



# OFFICE OF **INSPECTOR GENERAL**

UNITED STATES POSTAL SERVICE

## Rural Delivery Operations — Indian Trail Post Office Consolidation to the Monroe, NC Carrier Annex

### Audit Report

Report Number  
DR-AR-15-003

March 31, 2015







# OFFICE OF INSPECTOR GENERAL

## UNITED STATES POSTAL SERVICE

### Highlights

***A business case existed to consolidate Indian Trail PO rural delivery operations into the Monroe Carrier Annex. No employees lost their jobs because of the consolidation and it had minimal community impact.***

### Background

In July 2012, the U.S. Postal Service consolidated rural delivery carrier operations at the Indian Trail, NC Post Office (PO) with carrier operations at the Monroe, NC Carrier Annex. These offices are 8 miles apart in the Mid-Carolinas District. The consolidation increased rural carrier operations at the Monroe Carrier Annex from 37 routes and 34 carriers to 56 and 51, respectively. The carriers deliver mail to more than 69,000 people and service over 34,000 delivery points. This audit responds to a request from Congressman Robert Pittenger of North Carolina to review the consolidation.

Our objective was to determine whether a business case existed for the consolidation.

### What The OIG Found

A business case existed to consolidate Indian Trail PO rural delivery operations into the Monroe Carrier Annex. No employees lost their jobs because of the consolidation and it had minimal community impact.

We estimated cost savings of \$27,554, which is \$28,790 less than management’s estimate of \$56,344.

Our analysis showed management overstated savings for clerk workhours and mail transportation and did not include one-time moving costs in their analysis. We could not validate management’s estimate because they did not maintain cost-savings analysis supporting documentation.

We also found Indian Trail rural carriers had 17 percent less workroom floor space than Monroe rural carriers at the Monroe Carrier Annex because the workroom floor was not configured to accommodate increased staff and equipment.

In addition, we found that management has no plans to close the Indian Trail PO and that customer service performance results improved after the consolidation and management resolved PO box mail delays at the Indian Trail PO.

### What The OIG Recommended

We recommended the district manager, Mid-Carolinas District, require district officials to maintain Delivery Unit Optimization cost-savings analysis supporting documentation and re-configure workspace at the Monroe Carrier Annex to accommodate all carriers and equipment.

# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

March 31, 2015

**MEMORANDUM FOR:** KEVIN L. MCADAMS  
DISTRICT MANAGER, MID-CAROLINAS DISTRICT

E-Signed by Robert Batta  
VERIFY authenticity with e-Sign  
*Robert J. Batta*

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

**SUBJECT:** Audit Report – Rural Delivery Operations – Indian Trail Post  
Office Consolidation to the Monroe, NC, Carrier Annex  
(Report Number DR-AR-15-003)

This report presents the results of our audit of Rural Delivery Operations – Indian Trail Post Office Consolidation to the Monroe, NC, Carrier Annex (Project Number 14XG037DR000).

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

Attachment

cc: Corporate Audit and Response Management

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# Findings

***We estimated cost savings of \$27,554, which is \$28,790 less than management's estimate of \$56,344. Our analysis showed that management overstated savings for clerk workhours and mail transportation and did not include one-time moving costs in their analysis. We could not validate management's estimate because they did not maintain cost-savings analysis supporting documentation.***

## Introduction

This report presents the results of our audit of Rural Delivery Operations – Indian Trail Post Office Consolidation to the Monroe Carrier Annex (Project Number 14XG037DR000). This report responds to a request<sup>1</sup> from Congressman Robert Pittenger of North Carolina<sup>2</sup> to review the consolidation. Our objective was to determine whether a business case existed for consolidating rural delivery operations from the Indian Trail, NC, Post Office (PO) to the Monroe, NC, Carrier Annex. See [Appendix A](#) for additional information about this audit.

In July 2012, the U.S. Postal Service consolidated rural delivery operations at the Indian Trail PO with carrier operations at the Monroe Carrier Annex. The Indian Trail PO and the Monroe Carrier Annex are 8 miles apart in the Mid-Carolinas District. The consolidation increased rural delivery operations at the Monroe Carrier Annex from 37 routes and 34 carriers to 56 and 51, respectively. These carriers deliver mail to more than 69,000 people and service over 34,000 delivery points.

