OFFICE OF
INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

Web-Based Application for the Discontinuance of Postal Service - Operated Retail Facilities

Audit Report

July 7, 2011

OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

HIGHLIGHTS

IMPACT ON:

The retail facility closing and consolidation process used by the U.S. Postal Service Headquarters, area, district, and local offices. This process is high profile and sensitive with visibility from Congress, communities, customers, employees, unions, and other stakeholders.

WHY THE OIG DID THE AUDIT:

Postal Service policies prescribe the procedures for the retail discontinuance process. The Postal Service designed and implemented the web-based Change Suspension Discontinuance Center (CSDC) program's closing and consolidating process within the guidelines of Handbook PO-101, *Post Office Discontinuance Guide.* Our objectives were to determine the CSDC program's compliance with applicable federal law and Postal Service policies and to assess the program's discontinuance process for Postal Service-operated retail facilities.

WHAT THE OIG FOUND:

The CSDC program uses a single set of procedures for all Postal Service-operated retail facilities, complies with federal law and Postal Service policies, and offers improvements to the closing and consolidation process. The CSDC program could reduce current cycle time by approximately 22 percent (up to 62 days), improve the standardization and tracking of retail facility closures

and consolidations, and provide management greater visibility over discontinuance activities enterprise-wide. Although the CSDC program enhances the process through automation, improvements to the discontinuance process are limited to guidance in current Postal Service policies. Management is currently reviewing Handbook PO-101. Accordingly, any modification to the CSDC program's discontinuance process will be contingent on management updating its policies and procedures.

WHAT THE OIG RECOMMENDED:

Because the OIG has initiated a comprehensive review of the draft Handbook PO-101, we are not making recommendations in this report regarding this issue.
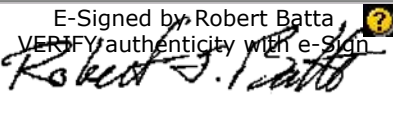
WHAT MANAGEMENT SAID:

The Postal Service informally reviewed a draft of this report and had no comments or concerns.

Link to review the entire report

July 7, 2011

MEMORANDUM FOR: DEAN J. GRANHOLM
VICE PRESIDENT, DELIVERY AND POST OFFICE
OPERATIONS

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

FROM: Robert J. Batta
Deputy Assistant Inspector General for Mission Operations

SUBJECT: Audit Report – Web-Based Application for the
Discontinuance of Postal Service-Operated Retail Facilities
(Report Number EN-AR-11-006(R))

This report presents the results of our audit of the web-based application, the Change Suspension Discontinuance Center program, used for the discontinuance of a Post Office™, station, or branch (Project Number 11XG007EN000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Michael A. Magalski, director, Network Optimization, or me at 703-248-2100.

Attachments

cc: Patrick R. Donahoe
Megan J. Brennan
James J. Boldt
Kevin V. Romero
Corporate Audit and Response Management

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Introduction

This report presents the results of our audit of the web-based application, the Change Suspension Discontinuance Center (CSDC) program, used for the discontinuance of Postal Service-operated retail facilities (Project Number 11G007EN000). The objectives of this self-initiated[1] audit were to determine the CSDC program's compliance with applicable federal law[2] and U.S. Postal Service policies[3] and assess the program's discontinuance process for Postal Service-operated retail facilities. This audit addresses strategic, operational, and financial risks. This is the second in a series of retail optimization reviews. See Appendix A for additional information about this audit.

With declining mail volume, changing consumer needs, and nearly 100,000 locations offering access to postal products and services, the Postal Service is renewing its efforts to optimize its retail facility network. The Postal Service recognizes a need to improve the administration and management of the discontinuance process. Accordingly, management designed and implemented a new web-based program in 2010. One component of the CSDC program contains the closing and consolidation process for Postal Service-operated retail facilities. Management built the discontinuance process in the CSDC program to follow procedures and guidelines prescribed in Handbook PO-101. In October 2010, the Postal Service began training field offices, and it rolled out the CSDC program in December 2010.

