

Selected USPS OIG Reports Related to Postal 360

1. Costs and Costing

[Postmaster Cost Segment](#) (CP-AR-16-011, September 8, 2016)

The purpose of this report is to assess whether inputs into the Postmaster Cost Segment are accurately calculated and recorded. It finds several opportunities for improvement.

[Peeling the Onion: The Real Cost of Mail](#) (RARC-WP-16-009, April 18, 2016)

Since 2006, the Postal Service has done better controlling its costs than sometimes is reported. The Postal Service has redesigned its network of processing plants, retail locations, delivery routes, and transportation systems, as well as modernized some of its workforce labor practices. Adjusting for both inflation and prefunding reveals that the Postal Service has decreased its total expenditures by about \$13.7 billion since FY 2006. However, some financial improvements resulted from pure cost-cutting, which may have affected service quality, and the Postal Service's capital spending has not kept pace with depreciation and amortization.

[Challenges in Controlling Costs with Standard Mail Flats and Periodicals](#)

(SM-WP-15-001, February 26, 2015)

The U.S. Postal Service Office of Inspector General (OIG) conducted reviews from FY 2008 through FY 2013 of flat mail issues and FSS concerns. This white paper summarizes results from those reviews and identifies four overarching areas that have affected the cost component of cost coverage.

[Greenfield Costing Methodology: An Opportunity to Deliver Transformative Change](#) (RARC-WP-14-005, January 7, 2014)

This paper includes A.T. Kearney's proposal for a new bottom-up costing system. It provides a high level outline of how such a costing system could work.

[Benchmarking of Costing Methodologies](#) (MS-MA-13-004, August 14, 2013)

This report is the second of two reviews requested by the chief financial officer and executive vice president. It identifies evolutionary enhancements to the current costing system.

[Postal Service Product Costing Methodologies](#) (MS-MA-13-002, April 11, 2013)

This report is the first of two reviews requested by the Postal Service chief financial officer and executive vice president. The objective is to describe the background and history of the Postal Service's current costing methodologies and identify concerns with those methodologies.

[Short-Run Costs and Postal Pricing](#) (RARC-WP-13-004, January 9, 2013)

This paper, co-authored with Mike Bradley discusses the advantages and disadvantages of using short-run costing (versus the currently used long-run costing) for the purpose of setting prices.

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[Costs for Better Management Decisions: CRA Versus Fully Distributed Costs](#)

(RARC-WP-12-016, September 17, 2012)

The OIG hired John Panzar to discuss the potential issues with using fully distributed costs to make assessments on the profitability of new initiatives. Specifically, he found that using fully distributed costs could rob the Postal Service of revenue opportunities at a time when they are greatly needed.

[A Primer on Postal Costing Issues](#) (RARC-WP-12-008, March 20, 2012)

This paper discusses the main criticisms of how the Postal Service estimates costs. It also includes a detailed description of how the Postal Service estimates costs in the appendix.

[New Approaches to Reduce Costs](#) (FF-AR-11-009, June 14, 2011)

The objective of the audit is to evaluate Postal Service opportunities to increase efficiency and reduce costs associated with U.S. Postal Inspection Service's activities and armed security forces, postage stamp management, and employee benefits. This self-initiated audit addresses financial risk.

[Periodicals Mail Costs](#) (CRR-AR-11-001, December 7, 2010)

The objectives of this report were to (1) determine whether Postal Service data collection systems and procedures accurately attribute costs to Periodicals and (2) review Postal Service operations that affect manual processing of Periodicals. This self-initiated audit addresses financial and operational risk.

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2. Pricing

Market Dominant Billing Determinants: Package Services (CP-AR-16-009, August 1, 2016)

This report assesses the procedures used to prepare FYs 2014 and 2015 Package Services billing determinant spreadsheets and the accuracy and completeness of the data.

Market Dominant Billing Determinants: Standard Mail (CP-AR-16-007, July 11, 2016)

This report assesses the procedures used to prepare FYs 2014 and 2015 Standard Mail billing determinant spreadsheets and the completeness and accuracy of the data.

Strategies for Underwater Market Dominant Products (CP-AR-16-005, May 25, 2016)

The Postal Service does not have strategies in place to manage underwater products as a whole. While strategies exist to optimize efficiency and decrease costs, the strategies developed to specifically address attributable cost coverage lack a formal framework to accurately assess their effectiveness and achieve 100 percent cost coverage as required by the PAEA.

Market Dominant Billing Determinants: Special Services (CP-AR-16-004, February 4, 2016)

The objective of this report is to assess the accuracy and completeness of data used to prepare FYs 2013 and 2014 Special Services billing determinant spreadsheets.

