



March 14, 2011

LAWRENCE K. JAMES  
DISTRICT MANAGER, ARIZONA DISTRICT

SUBJECT: Management Advisory Report – The Effects of the Flats Sequencing System on Delivery Operations – Arizona District  
(Report Number DR-MA-11-001)

This report presents the results of our audit of the Flats Sequencing System (FSS) (Project Number 11XG001DR000). Our objective was to evaluate the effects of the FSS on delivery operations and operating costs at selected Arizona District delivery units. This self-initiated audit addresses operational risk. See [Appendix A](#) for additional information about this audit.

In October 2006, the U.S. Postal Service approved the Phase I Decision Analysis Report (DAR) to develop, purchase, and deploy 100 FSS machines at 33 city locations. FSS machines sort flat-sized mail such as large envelopes, newspapers, catalogs, circulars, and magazines into delivery walk sequence at high speeds and at a much higher productivity rate than the manual process. In full deployment, the FSS is expected to produce annual operational savings for the Postal Service. Delivery units should achieve this savings by eliminating manual carrier casings and reducing the number of routes, resulting in reduced workhours.

## Conclusion

The seven Arizona District delivery units<sup>1</sup> reviewed have improved delivery operations during FSS full production. These units cut operating costs by \$1.3 million by reducing city carrier office hours, manual distribution clerk workhours, and city carrier routes. Although the FSS improved delivery operations, these delivery units received over 14 million flat mailpieces which could not be processed on FSS machines. Approximately 7 million of these pieces were not carrier routed<sup>2</sup> and required manual sorting and casing to put in walk sequence.

This occurred because these mailpieces did not meet flat mail automation requirements.<sup>3</sup> See [Appendix B](#) for our detailed analysis of this topic. As a result, the

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<sup>1</sup> The seven Arizona District delivery units reviewed were the [REDACTED]

Unworked pieces must be manually sorted by the clerks and cased by the carriers. Carrier-routed mailpieces are only handled by carriers.

<sup>3</sup> Automation flats are not more than 11-1/2 inches long or more than 6-1/8 inches high, or more than 1/4 inch thick. The piece should be flexible to bend at least 1 inch vertically without being damaged. Flat-size mailpieces must be uniformly thick so that any bumps, protrusions, or other irregularities do not cause more than a 1/4-inch variance in

Postal Service missed the opportunity to further reduce workhour costs and, consequently, we estimated incurred unrecoverable questioned costs of approximately \$522,450 for fiscal year (FY) 2010. See [Appendix C](#) for our monetary impact.

We recommend the manager, Arizona District:

1. Continue to collaborate with business mailers to ensure flat mailpieces meet automation requirements and reduce the amount of unworked flat mail sent to delivery units.

### **Management's Comments**

Management agreed with the finding, recommendation, and monetary impact. Management stated since January 2011, the acting FSS coordinator leads the communication process, which includes meetings with all stakeholders. The communication process incorporates daily FSS meetings and attendance at the Mail Arrival Quality-Plant Arrival Quality daily reviews and weekly FSS round tables. In January 2011, the FSS coordinator began notifying Marketing and Business Service Network managers of any mailer issues for action.

Management's comments included various conditions impacting FSS operations during the review. They noted that the performance months prior to receiving FSS mailpieces included several slower mailing months when numerous temporary residents leave Arizona, whereas the performance period after receiving FSS mailpieces included busier mailing months when residents return to Arizona, fall mailing season begins, and large package products activity increases. Additionally, management stated there was a ramp-up period after the FSS machines had been "conditionally accepted," which may have limited the FSS processing capacity to achieve the DAR expectations of reducing manually sorting and casing. See [Appendix E](#) for management's comments in their entirety.

### **Evaluation of Management's Comments**

Management's comments did not specifically address how they were going to reduce the amount of unworked flat mail to the delivery units. We noted in the report the Arizona District management began working directly with the processing plant to identify mailpieces by type, zone, and mail arrival time to continue reducing the number of flat mailpieces that require manual processing in the delivery units. The U.S. Postal Service Office of Inspector General (OIG) considers management's comments and actions taken during the review responsive to the recommendation and management's corrective actions should resolve the issue identified in the report.

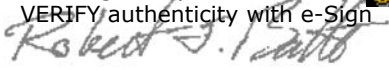
The OIG considers the recommendation significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when

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thickness. The mailers using polywrap film or similar material to enclose or cover flat-size mailpieces must apply the cover in the correct direction and ensure that label is readable.

corrective actions are 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.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information please contact Rita F. Oliver, director, Delivery, or me at 703-248-2100.

E-Signed by Robert Batta  
VERIFY authenticity with e-Sign  


Robert J. Batta  
Deputy Assistant Inspector General  
for Mission Operations

#### Attachments

cc: Megan J. Brennan  
Dean J. Granholm  
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## APPENDIX A: ADDITIONAL INFORMATION

### BACKGROUND

The FSS machines sort flat-sized mail such as large envelopes, newspapers, catalogs, circulars, and magazines into delivery sequence at high speeds and at a much higher productivity rate than the manual process. FSS-processed mail will arrive at the delivery unit in walk sequence order, ready for delivery by the carrier with no additional mail movement or manual sorting required (see Illustration 1).