Conclusion

The discontinuance process in the CSDC program is a web-based application that complies with federal law and Postal Service policies and improves the Post Office™ (PO) closing and consolidation process. Specifically, the CSDC program could reduce current cycle time by approximately 22 percent (up to 62 days), improve the standardization and tracking of retail facility closures and consolidations, and provide management greater visibility over discontinuance activities enterprise-wide. Although the CSDC program enhances the process through automation, improvements to the closing and consolidating process are limited to guidance in current Postal Service policies. Management is currently reviewing Handbook PO-101. Accordingly, any modification to the CSDC program's closing and consolidating process will be contingent on the Postal Service updating its policies and procedures. The U.S. Postal Service Office of Inspector General (OIG) has initiated a comprehensive review of the draft Handbook PO-101, which will examine all components of the discontinuance process. Therefore, we are not making recommendations in this report regarding this issue.

The Postal Service informally reviewed a draft of this report and had no comments or concerns.

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[1] On February 11, 2011, we received a congressional request after we initiated the review.
[2] 39 U.S.C. §§ 101(b) and 404(d).
[3] Handbook PO-101, *Post Office Discontinuance Guide,* August 2004.

Compliance with Federal Law and Postal Service Policies

The CSDC program's discontinuance process follows applicable federal law and Postal Service policies. By law, the Postal Service cannot close small POs solely for operating at a deficit. [4] The Postal Service is also required to:

- Provide public notice and opportunity to comment on its intention to close or consolidate[5] a PO.

- Consider the effect on the community and employees, economic savings, and any other factors the Postal Service determines necessary.

- Provide effective and regular postal service.

- Make final determination available to the public.

- Provide the public with adequate time to file any appeals before the Postal Regulatory Commission (PRC).

Postal Service policies prescribe the procedures for the retail discontinuance process. The Postal Service designed and implemented the CSDC program's closing and consolidating process within the guidelines of Handbook PO-101. The CSDC program uses a single set of procedures for all discontinuance studies initiated beginning fiscal year (FY) 2010 for all Postal Service-operated facilities (see Table 1 for compliance analysis).

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[4] 39 U.S.C. § 101(b).
[5] In March 2011, the Postal Service published proposed rules to amend postal regulations to the retail facility closing and consolidation process. The Postal Service interprets 'consolidate' as used in 39 U.S.C. § 404(d) to exclude the consolidation of an independent PO to a subordinate Postal Service-operated retail facility.

Table 1: Retail Discontinuance Process Compliance Analysis

Title 39 §101(b) and §404(d)	Handbook PO-101	CSDC Program
Cannot close small POs solely for operating at a deficit. Provide adequate public notice and opportunity to comment. Consider the effects on the community and employees, economic savings, and any other factors. Provide effective and regular postal services.	Discontinuance Study – gather community input and evaluate and analyze information on community, employees, alternative services, and office workload. Post discontinuance proposal. HQ review and final determination.	Standardized all milestones, letters, forms tasks, and approvals in a web-based environment to address each component of the discontinuance process as outlined in postal policies.
Make final determination and provide adequate time for public appeals.	Final determination posting and appeal period.	
No action to close or consolidate an office until 60 days after final determination is posted.	Office closeout period.	

Source: U.S. Code and Postal Service.

CSDC Discontinuance Process

The CSDC program's discontinuance process could reduce cycle time by approximately 22 percent (up to 62 days) and standardize the process for uniformity and completeness. The program also provides management with greater visibility over discontinuance activities through real-time tracking capabilities. See Appendix B for the CSDC program access level.