## Conclusion

A business case existed to consolidate Indian Trail PO rural delivery operations into the Monroe Carrier Annex. No employees lost their jobs because of the consolidation and it had minimal community impact. We estimated cost savings of \$27,554, which is \$28,790 less than management's estimate of \$56,344. Our analysis showed that management overstated savings for clerk workhours and mail transportation and did not include one-time moving costs in their analysis. We could not validate management's estimate because they did not maintain cost-savings analysis supporting documentation.

We also found that Indian Trail PO rural carriers had 17 percent less workroom floor space than Monroe rural carriers at the Monroe Carrier Annex because the workroom floor was not configured to accommodate the increased staff and equipment. In addition, we found that management has no plans to close the Indian Trail PO and that customer service performance results improved after the consolidation and management resolved PO box mail delays at the Indian Trail PO.

## Consolidation to Monroe Carrier Annex

Consolidating Indian Trail PO rural delivery operations into the Monroe Carrier Annex benefitted the district. District officials projected the consolidation would save \$208,107, based on reducing the Indian Trail PO postmaster's salary, decreasing clerks' workhours, transporting mail from the Charlotte Processing and Distribution Center (P&DC), and eliminating a supervisor position. District officials' estimates of rural delivery costs associated with the consolidation totaled \$151,763. These costs included an increase in Indian Trail PO rural carrier salaries and costs for carriers to transport PO box mail from the Monroe Carrier Annex to the Indian Trail PO during their routes. District officials estimated a net savings of \$56,344 for the consolidation (see [Table 1](#)).

<sup>1</sup> We received the congressional request on July 30, 2014, and met with the congressional staff on August 8, 2014, to discuss the request.

<sup>2</sup> Represents the 9th Congressional District of North Carolina.

**Table 1. U.S. Postal Service Office of Inspector General (OIG) Analysis of District Consolidation Savings**

Category	Postal Service-Projected Savings/(Costs)	OIG-Calculated Savings/ (Cost)	Difference
<b>Savings</b>			
Postmaster	\$8,012	\$8,092	\$80
Supervisor	73,000	74,375	1,375
Clerks	124,395	46,323	(78,072)
Mail Transportation from Plant	2,700 <sup>3</sup>	0	(2,700)
<b>Total Savings</b>	<b>\$208,107</b>	<b>\$128,790</b>	<b>\$(79,317)</b>
<b>Costs</b>			
Rural Carrier Salaries	\$(141,418)	\$(100,506)	\$40,912
Carrier Cost to Transport Indian Trail PO Box Mail	(10,345)	0	10,345
One-Time Moving Cost	0	(730) <sup>4</sup>	(730)
<b>Total Costs</b>	<b>\$(151,763)</b>	<b>\$(101,236)</b>	<b>\$50,527</b>
<b>Net Savings</b>	<b>\$56,344</b>	<b>\$27,554</b>	<b>\$(28,790)</b>

Source: Postal Service Data and OIG analysis.

The OIG analyzed the following cost data to determine whether the savings were valid:

- **Staff Savings.** Estimated savings for postmaster and supervisor salaries were reasonable; however, management overstated the estimated savings of \$124,395 resulting from reducing 2,962 clerk workhours. District officials stated that the savings included clerk workhour reductions resulting from the consolidation and workhour reductions associated with the removal of the Carrier Sequence Barcode Sorter (CSBCS)<sup>5</sup> machines from the Monroe Carrier Annex. Our analysis of fiscal year (FY) 2011 and FY 2012 clerk workhours for manual mail distribution and support of delivery services, showed a reduction of 940 clerk workhours resulting in a savings of \$46,323.
- **Mail Transportation from the Charlotte P&DC.** Management estimated saving \$2,700 by eliminating mail transportation from the Charlotte P&DC to the Indian Trail PO. Our review of the transportation contract showed the contract amount decreased by about \$2,800 in July 2012; however, the decrease was not associated with eliminating transportation from the P&DC to the Indian Trail PO.<sup>6</sup> Additionally, our observations confirmed an afternoon collection for outgoing mail via truck from the Indian Trail PO to the Charlotte P&DC. Indian Trail PO officials also stated the truck continues to stop during morning operations to deliver mail equipment. Since transportation costs are still incurred, the \$2,700 should not be included in this savings calculation.

