



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

Stamp Distribution Procedures

Audit Report

July 29, 2011

Report Number FF-AR-11-012



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

HIGHLIGHTS

July 29, 2011

Stamp Distribution Procedures

Report Number FF-AR-11-012

IMPACT ON:

Nationwide stamp distribution procedures.

WHY THE OIG DID THE AUDIT:

Our objectives were to determine whether procedures over stamp stock shipments were efficient and effective, and whether accountable items were properly secured and accounted for in the stamp distribution network.

WHAT THE OIG FOUND:

The U.S. Postal Service had effective procedures over stamp stock shipments and, generally, did properly account for stamp stock shipments in the stamp distribution network. However, the Postal Service did not sufficiently mitigate the increased level of risk incurred when discontinuing use of the Registered Mail™ service for stamp stock shipments and consolidating the stamp distribution offices (SDOs) into six stamp distribution centers. Additionally, we identified opportunities where the Postal Service could further consolidate the stamp distribution network and perform all stamp destruction with Postal Service resources. We identified annual cost savings of \$637,000, or \$5.9 million over

the next 10 years, and \$437,000 for unsecured stamp stock shipments.

WHAT THE OIG RECOMMENDED:

We recommend limiting access to the Stamp Services System; developing a nationwide strategy to manage lost stamp stock shipments, identify trends and problem areas, and perform risk assessments while monitoring stamp stock shipments; and instructing units to notify the U.S. Postal Service Office of Inspector General when stamp stock shipments are lost or missing.

We also recommend consolidating the three remaining SDOs into the existing network and performing stamp destruction with Postal Service resources.

WHAT MANAGEMENT SAID:

Management agreed with the findings, recommendations, and monetary impact. They agreed there are areas for improvement with the stamp distribution and lost stamp stock shipment claims processes, and further costs savings are potentially achievable through additional consolidations.

[Link to review the entire report](#)



July 29, 2011

MEMORANDUM FOR: SUSAN M. BROWNELL
VICE PRESIDENT, SUPPLY MANAGEMENT

A rectangular box containing a handwritten signature in black ink that reads "John E. Cihota". In the top right corner of the box is a small yellow square icon with a black question mark.

FROM: John E. Cihota
Deputy Assistant Inspector General
for Financial Accountability

SUBJECT: Audit Report – Stamp Distribution Procedures
(Report Number FF-AR-11-012)

This report presents the results of our audit of Stamp Distribution Procedures (Project Number 11BG005FF000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Kevin H. Ellenberger, director, Field Financial – East, or me at 703-248-2100.

Attachments

cc: Megan J. Brennan
Joseph Corbett
Myrna J. Murphy
Corporate Audit and Response Management

TABLE OF CONTENTS

Introduction	1
Conclusion	1
Mitigating Increased Risks of Stamp Stock Losses	1
Consolidating the Stamp Distribution and Destruction Network	4
Recommendations	6
Management's Comments	6
Evaluation of Management's Comments	7
Appendix A: Additional Information	8
Background	8
Objectives, Scope, and Methodology	8
Prior Audit Coverage	10
Appendix B: Monetary and Other Impacts	11
Appendix C: Statistical Sampling Methodology	12
Appendix D: Management's Comments	13

Introduction

This report presents the results of our audit of stamp distribution procedures (Project Number 11BG005FF000). Our objectives were to determine whether procedures over stamp stock shipments were efficient and effective and whether accountable items were properly secured and accounted for in the stamp distribution network. This self-initiated audit addresses financial risk. See [Appendix A](#) for additional information about this audit.

The U.S. Postal Service made significant changes to the stamp distribution program in the last few years. In fiscal year (FY) 2010, the Postal Service consolidated 72 of 75 stamp distribution offices (SDOs) into six stamp distribution centers (SDCs). Additionally, they consolidated all stamp destruction into three SDCs, two operated by contractors and one operated with Postal Service resources. Also, in FY 2009, the Postal Service changed the method of processing stamp stock shipments to retail units from Registered Mail[™] service to Priority Mail[®] with Signature Confirmation[™] service.

