation Plan*, May 17, 2012; *Mandatory Service Talk on NRI for Postal Service employees who work with customers*, May 17, 2012; and a *Political Mail is Evolving* PowerPoint presentation, July 18, 2012.

<sup>17</sup> The following consolidations occurred between May and June 2012: Cardiss Collins P&DC, Terre Haute Processing and Distribution Facility (P&DF), Gaylord P&DF, Lansing P&DC, Ft. Lauderdale P&DC, and Utica P&DF.

<sup>18</sup> The Postal Service announced 48 consolidations; however, it completed 46 due to two plant consolidations placed on hold: the Carbondale CSMPC and the Centralia CSMPC.

<sup>19</sup> On February 11, 2013, management stated 100 consolidations were planned for 2013.

- Phase 2 will begin February 2014 with about 112<sup>20</sup> planned consolidations.
- The current plan for 2014 will keep overnight service standards for some commercial mail entered by the posted cut-off time for processing mail at specific facilities.

Management stated that phased implementation of the initiative provides customers and employees with time to adapt to the smaller mail processing network, meets cost-reduction goals while maintaining service performance, and addresses scheduling constraints due to the holiday mailing seasons. In addition, incremental implementation allows management to develop and use any lessons learned for future consolidations.

In our past network optimization initiatives audit,<sup>21</sup> we noted that four of 31 AMPs supported by a valid business case encountered service issues during implementation.<sup>22</sup> This occurred when management deviated from the original AMP proposal and employees were unfamiliar with the AMP process or underestimated the potential impact on service. To address the issue, management now monitors mail processing consolidations using tools and processes that include:

- The mail move plan for consolidation locations, which is updated weekly and posted on the Postal Service's Rapid Information Bulletin Board System (RIBBS)<sup>23</sup> <https://ribbs.usps.gov/> to keep Postal Service mailers informed of the consolidation progress.
- Enhanced communications with the mailing industry in which management use industry alerts<sup>24</sup> and webinars to keep informed of mailer concerns regarding the implementation process.
- A feedback system to address customer issues in which management uses district manager customer meetings, RIBBS, local business mail entry unit communications, and [www.usps.com](http://www.usps.com) to address customer issues regarding the NRI.

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<sup>20</sup> On January 17, 2013, management provided an updated consolidation list to the National Postal Mail Handlers Union, moving 18 consolidations from the 2014 list to the 2013 list. On February 11, 2013, management stated 114 planned consolidations for 2014.

<sup>21</sup> *U.S. Postal Service Past Network Optimization Initiatives* (Report Number CI-AR-12-003, dated January 9, 2012).

<sup>22</sup> AMP studies noted with concerns were *Timeliness of Mail Processing at the Los Angeles, California, Processing and Distribution Center* (Report Number NO-AR-07-001, dated February 9, 2007), *Marysville Processing and Distribution Facility* (Report Number EN-AR-08-003, dated April 16, 2008), *Mojave Post Office Mail Processing Changes* (Report Number EN-MA-10-002, dated January 21, 2010), and *Implementation of Lima, OH to Toledo, OH Area Mail Processing Consolidation* (Report Number EN-AR-11-004, dated March 31, 2011).

<sup>23</sup> RIBBS is part of the Postal Service's National Customer Support Center (NCSC). The NCSC works closely with the mailing industry, vendors, and internal postal customers to improve address quality. The RIBBS web portal provides access to the Postal Service's products and services that help business mailers standardize, validate, and update their address data.

<sup>24</sup> The 'Information for Mailers' web page that management uses to inform, update, and alert mailers and customers of information pertinent to their area.

- An early warning system of key indicators, used to diagnose issues before they become adverse service impacts.<sup>25</sup>

Management uses service performance measurements to monitor service impacts during facility consolidations. Examples of some service performance measurements include:

- Intelligent mail barcode (IMb), which provides end-to-end visibility for mail acceptance and delivery.
- Delayed mail service reports, which show the amount of mail delayed in the processing facility.
- 24-hour clock indicators, which measure key indicators of operating performance at mail processing facilities that may influence service.
- External First-Class service scores, which are the results of tests an independent contractor performs to measure service performance for FCM (letters, flats, and postcards) from mailbox to delivery.
- Commercial mail service measurement that measures every mailpiece of mailers who use full-service IMb.

