

Mail Processing Machine Relocation

AUDIT REPORT

Report Number 23-165-R24 | March 26, 2024



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Highlights

Background

As part of the Delivering for America 10-year plan, the U.S. Postal Service is making significant investments in Regional Processing and Distribution Centers (RP&DCs) to modernize its network. The goal of this initiative is to standardize and modernize mail and package processing and improve service reliability and cost efficiency across the nation. The Postal Service opened one RP&DC in calendar year 2023 and is projecting to open about 60 through calendar year 2028. With the implementation of these new facilities nationwide, it will be important for the Postal Service to have a standardized process to relocate mail processing equipment timely and verify accurate accountability of its assets.

What We Did

Our objective was to evaluate the Postal Service's process for relocating machines and determine whether it's prepared to move equipment as part of planned network changes.

What We Found

The Postal Service developed a process for mail processing machine relocation to support the planned network changes and has already relocated some mail processing equipment. However, they are at risk of not being prepared to quickly implement planned relocations. Specifically, local management was not uniformly aware of roles and responsibilities or consistently applying the process for relocated mail processing machines and equipment. We determined required records were missing in a Postal Service information system to both document mail processing equipment relocations and to enable timely reconnection of the equipment to support mail processing. Additionally, we found mail processing equipment did not have capital property identification labels affixed as required by policy.

Recommendations

We recommended management (1) update processes and checklist to incorporate the accurate roles and responsibilities for the machine relocation process; (2) document the updated process and checklist in AS-701 and Postal Handbook; (3) develop a process to communicate clear and consistent procedures, including roles and responsibilities, on the machine relocation process; and (4) verify all relocated mail processing equipment has an accurate capital property identification label affixed.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

March 26, 2024

MEMORANDUM FOR: DANE A. COLEMAN
VICE PRESIDENT, PROCESSING AND MAINTENANCE OPERATIONS

MARK GUILFOIL
VICE PRESIDENT, SUPPLY MANAGEMENT

LINDA MALONE
VICE PRESIDENT, ENGINEERING SYSTEMS

JOHN DUNLOP
VICE PRESIDENT, PLANT AND PROCESS MODERNIZATION

Mary K. Lloyd

FROM: Mary K. Lloyd
Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Audit Report – Mail Processing Machine Relocation
(Report Number 23-165)

This report presents the results of our audit of the Mail Processing Machine Relocation.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Brandi Adder, Director, Delivery Operations, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of Mail Processing Machine Relocation (Project Number 23-165). Our objective was to evaluate the U.S. Postal Service's process for relocating machines and determine whether the Postal Service is prepared to move equipment as part of planned network changes. See [Appendix A](#) for additional information about this audit.

Background

The Delivering for America¹ 10-year plan emphasizes the modernization of the U.S. Postal Service's processing network. As part of the plan, the Postal Service announced the creation of Regional Processing and Distribution Centers (RP&DCs). RP&DCs are intended to modernize mail and package

processing; improve service reliability; and improve cost efficiency by centralizing all processing operations within a region. With centralization, the Postal Service plans to move mail and packages more cost effectively and deliberately across the nation.

In January 2023, the Postal Service updated its *Equipment Relocation, Modification, and Excessing Request Process* to include the relocation and removal² of mail processing machines and associated equipment supporting the creation of RP&DCs.

These network processing changes require the relocation and removal of mail processing machines and associated equipment to enable the conversions

to RP&DCs, Local Processing Centers³, and Sorting and Delivery Centers⁴. In 2023, the Postal Service opened one RP&DC and is projecting to open about 60 RP&DCs by 2028. With the implementation of these new facilities nationwide, the Postal Service will need an accurate accountability of its assets. In November 2023, the Postal Service identified 219 mail processing machines and associated equipment with the potential to be relocated or removed to support the creation of RP&DCs in 2023 and 2024.

