



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

HIGHLIGHTS

January 9, 2012

**U.S. Postal Service Past
Network Optimization Initiatives**

Report Number CI-AR-12-003

IMPACT ON:

Mail processing operations nationwide.

WHY THE OIG DID THE AUDIT:

Our objective was to summarize best practices identified from our work with area mail processing (AMP) consolidations and any areas for improvement.

WHAT THE OIG FOUND:

We determined 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.

Since fiscal year 2004, the Postal Service has improved the AMP process by updating feasibility studies and stakeholder communications. This resulted in better data consistency, planning, and implementation; and a better review process. We believe the AMP process could be further enhanced by improving communication with stakeholders.

We noted the projected AMP annual savings for the 33 completed post-implementation reviews (PIRs) was approximately \$94 million. The PIRs indicate the Postal Service realized annual savings of approximately \$323 million. A variance of over

\$229 million occurred because concurrent initiatives' savings were included with AMP consolidation savings. We noted that five of the 33 PIRs (15 percent) did not achieve projected savings, resulting in an approximate \$9.7 million annual savings shortfall. Finally, there are 14 PIRs past due.

WHAT THE OIG RECOMMENDED:

We recommended the vice president, Network Operations, 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 PIRs.

WHAT MANAGEMENT SAID:

Management agreed with the recommendations and will enhance the Area Mail Processing Communication Plan to incorporate stakeholder input concerning AMPs and will ensure resources are allocated to complete PIRs timely.

AUDITORS' COMMENTS:

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