**Illustration 1. FSS Mail Arriving at Delivery Unit**



Source: OIG

In October 2006, the Postal Service approved the Phase I DAR to develop, purchase, and deploy 100 FSS machines at 33 city locations. However, in May 2010, the Postal Service decided to spread the 100 machines in Phase I of the FSS program among 47 city locations — including new sites in Houston, TX; Philadelphia, PA; Charlotte, NC; and Minneapolis and St. Paul, MN — rather than among the 33 original city locations. As of May 2010, there were 12 FSS machines at five locations serving 107 delivery units and 211 delivery zones. The use of FSS-processed mail has helped the Postal Service reduce city carrier routes and save workhours. The Postal Service expects all FSS machines to be operational during the summer of 2011.

## OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to evaluate the effects of FSS on delivery operations and operating costs at selected Arizona District delivery units. Due to staggered FSS full-production testing start dates, the selected delivery units reviewed were integrated into the process during different months of FYs 2009 and 2010. Our audit scope covered March 2009 to May 2010, which includes the 6-month performance period prior to the units receiving FSS-processed mail and the performance period during which the units reviewed received FSS-processed mail<sup>4</sup> (see Table 1).

**Table 1. FSS Review Periods**

FSS Sites	Performance Months Prior to Receiving FSS Mailpieces	Performance Months of Receiving FSS Mailpieces
[REDACTED]	April 2009 – September 2009	October 2009 – May 2010
[REDACTED]	April 2009 – September 2009	October 2009 – May 2010
[REDACTED]	March 2009 – August 2009	September 2009 – May 2010
[REDACTED] on	March 2009 – August 2009	September 2009 – May 2010
[REDACTED]	April 2009 – September 2009	October 2009 – May 2010
[REDACTED]	May 2009 – October 2009	November 2009 – April 2010
[REDACTED]	June 2009 – November 2009	December 2009 – May 2010

Source: Postal Service Arizona District Management

To accomplish our objective we:

- Judgmentally selected seven<sup>5</sup> FSS delivery units in the Arizona District.
- Reviewed operational information throughout the Arizona District associated with delivery units receiving FSS-sequenced flat mail.
- Reviewed applicable documentation, policies, and procedures such as the FSS DAR, dated October 20, 2006; the approved *FSS Work Methods* Memorandum of Understanding between the Postal Service and the National Association of Letter Carriers, dated November 24, 2008; the *FSS Implementation Guide*, Version 1, dated May 2009; and the *Domestic Mail Manual*, Section 300, Commercial Mail Flats, dated May 2008.
- Extracted and analyzed data from the Enterprise Data Warehouse (EDW) Delivery Data Mart for cased and FSS mailpieces, city carrier office and overtime workhours, carriers returning after 5 p.m., managed service scans, and mail distribution clerk office hours.

<sup>4</sup> The scope limitations are due to differences in FSS production start dates for each delivery unit.

<sup>5</sup> Our sample included the [REDACTED] and the [REDACTED]. We included seven of the nine initial Arizona District delivery units receiving FSS-processed mail. We did not include the [REDACTED] delivery units because they do not have [REDACTED].

- Extracted and analyzed eFlash data to determine delivery units' monthly mail volume in delivery at the selected delivery units.
- Conducted site visits at selected delivery unit locations.
- Interviewed Postal Service Western Area and Arizona District officials.

We conducted this performance audit from October 2010 through March 2011 in accordance with the Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation*. We discussed our observations and conclusions with management on February 1, 2011, and included their comments where appropriate.

We extracted and analyzed data from EDW and eFlash. We assessed the reliability of data such as delivery performance indicators, cased and FSS flat mailpieces, carrier and clerk workhours and mail condition reports by interviewing agency officials knowledgeable about the data. We determined that the data were sufficiently reliable for the purposes of this report.

### **Prior Audit Coverage**

The OIG has issued 11 reports and the Government Accountability Office (GAO) has issued one report related to our objective in the last several years. See [Appendix D](#) for details.

## APPENDIX B: DETAILED ANALYSIS

### Improvements in City Delivery

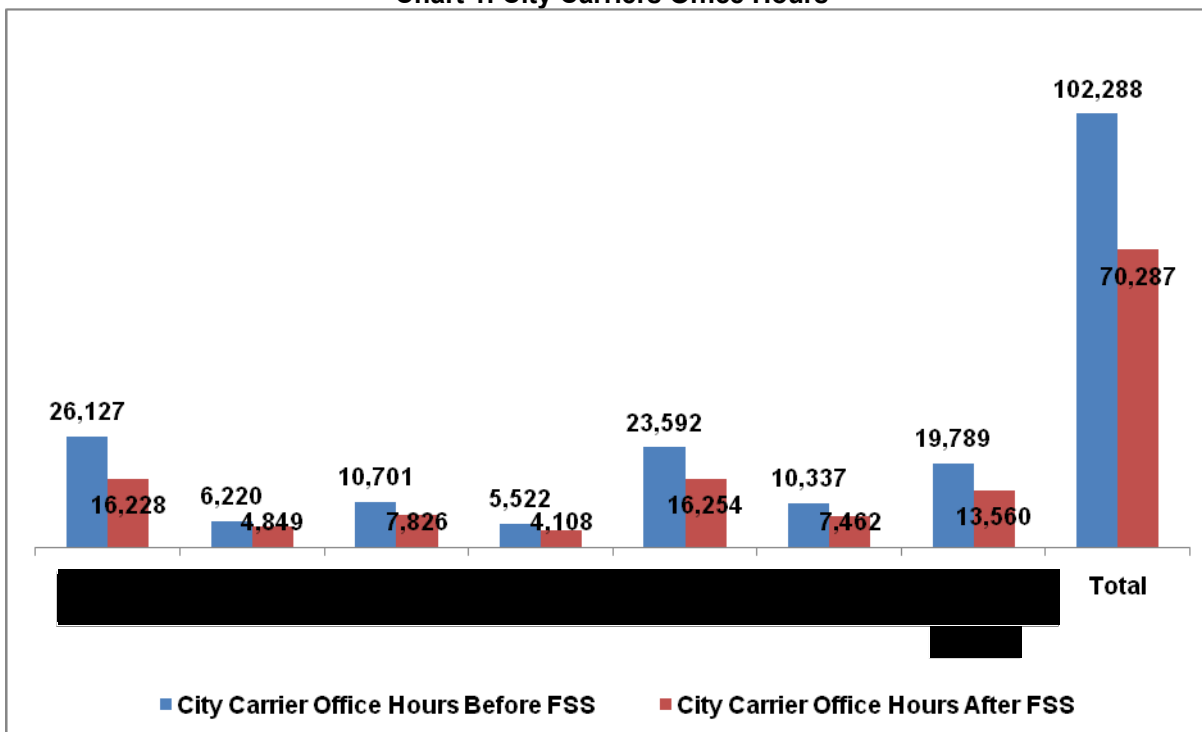
The selected Arizona District delivery units improved their delivery operations and reduced operating costs during the initial 6 months of FSS full production. Specifically, we found reductions in:

- City carrier office hours;
- Manual distribution clerk workhours; and
- City carrier routes.

#### City Carrier Office Hours

City carrier office hours declined at the selected units. In the 6 months prior to receiving FSS-processed flat mail, city carriers used 102,288 office hours. During the initial 6 months of receiving FSS-processed mail, the number of office hours declined to 70,287 – a reduction of 32,001 hours. According to delivery unit officials, the reductions were due to adjustments to carriers' start times resulting from less time to case flat mailpieces (see Chart 1).

Chart 1. City Carriers Office Hours

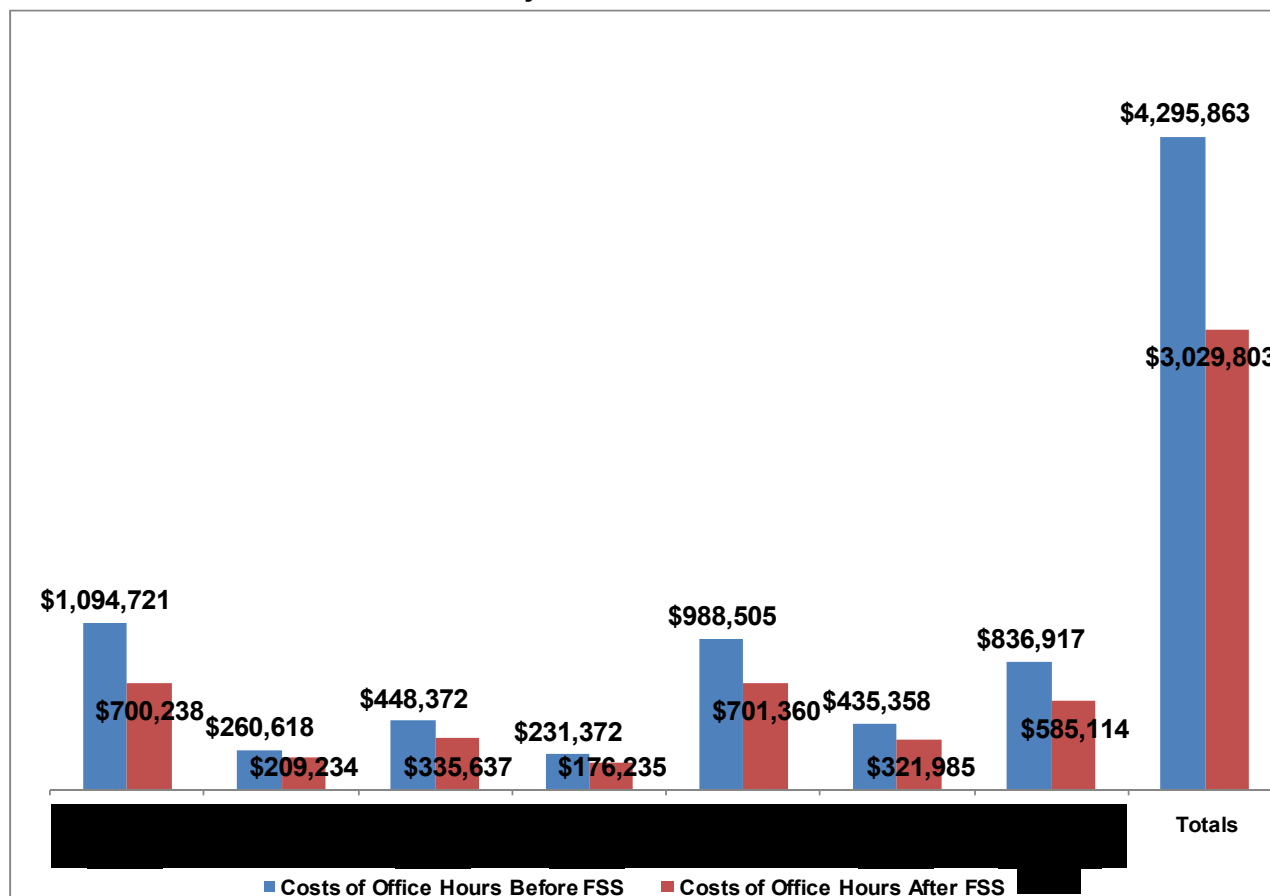


Source: EDW



For the 6 months prior to units receiving FSS-processed mail, city carriers' office hour costs were \$4,295,863. During the initial 6 months of receiving FSS-processed mail, the office hour costs declined to \$3,029,803, which resulted in a cost reduction of \$1,266,060<sup>6</sup> (see Chart 2).