When Mail Processing Equipment (MPE)⁵ is identified for relocation or removal, local management submits a form via the Equipment Status Change Request (ESCR) system four weeks prior to the scheduled relocation or removal date to obtain approval from Postal Service Headquarters. Within ESCR, facilities are

identified as either the losing facility or the gaining facility⁶. This form must include the losing and gaining facility information, asset type, and capital property identification (ID) number.⁷ The ESCR Standard Work Instruction⁸ states the form must be approved before facility equipment inventory⁹ can be updated. The approved ESCR is needed to update operations¹⁰ and accountability¹¹ systems with the relocated equipment. Additionally, the Maintenance Technical Support Center¹² coordinates with the local

facilities to plan and schedule any required actions, such as dismantling, transferring, and installing MPE identified for relocation. See [Figure 1](#).

“In 2023, the Postal Service opened one RP&DC and is projecting to open about 60 RP&DCs by 2028.”

1 Delivering for America, dated March 23, 2021, and *Delivering for America Two-Year Progress Report*, dated April 2023.

2 Removal includes moving machines and associated equipment from a facility for relocation, modification, or excessing.

3 Local Processing Centers are designed to connect RP&DCs to delivery operations with the primary mission of sorting letter and flat mail to carrier route or delivery point sequence and serving as a transfer center to aggregate products on their way to delivery.

4 Sorting and Delivery Centers will aggregate mail carrier operations from several smaller locations within some local areas to provide faster and more reliable mail and package delivery over a greater geographical area.

5 MPE is automated and mechanized machinery, including manual distribution cases, used to perform mail distribution and other functions.

6 The losing facility is the facility from which the equipment is being relocated and the gaining facility is the facility to which the equipment is moved.

7 A capital property ID number is a unique numerical code by which each piece of capital property owned by the Postal Service is identified and managed. Capital property ID numbers are bar-coded on labels that are affixed to property items.

8 *Standard Work Instruction for Equipment Status Change Request for a Relocated Machine*, dated April 5, 2023, provided by facility management.

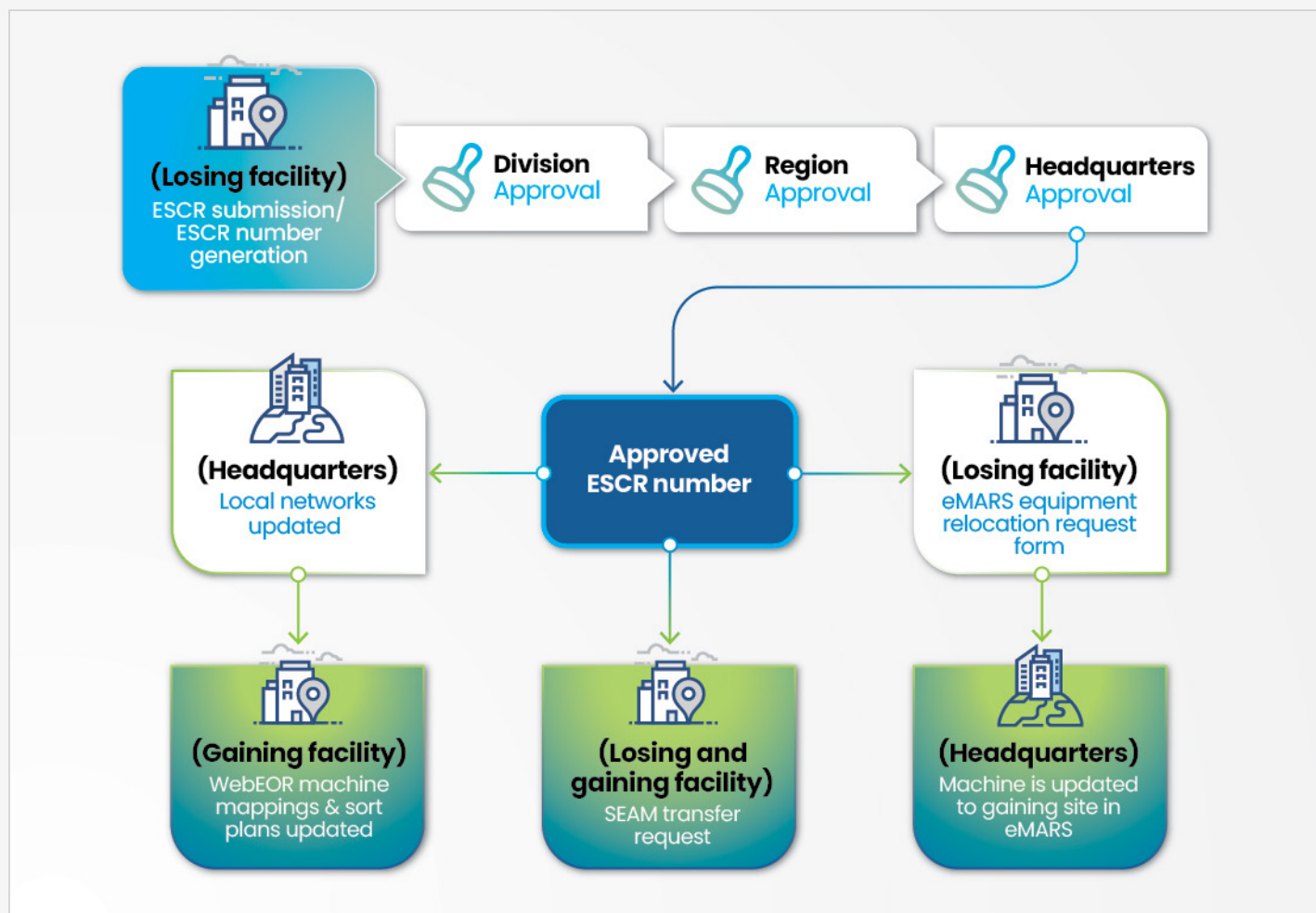
9 Facility equipment inventory is maintained in the Electronic Maintenance Activity Reporting and Scheduling system (eMARS), which is an inventory and management program used at Postal Service facilities.