Market Dominant Price Adjustment Filings (CP-AR-16-003, January 13, 2016)

The Postal Service included complex mail classification changes in the January 2015 price adjustment proposal further complicated the preparation process and PRC's review. The Postal Service delayed implementing the price changes from April 26 to May 31, 2015 due to two remands. As a result, the Postal Service has forgone \$108 million in revenue for all mail products.

Market-Dominant Billing Determinants: Periodicals (CP-AR-15-004, September 14, 2015)

This report assesses the procedures used to prepare the FY 2013 and FY2014 Periodicals Billing Determinants. We identified errors in the determinants because employees used outdated and mislabeled source data and made incorrect calculations.

CPI Study Update (RARC-WP-15-014, August 10, 2015)

This paper updated earlier CPI study. Re-enforced conclusion that the Postal Service would be better off with our suggested hybrid cap.

Market-Dominant Billing Determinants: First-Class Mail (CP-AR-15-003, June 11, 2015)

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Billing determinants are spreadsheets that Postal Service employees manually produce to report volume and calculated revenue for every price in the five market dominant classes of mail. We identified errors resulting from an inconsistent accounting of mail volume and calculations that could not be verified.

[Workshare Discounts for Automated Mail Processing](#) (CP-AR-15-002, June 8, 2015)

The U.S. Postal Service offers workshare discounts to mailers or mail preparation and distribution activities to increase its operational efficiencies. We found some workshare discounts for automated mail processing no longer benefit the Postal Service's processing network. Recent changes to the network offer an opportunity to re-evaluate discounted rates and potentially add new workshare discounts.

[Package Price Simplification](#) (CP-AR-15-001, December 23, 2014)

The OIG found that opportunities exist for the Postal Service to offer new products and simplify package prices. Offering new products, such as expanding the number of Flat Rate Box dimensions, would enable the Postal Service to meet changing customer needs, thereby helping it to be competitive and retain or gain customers. Also, unnecessary prices create complexity and barriers to entry for new customers.

[Analysis of Postal Price Elasticities](#) (RARC-WP-13-008, May 1, 2013)

This paper analyzed price elasticities and found that demand for postal products is not becoming more price sensitive, and if anything, may be becoming less sensitive.

[Revisiting the CPI-Only Price Cap Formula](#) (RARC WP-13-007, April 12, 2013)

This paper looked at three caps — CPI, RDP and modified — and ran simulations. The paper found the current cap is not sustainable. The OIG suggested that if a price cap is needed, the best cap is a hybrid cap that adjusts for the number of delivery points, the revenue weighted volume, and percentage of institutional costs.

[Postal Service Pricing Strategy](#) (EN-AR-12-002, December 1, 2011)

The objective of this report is to determine the Postal Service's adequacy and agility for managing existing prices and introducing new prices to ensure cost coverage and protect revenue.

[Assessment of Worksharing](#) (RARC WP-10-005, July 12, 2010)

This paper discusses the importance of worksharing and how it has supported the growth of an industry. In FY 2008, the Postal Service provided \$15 billion worth of discounts that saved \$14.8 billion in savings.

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3. Service

[Timeliness of First-Class Mail Flats](#) (NO-AR-17-001, October 6, 2016)

In FY 2015, the U.S. Postal Service delivered about 154.2 billion pieces of mail and packages, 62.4 billion of which were First-Class Mail (FCM). The Postal Service considers FCM to be delayed when it is not processed in time to meet its established delivery day. Postal Service customers have continued to express concerns about the timeliness of FCM flats processing. Our objective is to assess the timeliness of FCM flats processing.

[Timeliness of Mail Processing at the Queens, NY, Processing and Distribution Center](#) (NO-AR-16-010, September 20, 2016)

The Queens P&DC processed about 78 million mailpieces and reported 28 percent as delayed in quarters 1 and 2 of FY 2016. This was the highest delayed mail percentage in the nation during this period. Most were inbound international parcels. The OIG found that mail was delayed because the P&DC did not have enough machine capacity for the volume of packages it needed to process. The plant manager initiated a project to divert inbound international parcels to other facilities, which decreased delayed mail in quarter 3 about 80 percent.

[Mail Processing and Transportation Operational Changes](#) (NO-AR-16-009, September 2, 2016)

The objective of this audit is to determine the timeliness of mail processing and transportation since the January 5, 2015, First-Class Mail service standard revisions which expanded the mail processing operational window. In addition, we reviewed whether the projected cost savings from the changes were realized. The audit found, for the 9 months following the service standard revisions, the Postal Service experienced increased nationwide delayed mail, reduced performance scores, decreased mail processing productivity, and increased transportation costs.

[2015 Peak Season Package Processing Performance](#) (NL-AR-16-004, August 30, 2016)

During the 2015 peak season, delayed packages increased. However, even if processing machines had operated at full operational performance levels, the Postal Service would still have had to manually process excess package volume.