**Chart 2. City Carrier Office Hour Costs**



Source: EDW

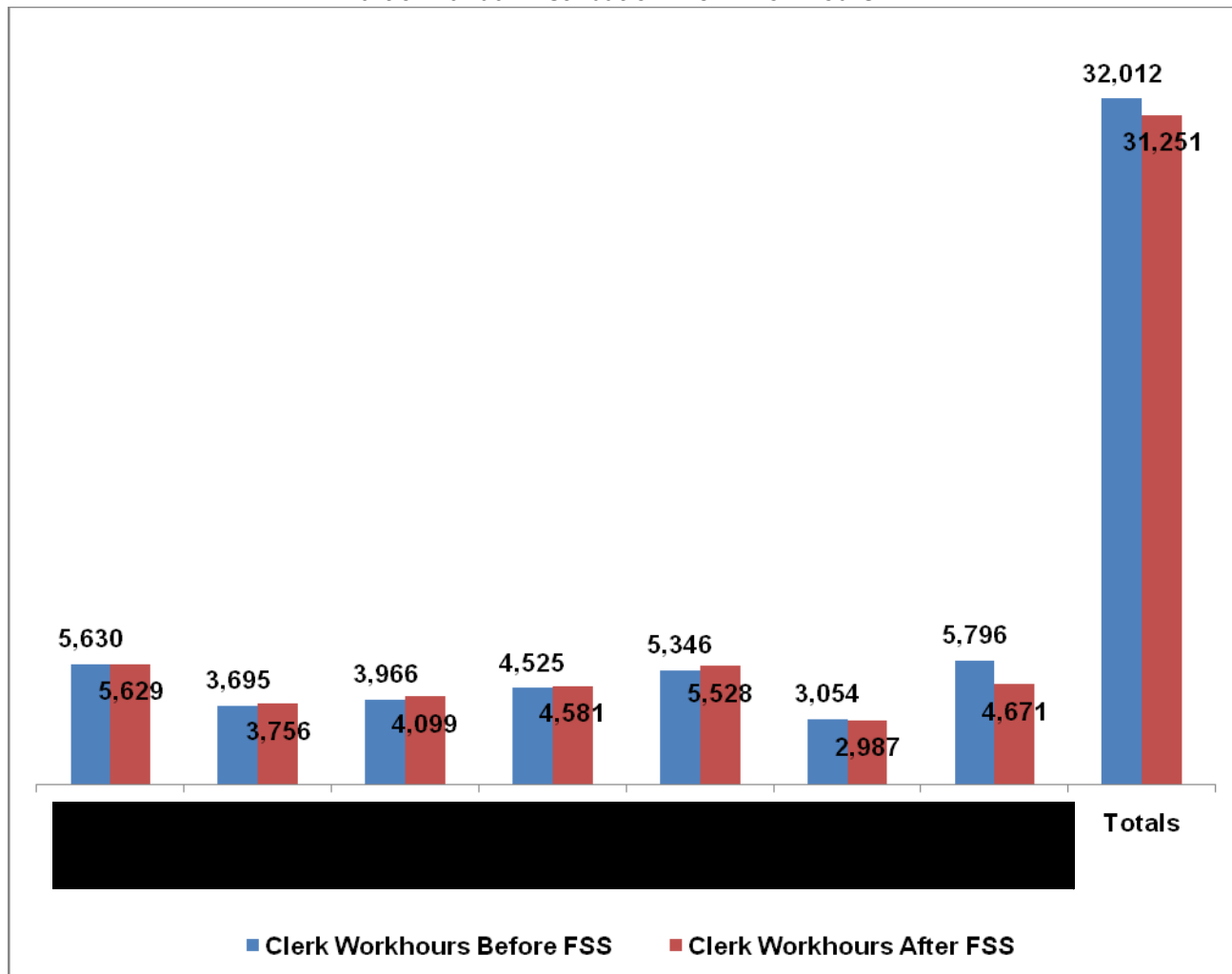
### Manual Distribution Clerk Workhours

The FSS environment caused a change in the manual distribution clerks' workload. Manual distribution clerk workhours decreased by 761 hours. For the 6 months prior to units receiving FSS-processed mail, manual distribution clerks used 32,012 workhours to manually sort mail at the selected delivery units compared to the 31,251 workhours they used during the initial 6 months of receiving FSS-processed mail (see Chart 3).

<sup>6</sup> The selected delivery units reviewed were integrated into the FSS process during different months of FYs 2009 and 2010. The workhour cost calculations used both FY 2009 and 2010 rates.