<sup>3</sup> This includes mail transportation from the Charlotte P&DC to the Indian Trail PO.

<sup>4</sup> We were unable to obtain cost data from Mid-Carolinas District officials regarding the exact number of maintenance personnel used to move equipment from the Indian Trail PO to the Monroe Carrier Annex. According to Handbook EL-304, Maintenance Selection System, a laborer custodial is classified as a PS 04. We used a conservative estimate of two local maintenance staffers working 8 hours each at a fully loaded hourly rate of \$45.63.

<sup>5</sup> A small high-speed barcode sorter designed specifically for processing in associate offices.

<sup>6</sup> The contract states that changes were made in the frequency of trips from the Charlotte P&DC to delivery units. Our review of the contract changes showed there were no changes in the number of trips from the P&DC to the Indian Trail PO.



**The Indian Trail rural carriers had 69 square feet of workroom space per route whereas the Monroe rural carriers had 83 square feet of workroom space per route. Indian Trail rural carriers also shared about 8 feet of aisle space at the Monroe Carrier Annex, while Monroe rural carriers shared about 12 feet. We also observed crowding in the aisles where the Indian Trail PO carriers were working.**

■ **Rural Carrier Salaries.** Our analysis showed that rural route mileage, evaluated hours, and Equipment Maintenance Allowance (EMA)<sup>7</sup> costs increased following the consolidation. Management estimated these costs would increase by \$141,418 (see [Table 1](#)); however, we calculated that rural delivery costs increased by \$100,506 following the consolidation (see [Table 2](#))

**Table 2. Analysis of Rural Route Data**

Rural Routes	Before Consolidation (Calendar Year 2012, Pay Period 15)	After Consolidation (Calendar Year 2012, Pay Period 17)	Difference
Mileage	568	819	251
Evaluated Hours	794	826	32
Annual Evaluated Hours Cost <sup>8</sup>	\$1,943,426	\$2,021,750	\$78,324
Daily EMA	\$612	\$685	\$73
Annual EMA Costs <sup>9</sup>	\$184,673	\$206,855	\$22,182
<b>Total Route Costs<sup>10</sup></b>	<b>\$2,128,099</b>	<b>\$2,228,605</b>	<b>\$100,506</b>

Source: Postal Service Rural Route Master List and OIG analysis.

■ **One-Time Moving Costs.** Management’s consolidation cost analysis did not include any one-time costs to move rural carriers from the Indian Trail PO to the Monroe Carrier Annex. District officials stated that local maintenance moved the mail equipment and other required items from the Indian Trail PO to the Monroe Carrier Annex. We estimated the district incurred a cost of \$730 to move mail equipment and other items.

Management did not maintain supporting documentation<sup>11</sup> for their estimated savings. District officials stated they consolidated Indian Trail PO rural carriers into the Monroe Carrier Annex in July 2012, about 2 years ago, and they did not maintain documentation for that length of time. District officials attempted to recreate some of the documentation used for the savings analysis; however, the recreated data did not match their projected estimates for the consolidation. As a result, we could not validate management’s estimate. Our analysis of the cost data showed the consolidation had a savings shortfall of \$28,790.

**Delivery Unit Workroom Floor**

After the consolidation, Indian Trail rural carriers had 17 percent less workroom floor space than Monroe rural carriers at the Monroe Carrier Annex. The Indian Trail rural carriers had 69 square feet of workroom space per route whereas the Monroe rural carriers had 83 square feet of workroom space per route. Indian Trail rural carriers also shared about 8 feet of aisle space at the Monroe Carrier Annex, while Monroe rural carriers shared about 12 feet.

7 EMA costs are compensation that a rural carrier receives for using their personal vehicle to transport and deliver mail along a rural route.  
 8 We determined annual evaluated hour costs by multiplying evaluated hours by the hourly labor rate for rural carriers provided in the National Labor Rate for FYs 2012–2014.  
 9 We determined annual EMA costs by multiplying the daily EMA rate by 302 delivery days.  
 10 We determined total route costs by adding the annual evaluated route hour costs and annual EMA costs.  
 11 *Delivery Unit Optimization (DUO) Guidelines*, December 2010, did not contain guidance on document retention. We plan to conduct a future review on *DUO Guidelines* and practices.