Conclusion

The Postal Service had effective procedures over stamp stock shipments and, generally, properly accounted for stamp stock shipments in the stamp distribution network. However, the Postal Service did not sufficiently mitigate the increased level of risk incurred when discontinuing use of Registered Mail service for stamp stock shipments and consolidating the SDOs into six SDCs. Additionally, we identified opportunities where the Postal Service could further consolidate the stamp distribution network and perform all stamp destruction with Postal Service resources. We identified annual cost savings of \$637,000, or \$5.9 million over the next 10 years, and \$437,000 for unsecured stamp stock shipments.

Mitigating Increased Risks of Stamp Stock Losses

The Postal Service did not sufficiently mitigate the increased risk of stamp stock losses when discontinuing use of Registered Mail service for stamp stock shipments and consolidating the SDOs into the SDCs. Specifically, we found that the compensating controls¹ the Postal Service added were insufficient to secure stamp stock shipments and automated ordering procedures did not provide control over who could order stamps. The Postal Service implemented changes to the stamp ordering process to increase efficiency and save a projected \$35.1 million per year. However, Postal Service officials stated they were managing new initiatives in FY 2010 and, therefore, did not conduct a post-implementation review of the internal controls. As a result, the Postal Service's claims for lost or stolen stamp stock shipments increased since discontinuing use of Registered Mail service and consolidating the SDOs.

¹ Compensating controls include maintaining an SDC customer tracking log, monitoring in-transit stamp stock shipments, and changing stamp stock shipment packaging procedures.

Although the Postal Service implemented some compensating controls, the changes did not include a comprehensive and consistent nationwide process to manage stamp stock shipments and mitigate the increased losses. Specifically:

- The SDCs implemented a customer tracking issue log for retail issues. We found SDC managers did not always update these logs and one district instructed their retail units to stop calling the SDC.
- We found that 23 of 32 districts reviewed had procedures to monitor in-transit stamp stock shipments; however, these procedures were not consistent. Additionally, nine districts did not have any procedures.
- Stamp distribution personnel could not determine which locations in the transportation and processing network delayed stamp stock shipments or damaged packages.
- Stamp distribution personnel changed packaging procedures in response to damaged packages but did not monitor to see whether these changes were implemented and effective. We found stamp stock shipments still packaged incorrectly, resulting in broken packages and lost stamps.
- We found instances where stamp stock shipments were lost, arrived late and/or damaged, missed scans, and were left unsecured upon arrival.

Further, stamp distribution personnel did not limit who could order stamp stock shipments through the Stamp Services System (SSS) and could not determine who ordered stamp stock. Consequently, personnel could order stamps without authority and convert them for personal use.² The Postal Service mitigated this risk by relying on Accounting Services³ to alert the retail unit when a stamp order is not accepted. Accounting Services notifies the retail unit after 10 days when they have stock in-transit and after 15 days they issue a stock ledger expense to the retail unit.⁴ The unit, in turn, is required to research and resolve these types of discrepancies. Although this procedure could detect unauthorized activity if units effectively manage their financial operations, limiting who can order stamps provides a more effective, preventive control.

Before the stamp distribution network was consolidated, stamp stock shipments traveled shorter distances. After the consolidation, opportunities increased for losses in transit because stamp stock shipments were traveling greater distances and were handled more frequently. Claims for lost or stolen stamp stock shipments rose from an

² We conducted tests to determine whether this situation has occurred and did not detect any such instances.