Cycle Time

Before implementation of the CSDC program, the Postal Service estimated the discontinuance process took approximately 280 days to complete. With the CSDC program, the Postal Service could complete the discontinuance process in approximately 218 days, a potential reduction in cycle time of 62 days (see Table 2 for cycle time reduction analysis). About 44 percent (27 of 62 days) of potential cycle time reduction occurs during the study phase through automation. The CSDC program imports data from various Postal Service systems[6] and prepopulates documents with

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[6] Address Management System, Facilities Management System, and Web Box Activity Tracking System, Accounting Data Mart, Retail Data Mart, Customer Service Variance and Small Office Variance.

applicable information about the retail facility under a discontinuance study. The headquarters (HQ) review and final determination phase could also reduce the cycle time by about 29 percent (18 of 62 days). Finally, the decision posting, appeal, and office closeout phase could further reduce the cycle time by about 16 percent (10 of 62 days).

In March 2011, the Postal Service proposed new rules to improve the Postal Service-operated retail facility discontinuance process. The proposed rules could further streamline the closing and consolidation process by another 76 days, resulting in an estimate of 142 days to complete the discontinuance process. Management had not yet implemented the new timeline when we completed our audit work in July 2011.

Although estimated milestones are helpful and a good benchmark of progress, the ability for the Postal Service to achieve any cycle reduction time is predicated on individual tasks or approvals being completed on time. The CSDC program captures real-time estimated and actual milestones for progress of completion. Our review of the May 24, 2011, CSDC program discontinuance tracking report found 13 proposals did not receive district manager review and 19 proposals did not receive HQ review by their estimated dates.

Table 2: Cycle Time Reduction Analysis

Discontinuance Process	Estimated Days to Complete		
	Pre-CSDC Program	CSDC Program	Potential Cycle Reduction Days
Authorization to study	10	3	7
Discontinuance study[7] [8]	150	123	27
HQ review and final determination	30	12	18
Final determination posting, customer appeal, and office closeout period[10]	90	80	10
Total	280	218	62

Source: FY 2010 Lean Sigma Project Summary and CSDC Program Tracking.

Standardization and Tracking

The CSDC program is a web-based application that enables Postal Service employees to perform required discontinuance steps by following the process flow matrix that is part of Handbook PO-101 guidelines. The process flow generates standard tasks, letters, forms, and notifications to ensure uniformity and completeness. In addition, the process flow sends approval requests via e-mail to designated management and prevents certain steps from progressing until the appropriate approvals are complete.

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[7] Research, investigation, public notification and input, evaluate community, employee, and facility information.
[8] Time frame driven by federal law.

The CSDC program also issues system-generated alerts when an approval is required, review is complete, and a discontinuance study becomes stagnant. See Appendix C for the discontinuance process flow matrix.

PO discontinuance coordinators (PODCs) are responsible for compiling, documenting, and completing all information required in the CSDC program's discontinuance process. A request to initiate a discontinuance study from the manager, PO Operations (MPOO), to the district manager commences the discontinuance process. From the approval to study through final determination, the discontinuance process may include up to 51 steps.[9] The discontinuance process populates estimated milestones for specific tasks and approvals within the process. Users and management can view real-time estimated and actual milestones for progress of completion, with the ability to drill down to the unit level. The CSDC program also tracks the total number of Postal Service-operated retail facilities and total number of facilities under a discontinuance study at the national, area, and district levels. In addition, the CSDC program tracks each Postal Service-operated retail facility's operational data such as revenue, operating expenses, PO boxes, delivery routes, office level, and staffing. On May 24, 2011, the CSDC program's discontinuance tracking reported there were:

- 1,367 facilities initiated for discontinuance studies.

- 190 facilities removed from consideration because postmaster vacancies were approved to be filled.

- 97 facilities awaiting approval to begin discontinuance studies.

- 1,080 facilities approved for discontinuance study.

- 41 of 1,080 facilities were recommended for discontinuance with proposals submitted to HQ for review and final determination.

As part of our review, we tested the discontinuance process and found the CSDC program:

- Establishes controls to ensure PODCs complete all documents for each step before submitting for management approval.

- Notifies appropriate district managers and PODCs of stagnant discontinuance studies.

- Pulls data from various Postal Service data sources annually and prepopulates the data into applicable letters and forms.

- Allows approving officials to view information, request further information, and make recommendations and approvals within the CSDC web-based application.