10 The Postal Services uses WebEOR to collect, store, and report mail volume data directly from MPE.

11 SEAM is the Enterprise Resource Planning system used to manage capital property inventory.

12 The Maintenance Technical Support Center is responsible for maintenance support of MPE.

Figure 1. ESCR Submission Process Flow Chart



Source: U.S. Postal Service Office of Inspector General (OIG) created based on ESCR Standard Work Instruction and Machine Relocation Checklist v5.1.

When MPE is transferred between facilities, accountability and records must be updated in accordance with the Asset Management Handbook AS-701, and responsible parties are encouraged to consult the Material Accountability Officer Guidebook for best practices to ensure visibility and accountability. The AS-701 and Guidebook also outline the transfer process for MPE from losing and gaining facilities, specify the required documentation for the disposal of mail processing machines and associated equipment, and define the roles and responsibilities for asset accountability.

Findings Summary

The Postal Service developed a process for mail processing machine relocation to support the planned network changes. However, we found local management was not uniformly aware of roles and

“We found local management was not uniformly aware of roles and responsibilities or consistently applying the process for the planned mail processing machine relocations.”

responsibilities or consistently applying the process for the planned mail processing machine relocations. Additionally, we found MPE did not always have capital property ID labels affixed in accordance with policy.

Finding #1: Inconsistent Application of the MPE Relocation Process

While the Postal Service was able to relocate machines, we found there was confusion at the facilities visited regarding roles and responsibilities for completing the process. Specifically, we judgmentally selected 16 facilities associated with the creation of RP&DCs within calendar year 2023 through 2024. During the 16 interviews with facility management, we received mixed responses on the responsibility for initiating the ESCR form:

- Eight correctly stated it was the responsibility of the losing facility;
- Five stated it was the responsibility of headquarters;
- Two stated it was the responsibility of the gaining facility; and
- One stated it was the responsibility of both the losing and gaining facilities.

Additionally, in 15 of 16 interviews conducted, local management stated they were not provided clear communication for MPE relocation from headquarters. Specifically, headquarters communicated via teleconferences and emails with local facilities but did not include instructions for initiating the form in ESCR. Further, some facilities were notified less than four weeks prior to the scheduled MPE relocation date, making it impossible to submit the ESCR form in accordance with policy. In one example, headquarters notified a losing facility just four days before the MPE relocation.