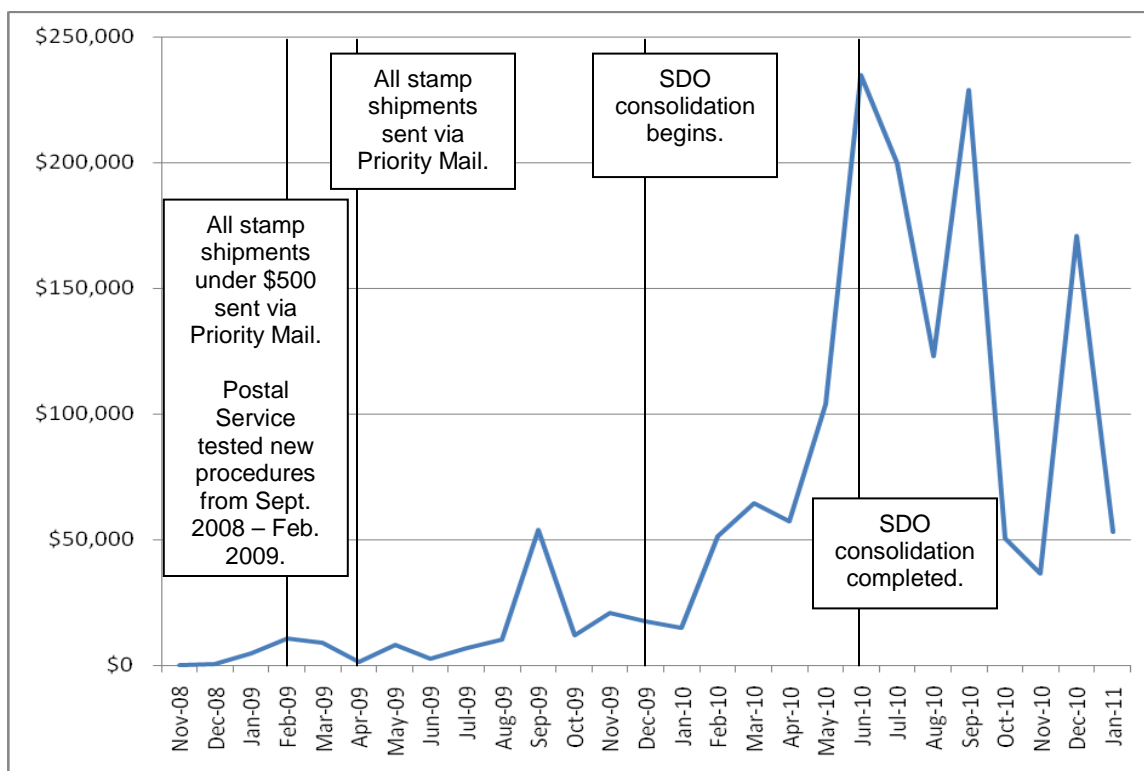
³ The Postal Service has a centralized accounting service in St. Louis, MO to perform this control.

⁴ Handbook F-101, *Field Accounting Procedures*, Section 8-4 (b) and (c), dated April 2011, directs units to account for missing stamp orders by recording an expense.

average of \$10,918⁵ per month prior to the SDO consolidation to \$123,231⁶ per month once the SDO consolidation was completed. The Postal Service was unaware of this increase. We found that at least \$437,000 of the \$1.3 million lost or stolen stamp stock shipment claims for losses the Postal Service filed pertained to missing or damaged stamp stock shipments.

Additionally, the Postal Service is not always notifying the U.S. Postal Service Office of Inspector General (OIG) when there is a lost or missing stamp stock shipment.⁷ We found six of 12 missing stamp stock shipments valued at \$115,795 that postal retail units did not notify the OIG's Office of Investigation (OI) about. Without a nationwide strategy to manage lost stamp stock shipments, the Postal Service cannot determine where losses are occurring. See Table 1 for the Postal Service's claims for lost or stolen stamp stock shipments filed from November 2008-January 2011. See [Appendix B](#) for the details of other impact.

Table 1 – Claims for Loss by Dollar Amount



Source: Enterprise Data Warehouse (EDW)

⁵ Thirteen-month average unaudited claims for losses processed by Postal Service November 2008 through November 2009.

⁶ Seven-month average unaudited claims for losses processed by the Postal Service July 2010 through January 2011. We observed that losses were greatest with districts with a higher population.

⁷ Handbook F-101, Section 8-6.2.1.1 (d) directs units to notify the OIG if a stamp stock shipment is lost or missing.

Consolidating the Stamp Distribution and Destruction Network

The Postal Service could further consolidate the stamp distribution network by merging the three SDOs located outside the continental U.S. into the existing SDC network. Asset Management⁸ would be able to provide oversight of the entire stamp distribution network, providing consistent policies and procedures. The Postal Service did not identify this opportunity because their focus was on consolidating the 72 continental U.S. (CONUS) SDOs into six SDCs. By merging the three remaining SDOs into the SDC network, the Postal Service could realize an annual cost savings of \$510,000, or \$4.4 million over the next 10 years. See Table 2 for details of the annual cost savings.