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[9] If the final determination is appealed to the PRC, additional steps and up to 120 days will be added to the process.

The CSDC program's closing and consolidation process has resulted in significant improvements through automation. However, improvements to the closing and consolidating process are limited to guidance in current Postal Service policies. Management is currently reviewing Handbook PO-101. Accordingly, any modification to the CSDC program's closing and consolidating process will be contingent on the Postal Service updating its policies and procedures. Because the OIG has initiated a comprehensive review of the draft Handbook PO-101, we are not making recommendations in this report regarding this issue.

Appendix A: Additional Information

Background

The discontinuance process is high profile and sensitive with visibility from Congress, communities, customers, employees, unions, and other stakeholders. Before the CSDC program, the Postal Service used other automated programs to process and track discontinuance activities. However, the discontinuance data in these programs was not accurate, reliable, and useful. For example, the Postal Service reported significant deficiencies in the quality of data in the PO Discontinuance Tracking System (PODTS). Consequently, in 2009, the Postal Service began to transition from the PODTS to the PO Discontinuance and Emergency Suspension System (PODESS). However, as reported in our August 2010 audit, the Postal Service continued to have inaccurate discontinuance data in the PODESS.[10]

Faced with declining mail volume and rapidly changing consumer needs, the Postal Service recognizes a need to improve the administration and management of the discontinuance process with a robust, user-friendly automated system. Accordingly, management designed and implemented the new web-based CSDC program in 2010. One component of the CSDC program contains the closing and consolidation process for Postal Service-operated retail facilities. The Postal Service designed the CSDC program's discontinuance process to adhere to Postal Service policies, reduce cycle time, and improve process.

Objectives, Scope, and Methodology

Our objectives were to determine the CSDC program's compliance with applicable federal law and Postal Service policies and assess the program's discontinuance process for Postal Service-operated retail facilities. To accomplish this review, we:

- Reviewed Government Accountability Office (GAO) reports related to retail network optimizations.

- Reviewed PRC documents related to retail facility closures and consolidations.

- Tested the discontinuance process for selected sites in the CSDC program.

- Interviewed Postal Service officials and reviewed applicable guidelines, including federal law, Postal Service policies, and CSDC program trainings.

We conducted this performance audit from February through July 2011 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

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[10] The OIG reported in August 2010 that HQ and field personnel do not use the PODESS. Instead, they track, report, file, and maintain discontinuance activities manually.

evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management on June 20, 2011, and included their comments where appropriate.

To conduct this review, we relied on computer-processed data maintained by Postal Service operational systems. We did not test the validity of controls over these systems; however, we verified the accuracy of the data by confirming our analysis and results with Postal Service managers and other data sources.
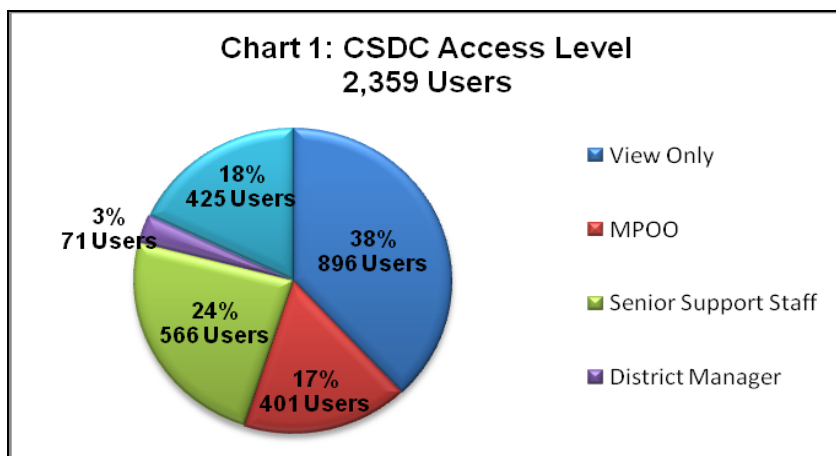
Prior Audit Coverage