Furthermore, we reviewed 34 MPE relocations. For the gaining facilities, we reviewed 14 MPE relocations, two (or 14 percent) were not recorded in ESCR. Of the remaining 12 MPE relocations, five did not have ESCR forms submitted prior to the scheduled relocation. Similarly, at the losing facilities, we reviewed 20 MPE

“We found there was confusion at the facilities visited regarding roles and responsibilities for completing the process.”

relocations, nine (or 45 percent) were not recorded in ESCR. The remaining 11 MPE relocations did submit

ESCR forms; however, nine were submitted after the scheduled relocation, with one facility that submitted their ESCR form 101 days post relocation.

The confusion for completing the forms for the MPE relocation process occurred because headquarters did not clearly define roles, responsibilities, and timelines for local facilities to submit the ESCR form in AS-701, the *Material Accountability Officer Guidebook*,

and the *January 2023 Equipment Relocation, Modification, and Excessing Request Process*.

Additionally, some local management stated they did not receive the Machine Removal Checklist from headquarters to help assist with their facility's machine relocations.

Without full awareness or consistent application of the MPE relocation process, there is the potential for untimely or incorrect relocations of MPE during RP&DC transitions. Additionally, there is an increased risk that reporting systems are not updated timely to provide management current and accurate operational data and visibility into whether operation changes are impacting service.

Recommendation #1

We recommend the **Vice President, Processing and Maintenance Operations**, update the Equipment Relocation, Modification, and Excessing Requests Process and the *Machine Removal Checklist* to incorporate accurate roles and responsibilities for mail processing equipment relocations for losing and gaining facilities.

Recommendation #2

We recommend the **Vice President, Supply Management**, document the updated Equipment Relocation, Modification, and Excessing Requests Process and the *Machine Removal Checklist* in Postal Handbook AS-701 and the *Material Accountability Officer Guidebook*.

Recommendation #3

We recommend the **Vice President, Plant and Process Modernization**, the **Vice President, Engineering Systems**, and the **Vice President, Processing and Maintenance Operations**, develop a process to communicate clear and consistent procedures for the machine relocation process, including roles and responsibilities, to local management at the gaining and losing facilities impacted by the Regional Processing and Distribution Center transitions.

Finding #2: Capital Property ID Labels Not Affixed to MPE Per Policy

The Postal Service correctly affixed capital property ID labels for only eight of 34 (or 24 percent) MPEs reviewed. We were unable to observe seven MPEs because they were inaccessible due to location. The remaining 19 (or 56 percent) did not have capital property ID labels affixed in accordance with policy. Specifically, 13 MPEs did not have capital property ID labels; four had multiple capital property ID labels; and two had capital property ID labels that did not match Postal Service data systems. See Figure 2 for examples of MPE with missing or multiple property ID labels.

This occurred because management did not follow capital property ID labeling procedures. Specifically, local management at gaining facilities did not verify capital property ID labels were affixed to MPEs when received from losing facilities. Further, they did not

request the replacement of the lost capital property ID labels from Accounting Services, as required. In instances where transferred MPE does not have a capital property ID label, local management may affix a temporary capital property ID label. However, no temporary capital property ID labels were observed.

“No temporary capital property ID labels were observed.”

Postal Handbook AS-701 states a capital property ID label is to be affixed to each capital property asset to identify it as Postal Service property. In addition, the capital property ID and corresponding asset information must be recorded in the Solution for Enterprise Asset Management capital property listing and the Property and Equipment Accounting System. Further, the capital property ID label is to remain on the capital property asset throughout its life and only Postal Service Accounting Services can issue a new capital property ID label in instances of damage or loss to the original label. The handbook also states the installation head or Material Accountability Officer¹³ are responsible for capital property verifications, physical inventories, and verifying reconciliation procedures are followed for capital assets.