Table 2 – SDO Consolidation Annual Cost Savings

Type of Costs	Existing Costs to Operate the Remaining SDOs	Costs After Consolidating the Remaining SDOs into the SDC Network
Labor	\$616,614	\$78,859
Transportation	44,035	72,019
Facility	0	0
Total	\$660,649	\$150,878
Total Annual Cost Savings	\$509,771	

Source: SSS, invoices, and interviews with Postal Service personnel.

In considering the cost savings, we noted that overall labor costs should decrease because the Postal Service could eliminate all of the positions at the three SDOs and the SDC network would only have to hire one additional employee or pay overtime to handle the additional orders. Further, transportation costs will increase because the SDCs would be shipping many packages using air transportation to retail units previously serviced by the SDOs. Finally, we believe facility costs will remain the same because the existing SDOs occupy small sections of Postal Service-owned facilities; therefore, we did not attribute a cost to them. Further, there would be no additional facilities costs at the consolidated facilities because Postal Service personnel stated they would add only minimal additional inventory.

Additionally, the Postal Service could perform stamp destruction with Postal Service resources more efficiently. The Postal Service consolidated all CONUS stamp destruction into three SDCs during FY 2010, two operated by contractors and one operated with Postal Service resources. The Postal Service did not evaluate alternatives to contracting for these functions because they focused on the SDO consolidation and did not analyze ways to reduce stamp destruction costs.

⁸ Asset Management's mission is to optimize the flow of materials, including stamps, through the supply chain. They oversee the entire stamp distribution network, except for the three SDOs located outside the continental U.S., which are managed by districts.

The Postal Service could reduce costs by discontinuing the contractor operations, purchasing shredders for two SDCs, and accomplishing stamp destruction with Postal Service personnel. Accomplishing destruction with Postal Service personnel uses existing labor hours more efficiently. Another available alternative is to discontinue the contractor operations, only purchase one shredder, and consolidate stamp destruction into two SDCs. By consolidating destruction to two locations, the Postal Service reduces the span of control over the destruction process by receiving, accounting for, securing, and destroying stamps at one less location. Additionally, because postal retail units returned less stamp stock to the stamp distribution network during FYs 2008-2010, stamp destruction operations at three SDCs should not be necessary. As a result, the Postal Service could realize an additional annual cost savings of at least \$127,000, or \$1.5 million over the next 10 years. See Table 3 for details of the annual cost savings. See [Appendix B](#) for details of the monetary impact.

Table 3 – Stamp Destruction Consolidation Annual Costs Savings

Type of Costs	Existing Stamp Destruction Costs	Option One: Purchase Two Shredders	Option Two: Purchase One Shredder and Consolidate Network
Contractor	\$177,360	\$0	\$0
Shredder	0	33,373 ⁹	16,687 ¹⁰
Shredder Maintenance	0	2,000	1,000
Shredded Stamp Disposal	0	15,181	7,590
Labor	0	0	0 ¹¹
Total	\$177,360	\$50,554	\$25,277
Total Annual Cost Savings		\$126,806	\$152,083

Source: Invoices, contracts, EDW, and interviews with Postal Service personnel.

⁹ \$333,732 total costs amortized over 10 years.

¹⁰ \$166,866 total cost amortized over 10 years.

¹¹ Postal Service personnel stated that purchasing shredders or consolidating the stamp destruction network will not increase labor costs. Labor costs will remain the same because Postal Service employees currently witness contractors destroying the stock. The Postal Service could reassign the employees to destroy the stamp stock at the SDCs.

Recommendations

We recommend the vice president, Supply Management, instruct Asset Management to:

1. Develop a comprehensive and consistent nationwide strategy to manage lost stamp stock shipments, identify trends and problem areas, and perform risk assessments.
2. Limit access to the Stamp Services System to employees responsible for postal retail unit stamp stock.
3. Instruct postal retail unit personnel to notify the U.S. Postal Service Office of Inspector General when stamp stock shipments are lost or missing.
4. Consolidate the three remaining Stamp Distribution Offices into the existing stamp distribution network.
5. Perform an analysis on stamp destruction workload and capacity and, based on the analysis, discontinue contractor operations and either purchase shredders for two Stamp Distribution Centers or purchase one shredder and consolidate stamp destruction into two Postal Service-operated destruction facilities.