We also observed crowding in the aisles where the Indian Trail PO carriers were working. Typically, some of the carriers were blocked in by hampers and parcels and we observed that carriers at the end of the aisles were blocked in and could not leave until other carriers departed (see Figure 1).

**Figure 1. Workroom Floor in Annex<sup>12</sup>**

**Indian Trail PO  
Rural Routes**



Source: OIG photograph taken October 2014.

**Monroe Carrier Annex  
Rural Routes**



Source: OIG photograph taken October 2014.

Indian Trail PO carriers had less workroom floor space because the Monroe Carrier Annex was not configured to accommodate them. According to district officials, Indian Trail PO rural carriers were moved into the space previously occupied by CSBCS machines. There are no specific requirements for aisle spacing, but Postal Service regulations<sup>13</sup> state that the workroom floor must be arranged to minimize walking and facilitate an orderly flow of mail and equipment. Additionally, officials should assure empty sacks and other equipment are in designated locations where they will not interfere with work activities or create safety hazards.

#### Employee Impact

Consolidating Indian Trail PO rural routes into the Monroe Carrier Annex has not resulted in career employee job losses. The consolidation reduced the executive and administration<sup>14</sup> (EAS) schedule for the Indian Trail PO postmaster from a Level 20 to a Level 18.<sup>15</sup> As a result, the postmaster at the time of the consolidation was reassigned to another Level 20 postmaster position elsewhere. Management moved an Indian Trail PO detailee, rural carriers, and rural carrier assistants to the Monroe Carrier Annex. Lastly, one Indian Trail PO clerk retired and the two were reassigned – one to the Monroe Carrier Annex.

#### Community Impact

The consolidation had minimal impact on the surrounding communities serviced by the Indian Trail PO and the Monroe Carrier Annex. The congressman's request included concerns regarding possible closing of the Indian Trail PO. DUO Guidelines state that a consolidation is successful if offices retain their original identity and retail presence remains essentially unchanged. Through discussions with management and a review of documentation, we did not identify a plan to close the Indian Trail PO.<sup>16</sup> Our analysis found that:

<sup>12</sup> The Monroe Carrier Annex is one building. The workroom floor is divided, with Indian Trail PO rural carriers on one side and Monroe Annex rural carriers on the other side.

<sup>13</sup> Handbook M-38, *Management of Rural Delivery Services*.

<sup>14</sup> A salary structure that applies to most managerial and administrative employees.

<sup>15</sup> The level of pay based on Post Office deliveries and revenue. EAS levels can range from Level 11 to Level 26.

<sup>16</sup> DUO is not a substitute for, or tantamount to, the Post Office, station, or branch discontinuance processes described in Handbook PO-101, *Post Office Discontinuance Guide*.



- When the consolidation was conducted during July 2012, no node study was done to consider closure or relocation of the Indian Trail PO.
- The Indian Trail PO is in a building with a lease that expires in July 2019. According to district officials, the Facilities Service Office will re-evaluate the lease and determine whether to renew it 1 year before it expires.
- The Indian Trail PO did not appear on the list of candidate offices for the Post Plan.<sup>17</sup>

The congressional request also stated the consolidation did not meet the goals to save time and mileage and provide more efficient service. We reviewed the evaluated rural route hours for the Indian Trail PO carriers. The evaluated route hours did increase after the consolidation, but this did not delay mail delivery. With regard to mileage impact, we note the distance between the Indian Trail PO and Monroe Carrier Annex is only 8 miles. Our analysis of rural route data showed that mileage on some routes increased, whereas mileage on other routes decreased. Although some of the Indian Trail PO rural carriers traveled further, our observations and cost analysis confirmed only a minimal impact.

*DUO Guidelines* state that relocating letter carriers to a hub increases operational efficiencies across the board and achieves considerable savings from economies of scale with regard to transportation, custodial, maintenance, leasing, and complement. By consolidating Indian Trail PO rural carriers to the Monroe Carrier Annex, district officials were able to combine the mail transportation schedules, reduce the Indian Trail PO complement, and use excess space at the Monroe Carrier Annex.

**Customer Service**

Customer service performance as measured by the External First-Class (EXFC) Measurement System<sup>18</sup> showed a small improvement after the consolidation. The Indian Trail PO is part of the 280 3-digit ZIP Code and the Monroe Carrier Annex is part of the 281 3-digit ZIP Code. Table 3 shows the EXFC scores for both ZIP codes remained above 97 percent.

