



HIGHLIGHTS

BACKGROUND:

Flat-shaped mail includes large envelopes, newspapers, catalogs, magazines, and other publications that meet certain size and flexibility standards. In fiscal year 2011, United States Postal Service revenue from regular Standard Mail[®] and Periodicals flats was \$4.3 billion — \$1.2 billion less than the \$5.5 billion in transportation, processing, delivery, and other costs attributed to those products.

Our objective was to determine whether the Postal Service's network and operational decisions limit efficient processing of flats.

WHAT THE OIG FOUND:

Management's decisions to manually process potentially machinable mail and the lack of flats mail processing equipment at certain processing facilities have limited Postal Service efforts to reduce costs associated with manually processing flats. Despite investments in flat mail processing equipment, about 30 percent of flat mail continues to be manually processed. In addition, some flat mail that cannot be delivered for various reasons is manually processed due to software issues of automation machinery and/or incorrect application of processing procedures by field personnel.

While the Postal Service's planned goal in fiscal year 2011 was to process

29.9 percent of flat mail manually, we estimate it could save about \$129.6 million annually if it met its stretch goal of 20 percent. As part of this \$129.6 million, we estimate the Postal Service could save about \$3.6 million per year if it moved 10 percent of flat mail processed at non-automated facilities to automated facilities and about \$21.6 million annually if it moved manually sorted retail mail to automated processing operations.

WHAT THE OIG RECOMMENDED:

We recommended the Postal Service establish goals more consistent with the current stretch goal of 20 percent, to lower the percentage of manually processed flat mail. We also recommended the Postal Service evaluate opportunities to reduce the number of plants and other mail processing facilities and develop a processing strategy to automate the processing of single-piece First-Class Mail[®] flats. We further recommended the Postal Service ensure that procedures for placing and processing forwarding labels comply with Computerized Forwarding System requirements.