Chart 3. Manual Distribution Clerk Workhours

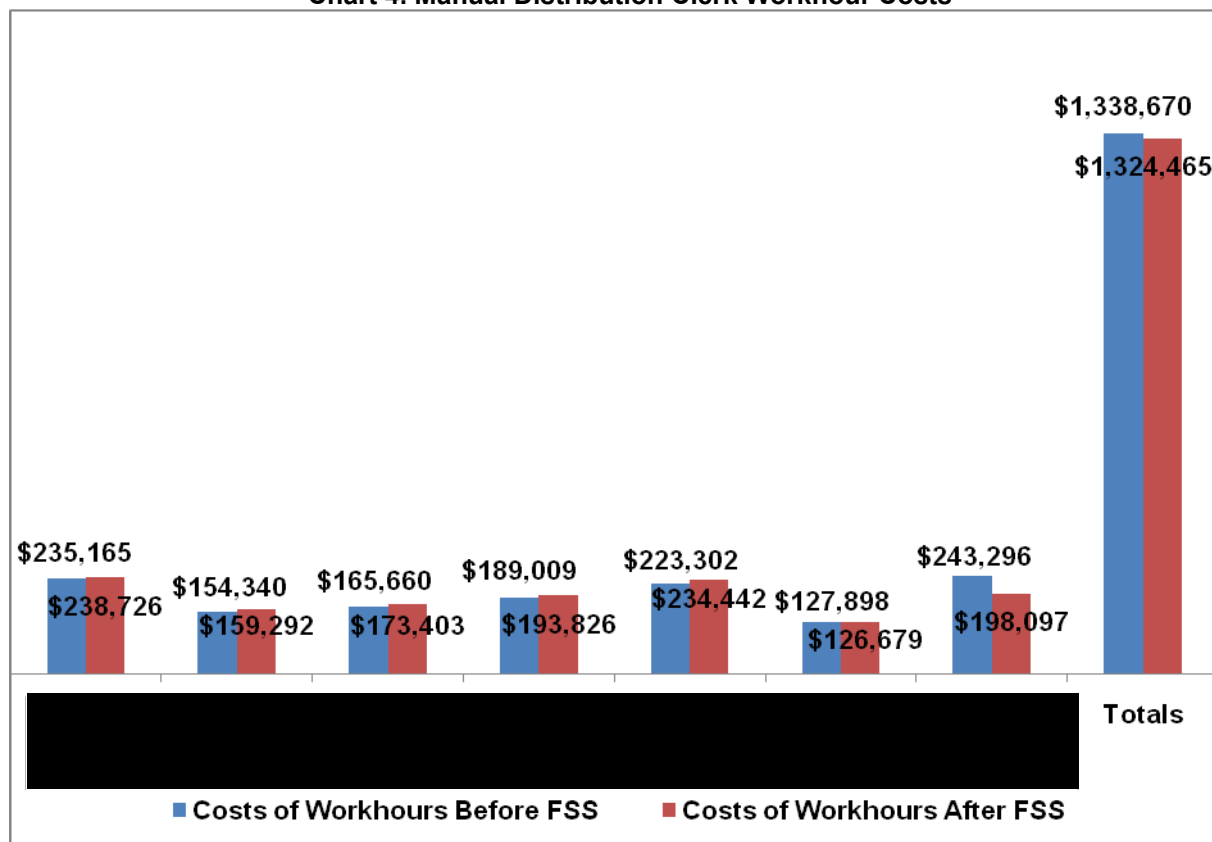


Source: EDW

For the 6 months prior to units receiving FSS-processed mail, manual distribution workhour costs were \$1,338,670 and during the initial 6 months of units receiving FSS-processed mail workhour costs declined to \$1,324,465. This resulted in a cost reduction of \$14,205<sup>7</sup> (see Chart 4).

<sup>7</sup> The selected delivery units reviewed were integrated into the process during different months of FYs 2009 and 2010. The workhour cost calculation used rates for FYs 2009 and 2010.

Chart 4. Manual Distribution Clerk Workhour Costs



Source: EDW

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### City Carrier Routes

The savings are a result of reductions in the number of routes based on reduced casing of flats from the FSS. For five of the seven selected delivery units receiving FSS-processed mail, management conducted route adjustments and reduced the number of city carrier routes from 295 to 281. For the remaining two delivery units, one delivery unit increased their total assigned routes by one while one unit's number of assigned routes remained unchanged<sup>8</sup> (see Table 2).

<sup>8</sup> The five delivery units eliminating routes included: [REDACTED] for a total reduction of 15 routes. The [REDACTED] adjustments resulted in adding one route because of corrections to lines of travel errors created when the Carrier Optimal Routing adjustment software that did not correctly calculate travel within the route. The [REDACTED] route adjustment reduced office hours but did not eliminate any routes.

**Table 2. FSS Route Adjustments in Selected Units**

Delivery Units	Total City Routes Before Route Adjustments	Total City Routes After Route Adjustments
	75	70
	20	19
	28	28
	20	19
	62	56
	30	31
	60	58
<b>Totals</b>	<b>295</b>	<b>281</b>

Source: Arizona District Management

### Unworked Flat Mailpieces

These delivery units received approximately 66 million flat mailpieces,<sup>9</sup> over 14 million of which could not be processed on FSS machines. Of the 14 million mailpieces, more than 7 million<sup>10</sup> were not carrier-routed and required both manual sorting by the clerks and manual casing by the carriers (see Table 3).