**Table 3. EXFC Scores**

3-Digit ZIP Code	FY 2012	FY 2013	FY 2014
280	97.14	98.00	97.28
281	97.30	97.68	97.68

Source: Enterprise Data Warehouse (EDW).

Although the congressional request cited complaints of service delays, we found no documented evidence of delivery service issues or customer complaints.

**Delayed Mail**

Indian Trail PO box mail was delayed because of the revised transportation schedule; however, management resolved this issue. We reviewed delayed/late mail arrival data reported in the Customer Services Daily Reporting System (CSDRS) for FYs 2013

<sup>17</sup> Post Plan is a strategy designed to preserve rural post offices by offering an option that could keep most existing post offices in place, but with modified retail hours that match customer use.

<sup>18</sup> Test an independent contractor performs to measure service performance for letters, flats, and postcards from mail collection to final delivery. EXFC data is not available beyond the 3-digit ZIP Code level; therefore, our figures reflect results for all units within the 3-digit ZIP Code.

and 2014.<sup>19</sup> CSDRS only reflected comments from unit officials about delayed mail or issues with the mail received, but it did not quantify delayed mail volume. It showed almost daily reporting by unit officials of late mail arrivals to the Monroe Carrier Annex; however, unit officials stated they could not attribute late arrivals to the consolidation.

As part of the consolidation, two rural carriers transported mail daily during their routes to the Indian Trail PO instead of the normal mail distribution from the Charlotte P&DC. As a result of the change in the mail arrival times,<sup>20</sup> the Indian Trail PO box up-time<sup>21</sup> was changed from 10 a.m. to 12 p.m. Postal Service regulations<sup>22</sup> state that PO box up-times vary and are established based on mail arrival time, mail volume, and staffing availability. Additionally, PO box up-times should match carrier leave times, because this is the time of day when all mail is available for distribution to PO boxes.

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<sup>19</sup> CSDRS only maintains 2 years of historical data for rural routes.

<sup>20</sup> Rural carriers take PO box mail to this location daily between 8:00 a.m.–8:30 a.m. and 11:00 a.m.–11:30 a.m.

<sup>21</sup> The time PO box mail is finalized and available to customers.

<sup>22</sup> *Postal Operations Manual Issue 9*.

# Recommendations

***We recommend management require district officials to maintain Delivery Unit Optimization cost-savings analysis supporting documentation and re-configure workspace at the Monroe Carrier Annex to accommodate all carriers and equipment.***

We recommend the district manager, Mid-Carolinas District:

1. Require district officials to maintain Delivery Unit Optimization cost-savings analysis supporting documentation.
2. Re-configure workspace at the Monroe Carrier Annex to accommodate all carriers and equipment.

## Management's Comments

Management agreed with the findings, recommendations, and the OIG savings calculation.

In response to recommendation 1, management agreed to put in place a district process to require retention of future DUO records. District officials stated that records will be retained in hard and soft copy by the Operations Programs Support department. The target implementation date is April 15, 2015.

Management also agreed with recommendation 2, stating they are asking an Operations Industrial Engineer to lay out proposed floor configurations for review of benefits and ramifications. Management has a target implementation date of May 15, 2015.