Report Title	Report Number	Final Report Date	Report Results
Stations and Branches Optimization and Consolidation Initiative	EN-AR-10-005	August 17, 2010	The Postal Service could have enhanced planning and management of the initiative by improving communication and coordination, developing accurate and reliable data on its facilities, and raising stakeholders' confidence that it will make decisions in a transparent, equitable, and fact-based manner.
Analyzing the Postal Service's Retail Network Using an Objective Modeling Approach	RARC-WP-10-004	June 14, 2010	The Postal Service's current retail facility planning appears to be a bottom-up process. An approach combining top-down economic modeling with adequate bottom-up local review is well suited to supporting the consolidation of existing facilities. By adopting a thorough, transparent, and objective approach to retail modernization, the Postal Service can respond to stakeholder concerns and optimize its retail network.
U.S. Postal Service - Restructuring Urgently Needed to Achieve Financial Viability	GAO-09-958T	August 6, 2009	To achieve financial viability, the Postal Service must align its costs with revenue, generate sufficient earnings to finance capital investment, and manage its debt. Key restructuring actions the Postal Service could take include reducing compensation and benefit costs, consolidating retail and processing networks and field structure, and generating revenue through new or enhanced products.
U.S Postal Service - Broad Restructuring Needed to Address Deteriorating Finances	GAO-09-790T	July 30, 2009	Although the Postal Service has begun efforts to realign and consolidate some mail processing, retail, and delivery operations, much more is urgently needed. GAO recognizes that the Postal Service would face formidable resistance to restructuring with many facility closures and consolidations because of concerns that these actions would affect service, employees, and communities.
U.S. Postal Service - Network Rightsizing Needed to Help Keep USPS Financially Viable	GAO-09-674T	May 20, 2009	The Postal Service can streamline its retail network by closing unnecessary facilities and promoting lower-cost alternatives such as purchasing stamps by mail, telephone, and the Internet, as well as at drug stores and supermarkets.
U.S. Postal Service - Deteriorating Postal Finances Require Aggressive Actions to Reduce Costs	GAO-09-332T	January 29, 2009	The Postal Service needs to close unnecessary retail facilities and, by reducing the number of facilities, lower the cost of maintaining its network of facilities. The network of retail facilities has remained the same despite population shifts and changes in mailing behavior.