Figure 2. Examples of MPE Capital Property ID Label Errors



Source: OIG photos taken at the Atlanta, GA, RP&DC December 13, 2023; the Baltimore, MD, P&DC December 21, 2023; and the Jacksonville, FL, Package Support Annex December 7, 2023.

¹³ A delegated position responsible for asset accountability within an installation, assigned by management. This position is recommended for larger facilities, but not required.

When capital property ID labels are not affixed to MPE, the Postal Service may not be able to accurately account for its MPE assets or verify correct MPE is transferred to gaining facilities. Further, without accurate asset accountability records, Postal Service Management decisions and oversight of MPE relocations to support the RP&DC transitions may be adversely impacted.

“The Postal Service may not be able to accurately account for its MPE assets or verify correct MPE is transferred.”

In our September 29, 2023, report – *Internal Controls Over the Annual Capital Property Review* – we recommended the Vice President, Supply Management evaluate internal controls for the annual capital property review to identify process improvements, add controls, and create a goal to enhance accuracy. Management agreed to this recommendation with a June 28, 2024, target implementation date. Actions implemented in response to that recommendation, as well as to address the issues we identified with accountability over MPE, will assist the Postal Service with accurately executing machine relocations as network modernization efforts continue.

Recommendation #4

We recommend the **Vice President, Supply Management**, instruct responsible parties to verify all relocated mail processing equipment has an accurate capital property identification label affixed and the label remains affixed for the life of the asset, in accordance with Postal Handbook AS-701.

Looking Forward

As part of the initiative, the Postal Service is positioning itself to streamline operations by deploying MPE to better use its existing machines in the creation of RP&DC’s and may relocate equipment in over 200 processing centers. As the Postal Service continues the network modernization, and moves millions of dollars in processing equipment,

“The Postal Service continues the network modernization, and moves millions of dollars in processing equipment.”

it is critical they keep accurate controls and accountability over assets across the network.

Management’s Comments

Management agreed with both findings and all four recommendations. They also provided supporting documentation to close recommendations 1, 3, and 4 with the issuance of this report. See [Appendix B](#) for management’s comments in their entirety.

Regarding recommendation 1, management stated the Operational Mail and Package Move Process, the Operational Mail and Package Move Process Map, and the Machine Relocation and Disposal Checklist were updated to reflect accurate roles and responsibilities and posted to the Updated Policy and Processing Operations Management Order (POMO) webpage. The Equipment Relocation, Modification, and Excessing Requests Process was also updated to reflect accurate roles and responsibilities. Therefore, this recommendation has been implemented.

Regarding recommendation 2, management stated Supply Management will update Postal Handbook AS-701, Asset Management, to provide a reference to the Equipment Relocation, Modification, and Excessing Requests Process inclusive of the Machine Removal Checklist and incorporate the final version of both documents within the Material Accountability Officer Guidebook. The target Implementation date is September 30, 2024.

Regarding recommendation 3, management stated the Operational Mail and Package Move Process and the Operational Mail and Package Move Process Map were updated and posted on the Updated Policy and POMO webpage. Therefore, this recommendation has been implemented.

Regarding recommendation 4, management stated that a jointly issued memorandum dated January 10, 2024, from the Vice President of Processing and Maintenance Operations and the Vice President of

Supply Management, reinforced roles, responsibilities, and the requirement for accountability and adherence to policy and processes, for all Postal Service assets. This included the transfer of mail processing assets between facilities or disposal of assets and the policy and procedures for issuance, replacement, verifying, and affixing capital property identification labels. Therefore, this recommendation has been implemented.

Evaluation of Management's Comments

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

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendation 2 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. We consider recommendations 1, 3, and 4 closed with the issuance of this report.