[Substantial Increase in Delayed Mail](#) (NO-MA-15-004, August 13, 2015)

The purpose of this alert is to bring to the Postal Service's attention the need to immediately address the timeliness of mail processing following the January 5, 2015, service standard revisions.

[Modes of Delivery and Customer Engagement with Advertising Mail](#)

(RARC-WP-15-009, April 20, 2015)

Customer engagement varies by mode of delivery; centralized delivery will lower costs but could have demand side implications.

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[Lack of Service Standard Change Information in Area Mail Processing Feasibility Studies](#) (NO-MA-15-001, October 6, 2014)

The Postal Service has not analyzed the impact of planned service standard changes or informed stakeholders of the changes related to Phase 2 consolidations. Specifically, management did not complete the service standard impacts worksheet in 91 of the 95 AMP feasibility studies.

[Readiness for Package Growth - Delivery Operations](#) (DR-MA-14-001, December 11, 2013)

The OIG recommended the Postal Service continue to test and implement dynamic routing, modify package compartments on cluster box units, and use operational reports to monitor and manage carrier package pickup data. Also, recommended to implement a vehicle shelving system.

[Lessons Learned from Mail Processing Network Rationalization Initiatives](#) (NO-MA-13-004, March 27, 2013)

The Postal Service has improved its mail processing network optimization efforts as a result of lessons learned from current and past initiatives; however, further refinements are warranted.

[U.S. Postal Service Past Network Optimization Initiatives](#)

(CI-AR-12-003, January 9, 2012)

The OIG determined a valid business case exists for 31 of the 32 AMPs (97 percent) we reviewed.

[Retail and Delivery: Decoupling Could Improve Service and Lower Costs](#)

(RARC-WP-11-009, September 22, 2011)

This paper looks at the potential for decoupling retail from delivery operations and finds that there would be cost, revenue and customer service improvements.

[Cost of Service Standards](#) (RARC-WP-11-008, August 18, 2011)

This report examines the cost implications of relaxing service standards by 1 day and found the Postal Service could save \$1.5 billion.

[Modes of Delivery](#) (DR-AR-11-006, July 7, 2011)

The Postal Service has converted and assigned some delivery points to more efficient delivery modes; however, much more could be done to minimize costs nationwide. Aggressively moving from existing door-to-door delivery to curbside delivery could save more than \$4.5 billion a year. Future strategies should also evaluate savings opportunities associated with conversion of curbside to centralized delivery — which could save the Postal Service an additional \$5.1 billion.

[Analyzing the Postal Service's Retail Network Using an Objective Modeling Approach](#) (RARC-WP-10-004, June 14, 2010)

This paper provides a model for optimizing retail (Yezer) that the Postal Service could use to optimize its retail network by better matching retail offerings with demand.

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Status Report on the Postal Service's Network Rationalization Initiative

(EN-AR-10-001, January 7, 2010)

Between FYs 2005 and 2009, the Postal Service made progress in its effort to streamline its mail processing and transportation infrastructure; however, management has been unable to adjust resources to fully offset mail volume declines, resulting in a deteriorating financial condition.

Area Mail Processing Communications (EN-AR-09-001, February 4, 2009)

The Postal Service enhanced the AMP communications process regarding potential consolidations and closures. In addition, management's actions generally addressed prior audit findings and recommendations associated with stakeholder communications.

4. Universal Service Obligation (USO)

[Funding the Universal Service Obligation](#) (RARC-WP-16-005, March 21, 2016)

Declining letter mail volumes and the current price cap on postage are making it harder and harder for monopoly revenues to cover the cost of the universal service obligation. In the report, the OIG examines alternatives for funding the USO, including reviewing what European posts, most of which have already reduced their monopolies, do.

[What Postal Services Do People Value the Most? A Quantitative Survey of the Postal Universal Service Obligation](#) (RARC-WP-15-007, February 3, 2015)

The OIG worked with Gallup to provide a quantitative survey on four USO attributes. We found that customers still value certain postal services, especially delivery to the door or curb and access to post offices.

[Guiding Principles for a New Universal Service Obligation](#) (RARC-WP-15-001, November 17, 2014)

This paper proposes that the universal service obligation (USO) needs to be better defined and provided a set of guiding principles to help with the development of this new definition. It also identified a need for a quantitative survey of USO attributes.

[What America Wants and Needs for the Postal Service](#) (RARC-WP-14-009)

A follow up to a previous survey, the OIG partnered with InfoTrends to conduct a series of focus groups across the country to find out what America needs from the Postal Service.

[What America Wants from the Postal Service](#) (RARC-WP-13-009, May 21, 2013)

The OIG partnered with InfoTrends to provide an Internet based study on what America wants from the Postal Service.