Appendix B: CSDC Program Access Level

The CSDC program has five access levels that permit users to view work, track processes, make edits, review documents, and determine critical discontinuance decisions. The PODC grants access levels based on the individual's role as defined in the CSDC program.
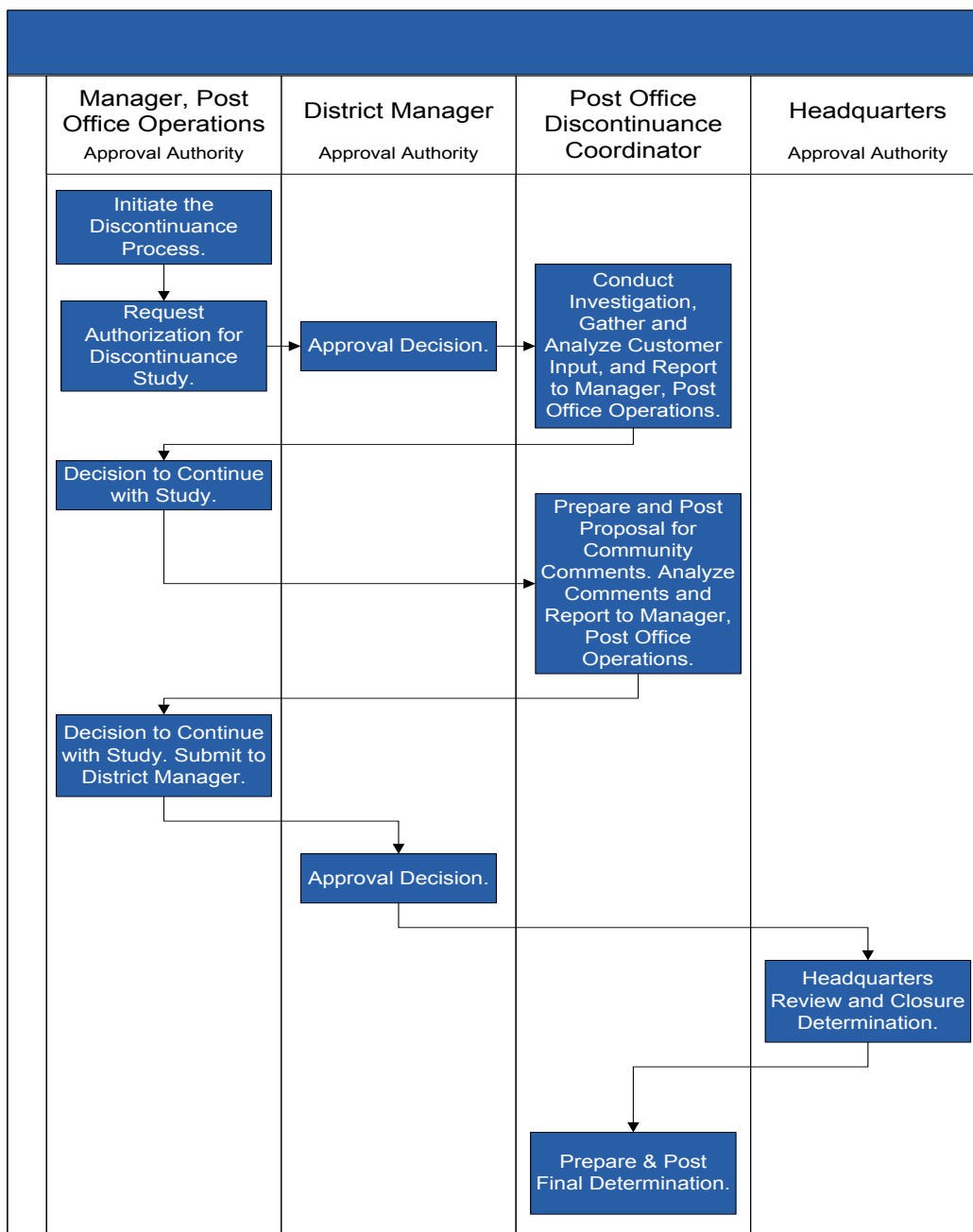
- View Only - allows access to the tracking of sites that are currently working through the delivery unit optimization (DUO) or discontinuance process.

- Senior support staff - allows access to the tracking of sites that are currently working through the DUO or discontinuance process (needed for possible future enhancements).

- MPOO - allows access within the discontinuance process for decisions to be made on whether to continue a review once documentation is reviewed.

- District manager - allows access within the discontinuance process for critical decisions to be made on whether to continue a review and post the proposal notice once documentation is reviewed.

- Discontinuance coordinator - allows access within the entire site to make edits on any of the screens, grant access levels, and assign MPOOs and district managers.

As of May 3, 2011, 2,359 users had access to the CSDC program. Chart 1 identifies the number and percentage of users per access level.

Source: CSDC Program

Appendix C: Discontinuance Process Flow Matrix

Manager, Post Office Operations	District Manager	Post Office Discontinuance Coordinator	Headquarters
Approval Authority	Approval Authority		Approval Authority

Initiate the Discontinuance Process.

Request Authorization for Discontinuance Study.

Approval Decision.

Conduct Investigation, Gather and Analyze Customer Input, and Report to Manager, Post Office Operations.

Decision to Continue with Study.

Prepare and Post Proposal for Community Comments. Analyze Comments and Report to Manager, Post Office Operations.

Decision to Continue with Study. Submit to District Manager.

Approval Decision.

Headquarters Review and Closure Determination.

Prepare & Post Final Determination.

Source: CSDC Program.