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Appendix A: Additional Information

Scope and Methodology

Our audit objective was to evaluate the Postal Service's process for removing machines and ensure the Postal Service is prepared to move equipment as part of planned network changes. To accomplish our objective, we:

- Reviewed applicable internal policies related to the equipment relocation, modification, and excessing process.
- Conducted interviews with Postal Service Headquarters management to determine roles and responsibilities and the equipment relocation, modification, and excessing process for removing machines.
- Obtained and analyzed mail processing machine data for executed and planned relocations provided by the Postal Service from calendar year 2023 through calendar year 2024 to identify MPE associated with RP&DCs and gaining and losing facilities.
- Judgmentally selected facilities gaining and losing MPE associated with the RP&DC creations and transitions for review.
 - Conducted site observations from December 2023 to January 2024 to observe machines scheduled to be relocated, verify Capital Property ID tags, and interview local management.
 - Sites visited include: Jacksonville, FL, Network Distribution Center (NDC); Jacksonville, FL, Package Support Annex (PSA); Jacksonville, FL, Processing and Distribution Center (P&DC); Tallahassee, FL, Processing and Distribution Facility; the future Atlanta, GA, RP&DC; Atlanta, GA, NDC; North Metro, GA, P&DC; Richmond, VA, RP&DC; Richmond, VA, Mail Processing Annex; Baltimore, MD, P&DC; Suburban, MD, P&DC; Pittsburgh, PA, P&DC; Los Angeles, CA, NDC/ International Service Center; Los Angeles, CA, P&DC; and Santa Ana, CA, P&DC.

We conducted this performance audit from October 2023 through March 2024 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on March 5, 2024, and included their comments where appropriate.

In planning and conducting the audit, we obtained an understanding of the MPE relocation, modification, and excessing internal control structure to help determine the nature, timing, and extent of our audit procedures. We reviewed the management controls for overseeing the program and mitigating associated risks. Additionally, we assessed the internal control components and underlying principles, and we determined that the following three components were significant to our audit objective:

- Control Environment
- Control Activities
- Information and Communication

We developed audit work to ensure that we assessed these controls. Based on the work performed, we identified internal control deficiencies related to information and communication, and monitoring that were significant within the context of our objectives. Our recommendations, if implemented, should correct the weaknesses we identified.

We assessed the reliability of MPE data that headquarters management provided by conducting interviews and site observations. The information was extracted from multiple databases and sources. Our findings are based on physical and electronic supporting documentation to verify the correct status of the asset. For the purposes of this report, we determined the data were not sufficiently reliable in terms of completeness and accuracy. We have included this finding in our report and recommend that Postal Service officials take appropriate corrective action.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Transfer of Mail Processing Operations from Selected Facilities</i>	Our objective was to review the U.S. Postal Service’s plan to transfer processing operations from 18 mail processing facilities and analyze its adherence to established policy as well as identify any associated risks and opportunities.	21-240-R22	May 4, 2022	None
<i>Internal Controls Over the Annual Capital Property Review</i>	Our objective was to evaluate the effectiveness of internal controls over the Postal Service’s annual capital property review at network distribution centers and processing and distribution centers.	22-185-R23	September 29, 2023	None

Appendix B: Management's Comments



March 15, 2024

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Mail Processing Machine Relocation
(Project Number 23-165-DRAFT)

Thank you for the opportunity to provide comments to the Office of Inspector General's (OIG's) draft audit report titled, "Mail Processing Machine Relocation" (Project Number 23-165-DRAFT), dated March 6, 2024. Management has reviewed the report along with its findings and recommendations. Management agrees with the report's findings and recommendations.

Finding #1: Inconsistent Application of the MPE Relocation Process

Management will offer the following information for clarity:

During special projects, such as the RPDC initiative, the "to" site is sometimes instructed by an activation manager to initiate the ESCR instead of the "from" site. This is not a process error. It is a management decision to facilitate major projects.

We have a process that was communicated and fine-tuned in preparation for the first and future RPDCs. As with any new program, lessons were learned, and adjustments made during the project. Facilities may, at times, be notified less than four weeks prior to the scheduled relocation date to meet the needs of the Postal Service.

Following are our comments on each of the four recommendations:

Recommendation #1: We recommend the Vice President, Processing and Maintenance Operations, update the Equipment Relocation, Modification, and Excessing Requests Process and the Machine Removal Checklist to incorporate accurate roles and responsibilities for mail processing equipment relocations for losing and gaining facilities.