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

## Evaluation of Management's Comments

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



# Appendices

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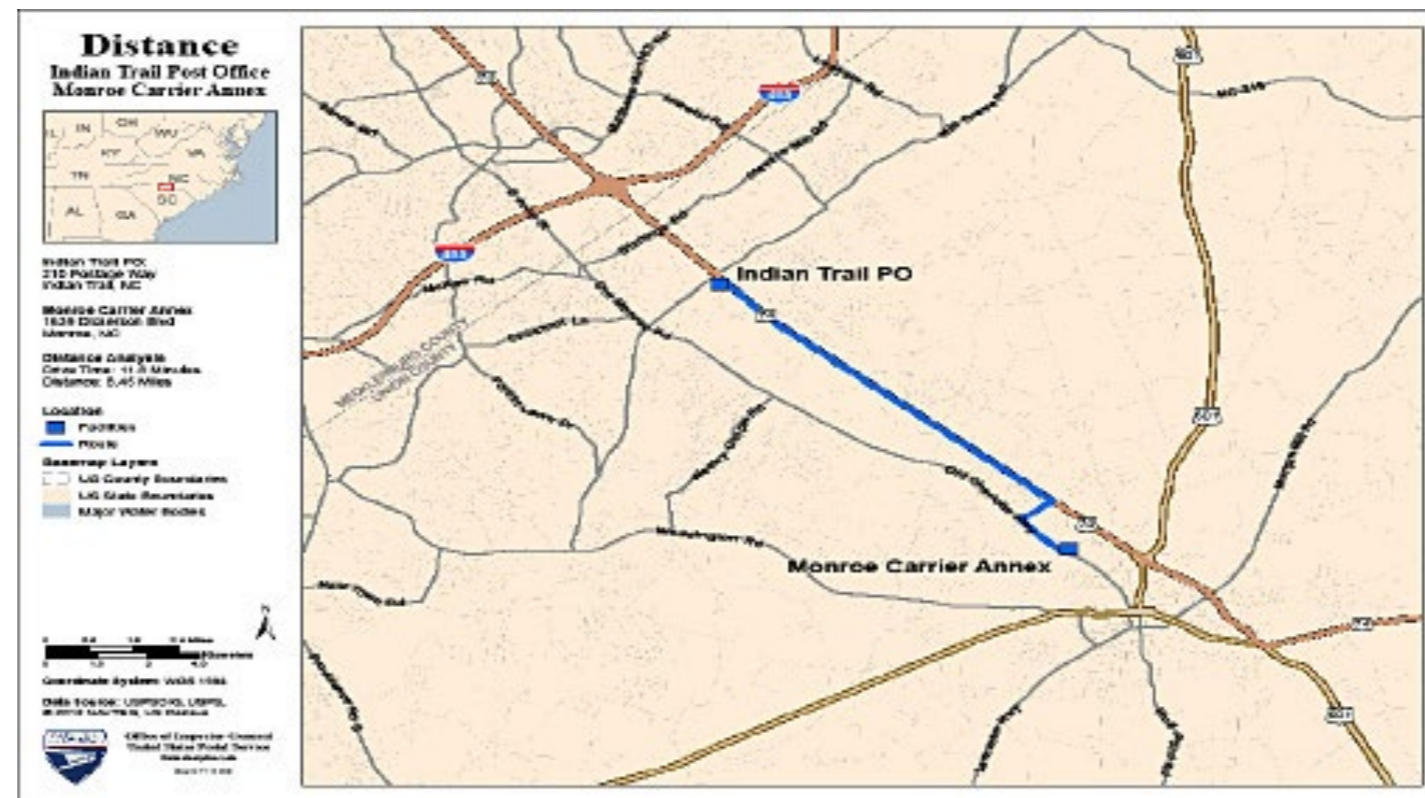
## Background

This report responds to a request from Congressman Robert Pittenger of North Carolina to review the consolidation of rural carrier operations from the Indian Trail PO to the Monroe Carrier Annex. The congressman was concerned that moving carriers to the Monroe Carrier Annex was part of a larger plan to close the Indian Trail PO. Before the move, district personnel informed elected officials in Indian Trail that they moved carriers to save time and mileage and to provide more efficient service. However, elected officials received complaints that additional mileage was incurred to deliver the mail and that mail for the Indian Trail PO was sometimes delayed because of the move.

The Postal Service developed the DUO initiative in December 2010 to increase operational efficiencies by relocating letter carriers from local post offices, stations, and branches and consolidating them into larger, centralized delivery offices. The DUO process increases operational efficiency across the board and considerable savings are realized in the transportation, maintenance, custodial, leasing, and employee complements.

In July 2012, management consolidated rural carrier operations at the Indian Trail PO under DUO with carrier operations at the Monroe Carrier Annex. The Indian Trail PO and the Monroe Carrier Annex are 8 miles apart in the Mid-Carolinas District (see Figure 2).

**Figure 2. Map of Indian Trail PO and Monroe Carrier Annex**



Source: OIG Data Analytics team.

The consolidation moved 19 rural routes, 17 regular rural carriers, and nine rural carrier assistants from the Indian Trail PO to the Monroe Carrier Annex. This consolidation increased rural carrier operations at the Monroe Carrier Annex from 37 rural routes to 56 rural routes (see Table 4).