**Table 3. October 2009 – September 2010 Flat Mail Volume**

Delivery Units	Total Delivered Flat Mailpieces	Total FSS Mailpieces	Other Sequenced Volume	Total Cased Flat Mailpieces	Total Cased Flat Mailpieces Not Carrier-Routed
	18,341,173	7,882,002	6,785,576	3,673,595	1,473,004
5,327,6	41	1,616,485	2,641,557	1,069,599	877,016
	6,659,121	2,388,148	3,034,767	1,236,206	915,710
	4,884,162	1,478,339	2,624,376	781,447	883,056
16,56	5,350	7,588,159	4,699,499	4,277,692	1,609,479
	5,797,829	1,870,526	2,384,125	1,543,178	698,180
	9,213,410	3,320,432	3,985,604	1,907,374	947,644
<b>Totals</b>	<b>66,788,686</b>	<b>26,144,091</b>	<b>26,155,504</b>	<b>14,489,091</b>	<b>7,404,089</b>

Source: eFlash

<sup>9</sup> The flat mail volume was extracted from eFlash for the period of October 2009 through September 2010. The processing facility sent 66,788,686 flat mailpieces to the seven selected units. These flat mailpieces included 52,299,595 in sequenced order (26,155,504 flat mailpieces processed on an FSS machine and 26,144,091 other sequenced flat mailpieces such as advertisement flyers and newspapers). This volume does not include the flat mailpiece count for the implementation month for each delivery unit.

<sup>10</sup> The reported 7,404,089 cased flat mailpieces not carrier-routed are reported in eFlash as unit distribution volume. The unit distribution volume includes mail that may not be machineable due to mail design, limited processing space, and mail arriving at the plant outside established processing window.

This condition occurred because the mail did not meet automation requirements<sup>11</sup> (see Illustration 2).

**Illustration 2. Non - FSS Processed Flat Mail**



**Source: Arizona District**

The Arizona District manager monitors FSS operations. The Arizona District FSS coordinator conducts daily teleconference meetings with district delivery unit officials and business mailers to discuss FSS concerns and improvements. In addition, the coordinator participates in weekly teleconference with Western Area and Postal Service Headquarters officials to discuss any FSS issues occurring in the field. Finally, Arizona District management began working directly with the processing plant to identify mailpieces by type, zone, and mail arrival time to continue reducing the number of flat mailpieces that require manual processing in the delivery units.

Unworked flat mailpieces that arrive at delivery units and are not processed on the FSS machines negatively impact delivery operations by requiring additional workhours to manually case and sort flat mailpieces in sequenced order for delivery. Consequently, we estimated unrecoverable questioned costs of approximately \$522,450 for FY 2010. See [Appendix C](#) for our monetary impact.

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<sup>11</sup> Automation flats are not more than 11-1/2 inches long or more than 6-1/8 inches high or more than 1/4-inch thick. The piece should be flexible to bend at least 1 inch vertically without being damaged. Flat-sized mailpieces must be uniformly thick so that any bumps, protrusions, or other irregularities do not cause more than a 1/4-inch variance in thickness. A mailer using polywrap film or similar material to enclose or cover flat-size mailpieces must apply the cover in the correct direction and ensure that label is readable.

## APPENDIX C: OIG CALCULATION OF MONETARY IMPACT

We estimated a monetary impact of \$522,450 in unrecoverable questioned costs<sup>12</sup> for FY 2010. We calculated the cost savings<sup>13</sup> based on additional labor cost incurred by selected Arizona delivery units due to city carriers and manual distribution clerks casing and sorting flat mailpieces (see Tables 4, 5, and 6).

**Table 4. Summary of Cost Savings**

Findings	Impact Category	Amount
Unworked Flats City Carriers FY 2010 Costs for Manual Casing (see Table 5)	Unrecoverable questioned costs	\$367,669
Unworked Flats Manual Distribution Clerks FY 2010 Station Costs for Manual Sorting (see Table 6)	Unrecoverable questioned costs	154,781
	<b>Total</b>	<b>\$522,450</b>

Source: OIG Analysis

**Table 5. City Carrier Costs for Manual Casing of Flat Mail  
October 2009 – September 2010**

Delivery Unit	FY 2010 Number of Casing Workhours	Total Cased Unprocessed Flats Pieces (100 Percent)	FY 2010 Cost of Casing Workhours (100 Percent)	Total Cased Unprocessed Flats Pieces (80 Percent)	FY 2010 Cost of Casing Workhours (80 Percent)	Total Cased Unprocessed Flat Pieces (62 Percent)	FY 2010 Costs of Casing Workhours (62 Percent)
██████████	3,418	1,473,004	\$147,471	1,178,403	\$117,977	730,610	\$ 73,146
██████████ 2,035		877,016	87,803	701,613	70,243	435,000	43,550
██████████	2,125	915,710	91,677	732,568	73,342	454,192	45,472
██████████	2,049	883,056	88,408	706,445	70,726	437,996	43,850
██████████ 3,734		1,609,479	161,135	1,287,583	128,908	798,302	79,923
██████████ 1,620		698,180	69,899	558,544	55,919	346,297	34,670
██████████	2,199	947,644	94,874	758,115	75,899	470,031	47,058
<b>Totals</b>	<b>17,180</b>	<b>7,404,089</b>	<b>\$741,267</b>	<b>5,923,271</b>	<b>\$593,014</b>	<b>3,672,428</b>	<b>\$367,669</b>

Source: eFlash and OIG Analysis

<sup>12</sup> Costs that are unnecessary, unreasonable, or an alleged violation of law or regulation.

<sup>13</sup> According to the DAR for the FSS Program, delivery units should expect to capture an 85 percent savings rate for city carriers and an 80 percent savings rate for manual distribution clerks; however, because the FSS is processing at a 62 percent performance rate, we used 62 percent in our calculations. We based the calculated savings on a carrier productivity rate of 431 flats per hour and clerk productivity is 1,006.25 pieces per hour. The manual distribution clerk calculation does not consider carrier route mailpieces because the piece count is not available. Calculations used FY 2010 wage rates.