Management's Comments

Management generally agreed with our findings, recommendations, and monetary impact.

Regarding recommendation 1, management plans to work with the SDCs, Finance, and Operations to develop a strategy that can identify locations that have reported multiple occurrences of claims for loss, and follow-up with performing a risk assessment and develop corrective action in those problem areas. The target implementation date is July 2012.

Regarding recommendation 2, management plans to limit system access with the migration from the SSS to the Solution for Enterprise Asset Management system. The target implementation date is September 2012.

Regarding recommendation 3, management plans to coordinate with Finance on communicating the current policy for instructing retail units to notify the OIG regarding lost stamp stock shipments. The target implementation date is February 2012.

Regarding recommendation 4, management plans to work with Organizational Effectiveness to discuss options for organizational changes to the stamp distribution network. The target implementation date is December 2012.

Regarding recommendation 5, management is in the process of installing shredders at two SDCs. Management will continue to manage the workload and make adjustments

as necessary once the equipment is installed and operational. The target implementation date is October 2011.

See [Appendix D](#) for management's comments in their entirety.

Evaluation of Management's Comments

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

Appendix A: Additional Information

Background

The deputy postmaster general/chief operating officer requested a national security and process review of the Postal Service Registered Mail system based on recommendations made by the U.S. Postal Inspection Service.¹² The review resulted in the Postal Service changing the shipping method for stamp stock from Registered Mail service to Priority Mail with Signature Confirmation service effective April 2009.

During FY 2010, the Postal Service consolidated its existing stamp distribution network from one or two SDOs in each district into six new SDCs. The new locations were Portland, OR; Phoenix, AZ; Kansas City, MO; Atlanta, GA; Dulles, VA; and Binghamton, NY. The Kansas City, Atlanta, and Phoenix SDCs also perform stamp stock returns and destruction.

There are three remaining SDOs (San Juan, PR; Honolulu, HI; and Anchorage, AK).

Objectives, Scope, and Methodology

Our objectives were to determine whether procedures over stamp stock shipments are efficient and effective and whether accountable items were properly secured and accounted for in the stamp distribution network. To accomplish this objective, we:

- Reviewed Postal Service program guidelines and laws and regulations as they related to the audit objectives.
- Hosted an online discussion and survey of stamp distribution issues and reviewed the 140 responses we received.
- Conducted site visits at the Dulles and Kansas City SDCs and the San Juan SDO to observe procedures for stamp fulfillment, destruction, and inventory control.
- Evaluated the Postal Service's decision for changing the method for shipping stamp stock and consolidating the stamp distribution network.
- Analyzed operating costs for the San Juan, Honolulu, and Anchorage SDOs; and destruction costs for the Atlanta and Phoenix SDCs.
- Discussed the impacts from changing the shipping procedures for stamp stock and procedures for monitoring lost stamp stock shipments with management.
- Compared FY 2008 cost segments for Registered Mail service to Priority Mail with Signature Confirmation service.

¹² *National Security Review Postal Service Registered Mail System: The Next Generation*, Case No. 0144-16523850-PVS (2), February 2008.

- Obtained EDW claims for loss records for a 2-year period ending November 2, 2010, and randomly selected and verified 80 claims for losses coded as lost or stolen stamp stock shipments. See [Appendix C](#) for our statistical sampling methodology.
- Interviewed and received responses from 32 districts pertaining to stamp stock shipment monitoring.
- Reviewed in-transit time for stamp stock shipments from the six SDCs to retail units.
- Discussed packaging procedures with management and reviewed changes in the procedures.
- Reviewed procedures for loose stamp stock at the processing facilities and the amount of stock returned to the SDCs.
- Discussed claims for losses data related to lost or stolen stamp stock shipments with U.S. Postal Inspection Service and OI personnel.
- Judgmentally sampled the 12 largest claims for loss to determine whether they were reported as lost or missing.

