



HIGHLIGHTS

BACKGROUND:

The U.S. Postal Service is currently facing many financial challenges with declining mail volumes and revenue. Consequently, it has implemented several initiatives intended to reduce costs. One of these initiatives, Delivery Unit Optimization (DUO), involves relocating letter carriers out of local post offices, stations, and branches and into centralized delivery offices to reduce clerk and carrier workhours, building maintenance expenses, and transportation costs.

The Postal Service established guidelines in December 2010 for implementing the DUO initiative. Since fiscal year 2011, about 1,500 DUO consolidations have been implemented.

In response to a request from Senator Charles Grassley (Iowa), our objectives were to determine whether the Postal Service complied with established DUO initiative guidelines and whether the DUO initiative reduced costs and improved operational efficiency.

WHAT THE OIG FOUND:

Although management generally complied with DUO guidelines, the guidelines were limited and did not provide district management with a well-defined methodology to project and validate savings and efficiencies. Thus, local managers developed their own

methodologies to project and validate savings, which led to inconsistent consolidation determinations. Also, management did not always perform and document post consolidation reviews. As a result, management has not effectively tracked the results of the DUO initiative, and we could not determine whether the 1,500 consolidations have reduced costs or improved operational efficiencies in delivery units.

However, we judgmentally selected five sites for detailed review, and found mixed results. Three of the five sites had reduced costs after consolidation, while two had increased costs. Furthermore, none of the five sites showed improved efficiencies 6 months after consolidation.

WHAT THE OIG RECOMMENDED:

We recommended the acting vice president, Delivery and Post Office Operations, revise DUO guidelines to include a well-defined, consistent methodology for projecting cost savings and operational efficiencies. In addition, develop a process to ensure the revised guidelines are applied consistently and post consolidation reviews are performed to accurately validate savings and efficiencies.