**Table 6. Manual Distribution Clerk Costs for Manual Sorting of Flat Mail  
October 2009 – September 2010**

Delivery Unit	FY 2010 Number of Casing Workhours	Total Cased Unprocessed Flats Pieces (100 Percent)	FY 2010 Cost of Casing Workhours (100 Percent)	Total Cased Unprocessed Flats Pieces (80 Percent)	FY 2010 Cost of Casing Workhours (80 Percent)	Total Cased Unprocessed Flat Pieces (62 Percent)	FY 2010 Costs of Casing Workhours (62 Percent)
██████	1,464	1,473,004	\$ 62,082	1,178,403	\$ 49,666	730,610	\$ 30,793
██████	872	877,016	36,963	701,613	29,571	435,000	18,334
██████	910	915,710	38,594	732,568	30,875	454,192	19,143
██████	878	883,056	37,218	706,445	29,774	437,996	18,460
██████ 1,599		1,609,479	67,834	1,287,583	54,267	798,302	33,646
██████	694	698,180	29,426	558,544	23,541	346,297	14,595
██████	942	947,644	39,940	758,115	31,952	470,031	19,810
<b>Totals</b>	<b>7,359</b>	<b>7,404,089</b>	<b>\$312,057</b>	<b>5,923,271</b>	<b>\$249,646</b>	<b>3,672,428</b>	<b>\$154,781</b>

Source: eFlash and OIG Analysis

### APPENDIX D: PRIOR AUDIT COVERAGE

The OIG has issued 11 reports and the Government Accountability Office has issued one report related to our objective over the last several years.

Report Title	Report Number	Final Report Date	Monetary Impact Rep	ort Results
<i>The Effects of the Flats Sequencing System on Delivery Operations - Mid America</i>	DR-MA-10-001	9/23/20 10	\$145,515	The six Mid-America District delivery units reviewed have improved delivery operations during FSS full production. As a result, the Postal Service missed the opportunity to further reduce workhour costs and, consequently, we estimated incurred unrecoverable questioned costs of approximately \$145,515 for FY 2010. Management agreed with the finding, monetary impact, and recommendation to continue collaborating with business mailers to ensure flat mailpieces meet automation requirements and reduce the amount of unworked flat mail sent to delivery units.
<i>The Effects of the Flats Sequencing System on Delivery Operations – Columbus</i>	DR-MA-10-002	9/17/2010	\$155,157	The five Columbus District delivery units reviewed improved delivery operations during FSS full production. This occurred because this mail did not meet flat mail automation requirements. As a result the Postal Service missed the opportunity to further reduce workhour costs and, consequently, we estimated incurred unrecoverable questioned costs of approximately \$155,157 for FY 2010. A recommendation was made to continue to collaborate with business mailers to ensure flat mailpieces meet automation requirements and reduce the amount of unworked flat mail sent to delivery units. Management agreed with the finding, recommendation, and monetary impact.



Report Title	Report Number	Final Report Date	Monetary Impact Rep	ort Results
<i>Flats Sequencing System Program Status and Projected Cash Flow</i>	DA-AR-10-007	7/10/2010	None	The Postal Service's revised performance projections in Quarter 1, FY 2010's <i>Investment Highlights</i> report do not use current actual machine performance and its projection of a gain of at least \$872 million from FSS appear optimistic. In addition, there have been significant changes in assumptions for FSS machines and measurement criteria since the 2006 approval of the original investment. For example, flats volumes have decreased significantly, expected throughput rates have not been met, planned FSS sites have increased, the program schedule has changed by a year, and additional savings for transitional employees have been introduced to the investment return. These changes make it challenging for the Postal Service to measure project success as initially defined. Management agreed with the recommendation but indicated the financial outcomes presented in the report do not recognize operational factors of FSS.
<i>Flats Sequencing System Operational Issues</i>	DR-AR-09-005	7/01/20 10	\$852,336	The report identified that Northern Virginia District delivery units have improved delivery operations with FSS. These units' improvements contributed to a 6-month cost reduction of \$196,271. However, we identified several FSS machines that were unavailable for several months and processing issues that negatively impacted delivery operations. Management agreed with the finding, recommendations, and monetary impact.
<i>Effects of the Flats Sequencing System on Delivery Operations – Northern Virginia District</i>	DR-AR-09-011	9/28/2009	None	The five selected Northern Virginia District delivery units improved in delivery operations during the initial 6 months of FSS testing. Flat volumes decreased by more than 50 percent during this testing period, so we could not determine how much of these operational gains were due to implementation of the FSS. No recommendations were made in this report.

Report Title	Report Number	Final Report Date	Monetary Impact Rep	ort Results
<i>Flats Sequencing System: First Article Retest Results</i>	DA-AR-09-012	9/4/2009	None	Although FSS machine performance improved since the original test, the system failed to meet key statement of work performance parameters. The Postal Service attributed FSS performance shortcomings to the lack of additional hardware and software solutions that were not incorporated into the First Article Testing 2A system. Failure to meet statement of work performance requirements would reduce forecasted savings and increase operational burdens. Management partially agreed with the finding and recommendation.
<i>Flats Sequencing System Contractual Remedies</i>	CA-AR-09-006 7	11/200 9	\$7,733,522	The report determined that management of the FSS contract process resulted in increased financial risk to the Postal Service. Management agreed with recommendations 1 and 2 and partially agreed with the intent of recommendation 3. However, management disagreed with the findings and monetary impact.
<i>Flats Sequencing System: Program Status</i>	DA-AR-09-001 12	23/2 008	None	The report determined that program management was attentive to system performance and schedule risks. Management agreed with the finding and recommendation.
<i>Management of Contract Changes – Flats Sequencing System</i>	CA-MA-09-002	12/1/2008	None	The report did not identify any unnecessary or inappropriate increased costs to the Postal Service because of changes to the FSS contract. Management agreed with the finding and recommendation in this report.
<i>Flats Sequencing System: Production First Article Testing Readiness and Quality</i>	DA-AR-08-006 6	4/200 8	None	The report determined the Postal Service needed to focus greater attention on workload, the First Article Testing schedule, and critical deliverables. Management generally agreed with the finding and recommendation.