Management Response/Action Plan:

Management agrees with this recommendation. The Operational Mail and Package Move Process, the Operational Mail and Package Move Process Map, and the Machine Relocation and Disposal Checklist have been updated to reflect accurate roles and responsibilities and posted to the Updated Policy and POMO webpage.

The Equipment Relocation, Modification, and Excessing Requests Process has also been updated to reflect accurate roles and responsibilities.

Target Implementation Date #1: Requesting closure upon issuance.

Responsible Official:

Sr. Director Strategic Planning & Implementation (CPDO Group)

Recommendation #2: We recommend the Vice President, Supply Management, document the updated Equipment Relocation, Modification, and Excessing Requests Process and the Machine Removal Checklist in Postal Handbook AS-701 and the Material Accountability Officer Guidebook.

Management Response/Action Plan #2:

Management agrees with this recommendation. Supply Management will update Postal Handbook AS-701, Asset Management, to provide a reference to the Equipment Relocation, Modification, and Excessing Requests Process inclusive of the Machine Removal Checklist and incorporate the final version of both documents within the Material Accountability Officer Guidebook. Further, in coordination with the work being performed under the Postmaster General's Policy Initiative and this audit, management revised Handbook AS-701 with the reference to the process and checklist documents. The policy initiative is currently in the initial stakeholder review and approval process. The target implementation date allows time for finalization and publication in accordance with the estimated charter timelines for the policy initiative.

Target Implementation Date #2: September 30, 2024

Responsible Official #2: Senior Director, Asset Management, Supply Management

Recommendation #3: We recommend the Vice President, Plant and Process Modernization, the Vice President, Engineering Systems, and the Vice President, Processing and Maintenance Operations, develop a process to communicate clear and consistent procedures for the machine relocation process, including roles and responsibilities, to local management at the gaining and losing facilities impacted by the Regional Processing and Distribution Center transitions.

Management Response/Action Plan:

Management agrees with this recommendation. The Operational Mail and Package Move Process and the Operational Mail and Package Move Process Map has been updated and posted on the Updated Policy and POMO webpage.

Target Implementation Date #3: Requesting closure upon issuance.

Responsible Official:

Vice President, Plant and Process Modernization
Vice President, Engineering Systems
Vice President, Processing and Maintenance Operations

Recommendation #4: We recommend the Vice President, Supply Management, instruct responsible parties to verify all relocated mail processing equipment has an accurate capital property identification label affixed and the label remains affixed for the life of the asset, in accordance with Postal Handbook AS-701.

Management Response/Action Plan #4: Management agrees with this recommendation. A jointly issued memorandum dated January 10, 2024, from the Vice President of Processing and Maintenance Operations and the Vice President of Supply Management, with the subject "Capital Property Accountability, Mail Processing Equipment Transfers and Disposals" was previously sent to all Officers and PCES managers nationwide. The memorandum reinforced roles, responsibilities and the requirement for accountability and adherence to policy and processes, for all Postal assets, including the transfer of mail processing assets between facilities or disposal. Specifically, the memorandum referenced the strict accounting of assets in accordance with Handbook AS-701, Asset Management, Chapter 5, Asset Accountability, Responsibilities. Additionally, Section 5-6, San Mateo Accounting Services Documents, discusses policy and procedures for issuance, replacement, verifying, and affixing capital property identification labels. Accordingly, management requests closure of this recommendation with the action taken described above which we view satisfies the recommendation.

Target Implementation Date #4: Completed January 10, 2024.

Responsible Official #4: Senior Director, Asset Management, Supply Management

E-SIGNED by DANE.A COLEMAN
on 2024-03-15 15:01:02 EDT

Dane Coleman
Vice President, Processing and Maintenance Operations

E-SIGNED by JOHN.M DUNLOP
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Linda Malone
Vice President, Engineering Systems

cc: Corporate Audit Response Management

OFFICE OF INSPECTOR GENERAL

UNITED STATES



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