According to management, leveraging these tools has been instrumental to the success of the summer consolidations implemented in July and August 2012. While this review did not allow time to fully evaluate Phase I consolidations, we plan to conduct future audit work to assess some consolidations.<sup>26</sup>

Management has also implemented a strategic initiative called Delivering Results, Innovation, Value and Efficiency (DRIVE), Initiative 1, Network Optimization.<sup>27</sup> The Postal Service designed the DRIVE Initiative 1 to implement an efficient and affordable network and supporting infrastructure that corresponds to the reduced volume of mail. In addition, this initiative will adjust the workforce and dispose of facilities, vehicles, and equipment to support the reduction in the network infrastructure.

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<sup>25</sup> The early warning system is a dashboard with various early warning indicators, such as mail condition report, cycle times, and service performance tools reviewed daily. Management said if they detect problems early enough, they can fix them before they become more significant problems.

<sup>26</sup> Rockford, IL P&DF, Altoona P&DF, Greensburg CSMPC, New Castle P&DF, and Southeastern P&DC consolidations were congressional requests received from the original listing of 252 facilities the Postal Service announced on September 15, 2011. These five facilities were also part of the July through August 2012 revised consolidation plan.

<sup>27</sup> DRIVE is a management process the Postal Service uses to improve business strategy development and execution.

## Recommendation

We recommend the vice president, Network Operations:

1. Improve the communication process by ensuring accurate and consistent information is shared with stakeholders on consolidation impacts.

## Management's Comments

Management agreed with the finding and recommendation. Management stated that they will continue striving to ensure that accurate and consistent information is provided to stakeholders, will add further enhancements to AMP information posted on usps.com, and will work with all relevant functions within the Postal Service to further ensure the agency shares relevant information with all stakeholders on a timely basis. Management plans to complete enhancements by April 2013.

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

## Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendation and corrective action should resolve the issues identified in the report.

The OIG considers the recommendation significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action is completed. This recommendation should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

## Appendix A: Additional Information

### Background

In 2003, the President's Commission<sup>28</sup> found that the Postal Service had more facilities than needed and recommended optimizing the facility network by closing or consolidating processing centers. The Postal Accountability and Enhancement Act of 2006 encourages the Postal Service to continue streamlining its processing and distribution network to eliminate excess costs. The Postal Service's Transformation Plan<sup>29</sup> states that the Postal Service is committed to improving its operational efficiency by consolidating mail processing operations when feasible. In addition, the initiative is part of DRIVE, the management process the Postal Service is using to implement its current performance and financial goals.

The Postal Service initiated 418 AMP studies between FYs 2004 and 2011. During the same period, the OIG issued 32 AMP-related audit reports. Of the 32 reports, a valid business case existed for 31 of the AMPs (97 percent) reviewed. Since FY 2004, the Postal Service has improved the AMP process. This resulted in better data consistency, planning, and implementation and a better review process.

According to the Postal Service, right-sizing the Postal Service's mail processing network is part of the present initiative that will lead to significant cost savings. On September 15, 2011, the Postal Service announced a nationwide realignment (the NRI) of its mail processing network to reduce cost and improve efficiency. Management announced they would study about 252 of the 487 mail processing facilities for consolidation or closure. This initiative would also reduce the transportation network, reduce the workforce by 35,000 positions, and be fully implemented by 2013. This was the largest infrastructure plan ever attempted by the Postal Service. In the previous 7 fiscal years,<sup>30</sup> the Postal Service implemented 101 AMP consolidations, 82 of which were implemented in FYs 2011–2012. On May 17, 2012, management revised the previously published initiative and announced a phased plan to enable a more methodical and measured implementation.

### Objective, Scope, and Methodology

Our objective was to identify lessons learned from current and past mail processing NRI. To accomplish this objective, we:

- Reviewed prior OIG reports for planning, communications, and execution of mail processing network initiatives.