**Table 4. Rural Routes and Carriers Before and After Consolidation**

	Indian Trail PO Before Consolidation	Monroe Carrier Annex Before Consolidation	Indian Trail PO After Consolidation	Monroe Carrier Annex After Consolidation
Rural Routes*	19	37	0	56
Regular Rural** Carriers	17	34	0	51
Rural Carrier Assistants**	9	17	0	26

Source: Postal Service Rural Route Master List and EDW.

\*Calendar Year 2012, Pay Period 15 and Pay Period 17

\*\*June through July 2012..

Since the consolidation, the total number of rural delivery points increased from 33,775 to 34,632 (see Table 5).

**Table 5. Total Delivery Points**

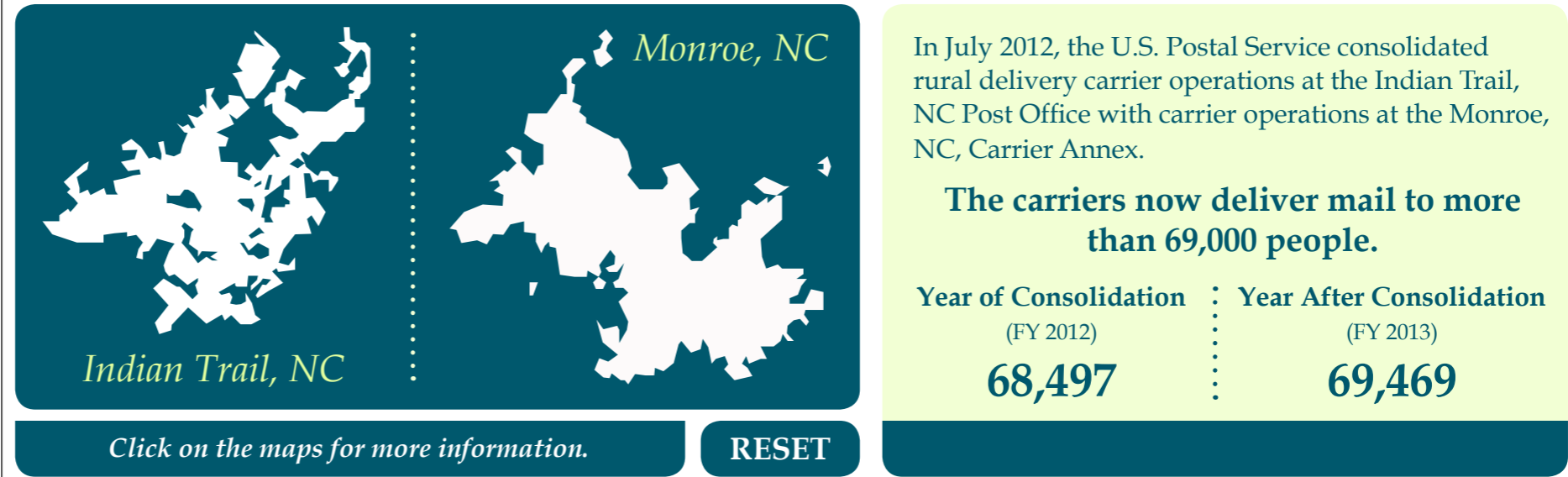
Office	Year Before Consolidation (FY 2011)	Year of Consolidation (FY 2012)	Year After Consolidation (FY 2013)
Indian Trail PO	11,888	0	128
Monroe Annex	21,887	34,061	34,504
<b>Total</b>	<b>33,775</b>	<b>34,061</b>	<b>34,632</b>

Source: eFlash.

Also, our observations and reviews of population data confirmed continued growth at these locations (see [Figure 3](#)).



**Figure 3. Population**



Source: U.S. Census Bureau.

**Objective, Scope, and Methodology**

Our objective was to determine whether a business case existed for consolidating rural carrier operations from the Indian Trail PO to the Monroe Carrier Annex. To accomplish our objective we:

- Obtained and reviewed documentation and applicable policies and procedures related to consolidating rural carrier operations.<sup>23</sup>
- Conducted site visits to the Indian Trail PO and Monroe Carrier Annex and reviewed data related to the consolidation.
- Obtained, analyzed, and reviewed cost and savings data.
- Obtained, reviewed, and analyzed operational data, such as rural routes, overtime, percent to standard, customer service scores, delayed mail, and mail volume.
- Interviewed Mid-Carolinas District personnel to understand the management decisions behind the consolidation of rural carrier operations from the Indian Trail PO to the Monroe Carrier Annex.