We conducted this performance audit from October 2010 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 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 June 7, 2011, and included their comments where appropriate.

We assessed the reliability of SSS and EDW data by performing electronic testing of required data elements and interviewing agency officials knowledgeable about the data. We determined that the data was sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<i>Stamp Distribution Operations</i>	MS-MA-09-002	1/12/09	None	The Postal Service initiated efforts to re-engineer its accountable paper fulfillment operations to achieve cost savings. Supply Management was preparing a Decision Analysis Report requesting funding to implement the results of prior studies in this area. Management expected to save between \$2 million and \$14 million annually by consolidating operations. We did not make any recommendations.
<i>Fiscal Year 2007 Financial Installation Audit – Kansas City Stamp Service Center – Kansas City, Missouri</i>	FF-AR-08-020	11/2/07	None	The internal controls we examined were in place and effective. However, there was an internal control and compliance issue related to the timely destruction of \$1.7 billion worth of obsolete (non-salable) stock. Management agreed with the finding and recommendation and took responsive action.

Appendix B: Monetary and Other Impacts

Monetary Impacts

Finding	Impact Category	Amount
Consolidate Stamp Distribution Network	Funds Put to Better Use ¹³	\$4,376,918
Consolidate Stamp Destruction Network	Funds Put to Better Use	1,530,233
Total		\$5,907,151

Other Impacts

Finding	Impact Category	Amount
Mitigating Increased Risks of Stamp Stock Losses	Accountable Items at Risk ¹⁴	\$437,271

¹³ Funds that could be used more efficiently by implementing recommended actions.

¹⁴ Assets or accountable items (for example, cash, stamps, and money orders) that are at risk of loss because of inadequate internal controls.

Appendix C: Statistical Sampling Methodology

Purpose of the Sampling

The objective is to estimate the actual dollar amount of lost or stolen stamp stock shipments over a 2-year period ending November 2, 2010.

Definition of the Audit Universe

The total audit universe (population) consisted of 534 claims for loss pertaining to lost or stolen stamp stock shipments filed by Postal Service employees over the 2-year period ending November 2, 2010. We identified the universe from information in the EDW and extracted from it.

Sample Design

The objective required a variable analysis. We used a simple random sample methodology and estimated the required sample size for a two-sided confidence interval, at the 95 percent confidence level, and a +/- 20 percent precision. We estimated the required sample size to be 80. We excluded 13 claims for loss totaling \$83,000 from the audit universe because we obtained these prior to sample design.

Statistical Projections of the Sample Data

The precision achieved did not fall within our internal reporting standards; therefore, we are reporting the lower bound of a one-sided confidence level. We are 95 percent confident the actual losses due to lost or stolen stamp stock shipments of the target population over the 2-year period are at least \$354,000. We added the 13 claims for loss, totaling \$83,000, excluded from the audit universe to the projected \$354,000, for a total of at least \$437,000 in claims for losses related to lost or stolen stamp stock shipments.

Appendix D: Management's Comments

SUSAN M. BROWNELL
VICE PRESIDENT, SUPPLY MANAGEMENT



July 20, 2011

LUCINE M. WILLIS

SUBJECT: Draft Audit Report – Stamp Distribution Procedures
(Report Number FF-AR-11-DRAFT)

Thank you for the opportunity to review and comment on the subject draft audit report. While we believe this audit project was performed relatively soon after the transition and consolidation efforts, we appreciate the review by the Office of Inspector General (OIG) in the subject area and will use the results as a baseline for our continuous improvement efforts. As the report finds, we have implemented effective procedures and generally have proper accountability over stamp stock shipments within the stamp distribution network. However, we agree there are areas for improvement with stamp distribution and lost shipment claims processes; and further costs savings are potentially achievable through additional consolidations. We also agree with the monetary impact as stated and extrapolated over the 10-year period.

AUDIT RECOMMENDATIONS

Recommendation 1. Develop a comprehensive and consistent nationwide strategy to manage lost shipments, identify trends and problem areas, and perform risk assessments.