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<sup>28</sup> The Commission was asked by President George W. Bush to gather the opinions of postal experts, customers, partners, and competitors and employees in this document, *The President's Commission on the U.S. Postal Service*, dated July 31, 2003.

<sup>29</sup> *Strategic Transformation Plan, Annual Progress Report*, December 2006.

<sup>30</sup> FYs 2005 – 2011.

- Identified lessons learned in the planning, communications, and execution of these initiatives.
- Identified concerns and risks associated with the objective.
- Discussed preliminary audit topics with Postal Service, Network Operations management.
- Conducted interviews with Postal Service managers to gain an understanding of their lessons learned as applicable to our objective.
- Conducted interviews with congressional staffers, National Postal Mail Handlers Union executives and representatives, and plant management to discuss communication concerns applicable to our objective.
- Reviewed PRC advisories and Postal Service testimony to the PRC regarding the mail processing network rationalization initiative.

Because of the limited information available due to the timing of the consolidations, we did not assess the Phase 1 NRI consolidations.

We conducted this review from June 2012 through March 2013 in accordance with the Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation*. We discussed our conclusions with management on November 14, 2012, and on February 11, 2013, and included their comments where appropriate. We did not rely on computer-generated data to support the findings.

### [Prior Audit Coverage](#)

*U.S. Postal Service Past Network Optimization Initiatives* (Report Number [CI-AR-12-003](#), dated January 9, 2012).

We determined that a valid business case exists for 31 of the 32 AMPs (97 percent) we reviewed. These business cases were supported by adequate capacity, increased efficiency, reduced workhours and mail processing costs, and improved service standards. However, the AMP process could be further enhanced by improving communication with stakeholders. In addition, five AMPs for which post-implementation reviews (PIR) were performed did not achieve the projected savings, resulting in a predicted savings shortfall of approximately \$9.7 million. We recommended management establish a plan to improve communication with stakeholders concerning the consideration of stakeholder input provided to the Postal Service and improve the timeliness of conducting PIR. Management agreed with the recommendations and will enhance the AMP Communication Plan to incorporate stakeholder input concerning AMPs and will ensure resources are allocated to complete PIRs timely.

## Appendix B: Management's Comments

DAVID E. WILLIAMS  
VICE PRESIDENT, NETWORK OPERATIONS



March 22, 2013

JUDITH LEONHARDT  
Director, Audit Operations

SUBJECT: Draft Management Advisory – Lessons Learned from Mail  
Processing Network Rationalization Initiatives  
(Report Number NO-MA-13-DRAFT)

We reviewed the advisory report performed by the Office of Inspector General on the Mail Processing Network Rationalization Initiative and we appreciate the opportunity to provide feedback to your findings. Management agrees with the recommendation as outlined in the audit.

Management has made improvements to the communication process as outlined in the report:

- Holding more press conferences on the modified rationalization efforts;
- Tracking progress with a newly created hot action report that is distributed every morning;
- Developing Business Service Network (BSN) eSERVICE portals for customers to enter concerns and issues; and
- Using the CustomerFirst! system for any customer with mail concerns and issues.

Management will continue to enhance this process to improve communication with our stakeholders.

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Recommendation

Improve the communication process by ensuring accurate and consistent information is shared with stakeholders on consolidation impacts.

Management Response/Action Plan:

Management agrees with this recommendation. As stated in the report, our communications process has improved significantly. We will continue to strive to ensure that accurate and consistent information is provided to all stakeholders. We will add further enhancements to the Area Mail Processing (AMP) information posted on usps.com. Network Operations will continue to work with all relevant functions within the Postal Service to further ensure information is shared on a timely and relevant basis with all internal and external stakeholders. This will ensure stakeholders including employees, customers, Members of Congress and their staffs, mailers and the general public receive all updates applicable to the consolidation plans.

Target Implementation Date:

April, 2013

Responsible Official:

Manager, Processing Operations

This report and management's response do not contain information that may be exempt from disclosure under the FOIA.



David E. Williams