We conducted this performance audit from August 2014 through March 2015, 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 February 3, 2015.

We assessed the reliability of computer-generated data by interviewing agency officials knowledgeable about the data. We determined that the data were sufficiently reliable for the purposes of this report.

<sup>23</sup> DUO Guidelines, December 2010.

## Prior Audit Coverage

Report Title	Report Number	Final Report /Date	Monetary Impact (in millions)
<i>Delivery Unit Optimization Process</i>	<a href="#">DR-AR-14-007</a>	08/25/2014	\$906,347

**Report Results:** Our report determined that revised DUO guidelines were not adequate for processing DUO proposals with projected financial losses. Also, management did not always comply with the guidelines. Specifically, in FY 2013 management approved 41 consolidations with a projected financial loss of \$321,550. Further, eight DUO proposals lacked sufficient support for saving \$584,797, and some DUO before and after cost studies were not performed as required. Management disagreed with our recommendations to update DUO guidance to include a savings threshold amount, require justification for DUO proposals with projected losses, and reinforce the requirement that DUO coordinators justify and support information in the comments section of the DUO worksheet. They also disagreed with requiring DUO approving authorities to validate cost savings calculations, DUO coordinators to prepare before and after cost study analyses, and revising the post-implementation cost study analysis requirement to a single study conducted 1 year after the DUO consolidation.

<i>Delivery Unit Optimization Initiative</i>	<a href="#">MS-AR-13-001</a>	12/6/2012	None
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**Report Results:** Our report determined that district management generally complied with DUO guidelines when implementing consolidations but we could not determine whether, overall, the initiative reduced costs and improved operational efficiencies at delivery units. DUO guidelines were limited and did not provide district management with a well-defined method for projecting and validating savings and efficiencies. Consequently, district management developed various methods to make these calculations, which led to inconsistent consolidation determinations. In addition, district management did not always perform and document post-consolidation reviews to assess savings and efficiencies. As a result, management had not effectively tracked the results of the DUO initiative and we could not determine whether the 1,500 consolidations have reduced costs or improved operational efficiencies in delivery units. Management agreed with our recommendations.

## Appendix B: Management's Comments

DISTRICT MANAGER  
MID-CAROLINAS DISTRICT



March 17, 2015

Lori Lau Dillard  
Director Audit Operations  
Office of Inspector General  
United States Postal Service

**Subject:** Response to OIG Audit Report – Rural Delivery Operations – Indian Trail Post Office Consolidation to the Monroe, NC, Carrier Annex (Report Number DR-AR-15-DRAFT)

Thank you for the opportunity to respond to the OIG Audit of Rural Delivery Operations – Indian Trail Post Office Consolidation to the Monroe, NC Carrier Annex. We agree with all findings and recommendations in the subject audit performed in our area. We also agree with the documentation provided by the OIG regarding the calculation of the actual savings from moving this operation from Indian Trail to the Monroe Carrier Annex.

**Recommendation #1**

Require district officials to maintain delivery unit optimization cost-savings analysis supporting documentation.

**Management Response/Action Plan**

District Management agrees with this recommendation and will put in place a district process to require retention of future Delivery Unit Optimization records. All cost-benefit and supporting DAR information will be retained both in hard and soft copy by the Operations Programs Support department.

**Target Implementation Date**

04/15/15

**Responsible Official**

Margaret Fox, A/MOPS

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CHARLOTTE NC 28228-9980  
704-393-4415  
FAX: 704-393-4420



**Recommendation #2**

Re-configure workspace at the Monroe Carrier Annex to accommodate all carriers and equipment.

**Management Response/Action Plan**

District Management agrees with this recommendation in principle; however, we are currently asking an Operations Industrial Engineer to lay out proposed floor configurations for review of benefit and ramifications.

**Target Implementation Date**

05/15/2015

**Responsible Official**

Wes Wiles, Senior Manager, Post Office Operations

Thank you for the opportunity to respond to this Draft Audit Report. Please feel free to contact me should you have any further questions.



Kevin L. McAdams



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**INSPECTOR  
GENERAL**  
UNITED STATES POSTAL SERVICE

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