Report Title	Report Number	Final Report Date	Monetary Impact Rep	ort Results
<i>Flats Sequencing System Risk Management</i>	DA-AR-07-003 7/31/20 07		None	The report determined that Postal Service Engineering needed to focus greater attention on risk management standards to ensure the significant risks associated with deployment of the FSS were adequately identified and managed. Management agreed with findings. For recommendations 1 and 2, management agreed to the importance of adhering to established risk management standards and guidelines; and to work with Information Technology to revise processes and include operations representatives in the business impact assessments, respectively. However, for recommendation 3, management disagreed because they believed the rationale provided to support it was misleading. Further, management disagreed with recommendation 4 because they had in place established risk tracking and mitigation plans to identify all risks.
<i>Mail Delivery Efficiency Has Improved, but Additional Actions Needed to Achieve Further Gains</i>	GAO-09-696 7/15/20 09		None	The Postal Service has taken steps to deliver mail more efficiently, including adjusting delivery routes to reflect declining volumes and investing in more efficient mail-sorting technologies. This report addressed how the Postal Service monitors delivery efficiency, characteristics of delivery units that affect their efficiency, and the status and results of the Postal Service's actions to improve delivery efficiency, in particular FSS. GAO made one recommendation to establish cost savings targets and track the results; however, the Postal Service did not agree to fully implement the recommendation.

## APPENDIX E: MANAGEMENT'S COMMENTS

DISTRICT MANAGER  
ARIZONA DISTRICT



February 14, 2011

Lucine M. Willis, Director  
Audit Operations  
Office of Inspector General

**Subject:** The Effects of the Flats Sequencing System on Delivery Operations – Arizona District

The following is in response to DRAFT FSS report titled: - *Discussion Draft Management Advisory Report – The Effects of the Flats Sequencing System on Delivery Operations – Arizona District* (Report Number DR-MA-11-DRAFT) dated January 19, 2011 and discussed in the February 1, 2011 joint meeting.

**FINDINGS:** Agree; the study's method accurately represents the Audits Financial assessment and impacts and the Mailer recommendation.

Some comments are:

1) The before period includes June/July/August when numerous temporary residence leave AZ. The after period includes Nov/Dec/Jan when people return and this is the fall mailing season, which includes December's large increase in package products.

2) Since this January the A/ FSS coordinator leads the Communications Process, which includes all the stakeholders. The process includes, daily FSS meetings, attendance at the MAQ-PAQ daily review, weekly FSS round tables, the Marketing Manager and BSN Manager are notified of any mailer issues.

3) The three FSS were only conditionally accepted (see below) during the before/after period. This may limit the FSS's processing capacity to achieve the DAR expectations for the additional mailer mail processing and reduced manual mails.

**FSS #1** Begin ramp up FSS 1: 9/5/09 – 8 hours run time (Constraint) Pass ATP on 10/13/09

**FSS #2** Begin ramp up FSS 2: 10/13/09 – 8 hours run time (Constraint) Pass ATP on 08/09/10

**FSS #3** Begin ramp up FSS 3: 12/04/09 – 8 hours run time (Constraint) Pass ATP on 08/09/10

4) As discussed in our meeting, the list below compares key indicators.  
The period compares the impacts of the volume loss, IRAP, MIRAP, JARAP, FSS adjustment processes in the selected FSS sites.


- 2 -

	FSS (Weekly #'s)			NON-FSS (Weekly #'s)		
	Start of FY-09	Start of FY-11	% Change	Start of FY-09	Start of FY-11	% Change
F-2A hrs	11,622	9,702	-16.81%	50,535	47,940	-5.14%
F-2B hrs	34,089	30,091	-11.73%	114,844	103,917	-9.51%
PD's	345,305	349,823	+1.31%	1,343,684	1,362,060	+1.37%
# City Rts	641	522	-18.56%	2,098	1,866	-11.06%
Stops per route	538.7	670.2	+24.40%	640.5	729.9	+13.97%
<b>Del/hr</b>	65.94	76.88	+16.59%	78.78	87.92	+11.60%
F-4 hrs	8,745	6,579	-24.77%	52,581	41,802	-20.50%

FSS Complement comparisons for 2008-2010. The first full pay period in October was used for this analysis. FSS sites include Scottsdale and Mesa.

	FSS (Complement)			NON-FSS (Complement)		
	Start of FY-09	Start of FY-11	% Change	Start of FY-09	Start of FY-11	% Change
F-2A	215	196	-8.84%	1,012	949	-6.23%
F-2B	637	521	-18.21%	3,049	2,714	-10.99%
F-4	182	137	-24.73%	1,539	1,249	-18.84%

Sincerely,

  
Lawrence K. James  
District Manager

cc: Special Agent Plant  
MOPS  
Postmaster Scottsdale  
Postmaster Mesa  
MOS-Western Area

Arizona District Manager  
United States Postal Service  
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