Management Response/Action Plan: Although claims for lost shipments represent a fraction (0.13%) of the overall dollar value being shipped, we recognize that they have increased since the consolidation of the Stamp Distribution Offices (SDOs) network. Part of this increase can be attributed to the consolidation of SDO stock into the new Stamp Distribution Centers (SDCs) where there were inconsistencies in the preparation and accounting of stock from each facility. There were also many instances where a claim for loss was not attributable to a lost shipment, but rather a discrepancy in the labeling of the amount shipped from the amount packaged and received, which was often corrected by a subsequent inventory adjustment. However, because there has been higher claim activity during the consolidation, we agree that more can be done to monitor these problem areas. We will work with the SDCs, Finance, and Operations to develop a strategy that can identify locations that have reported multiple occurrences of claims for loss within a defined timeframe, and follow up with performing a risk assessment in those problem areas to look for corrective actions. Work on the strategy development will begin in early FY2012 with implementation early 3rd Quarter FY2012.

Target Implementation Date: July 2012.

Responsible Official: Manager, Asset Management.

Recommendation 2. Limit access to the Stamp Services System to employees responsible for postal retail unit stamp stock.

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Management Response/Action Plan: As discussed and agreed to during the exit conference, we plan to retire the Stamp Services System in FY2012. This issue will be resolved with the planned migration from the Stamp Services System to the Solution for Enterprise Asset Management system. However, we would like to point out that there are safeguards within the Stamp Services System that prevent abuse, such as the inability to change certain data like the "ship to" address and we have not seen any reported abuses. The OIG conducted a test that also did not detect any such instances.

Target Implementation Date: September 2012.

Responsible Official: Manager, Asset Management.

Recommendation 3. Instruct postal retail unit personnel to notify the OIG when stamp stock shipments are lost or missing.

Management Response/Action Plan: We agree in part and will coordinate with Finance on communicating the current policy in Handbook F-101 *Field Accounting Procedures*, Section 11-5.5 that already instructs the Postal Retail Units to contact the Inspection Service and OIG regarding lost Registered Mail™ stamp shipments and the Inspection Service regarding non-Registered Mail™ stamp shipments. However, if the OIG's intention was for the Postal Service to change our policy regarding loss of any stamp shipments, regardless of shipment method, we would prefer not to change this current policy and suggest that further internal discussions occur between OIG and Inspection Service.

Target Implementation Date: February 2012

Responsible Official: Manager, Asset Management.

Recommendation 4. Consolidate the three remaining SDO's into the existing stamp distribution network.

Management Response/Action Plan: The Postal Service agrees that there could be additional savings by closing the remaining three SDO sites located outside the continental United States. As discussed, there have been some concerns raised about the increase in transit time and the responsiveness to inquiries that may make the transition difficult. However, we will work with Organizational Effectiveness to discuss potential options in future organizational changes where this can be addressed effectively. We are in the latter phases of the 2011 Organizational Redesign and will approach Organizational Effectiveness after its conclusion (in FY2012).

Target Implementation Date: We will submit our request for restructure to Organizational Effectiveness by December 2012.

Responsible Official: Manager, Asset Management.

Recommendation 5. Perform an analysis on stamp destruction workload and capacity and, based on the analysis, discontinue contractor operations and either purchase shredders for two SDCs or purchase one shredder and consolidate stamp destruction into two Postal Service operated destruction facilities.

Management Response/Action Plan: Asset Management is in the process of installing a new shredder at the Atlanta SDC and an operational used shredder at the Phoenix SDC. We will continue to manage our workload and make adjustments as necessary once this equipment is installed and operational. Building modifications are necessary to upgrade power capabilities and

budget constraints are limiting our ability to spend money for this purpose. If we are able to get approval for the expenditure this will be implemented by the end of FY2011, otherwise we will be required to continue our current operations until the building modifications are authorized and completed.

Target Implementation Date: October 2011.

Responsible Official: Manager, Asset Management.

We do believe that this report contains proprietary or business information that would not be disclosed pursuant to the Freedom of Information Act and will provide additional information in separate correspondence. If you have any questions about this response, please contact Susan Witt at 202 268-4833.



cc: Joseph Corbett
Myrna Murphy
Corporate Audit and Response Management