

# GAO Highlights

Highlights of [GAO-16-385](#), a report to congressional requesters

## Why GAO Did This Study

USPS continues to experience a financial crisis and has undertaken many initiatives to reduce costs. In May 2012, USPS announced POSTPlan, which aimed to reduce retail hours at post offices and use less costly labor. However, an arbitrator ruled in September 2014 that USPS must reverse several of these staffing changes. GAO was asked to review the arbitration decision's effects on POSTPlan staffing and cost savings.

GAO examined: (1) USPS's actions to implement POSTPlan before the decision and expected savings, (2) the decision's effects on POSTPlan's staffing and savings, and (3) whether USPS's POSTPlan cost-savings estimates are reliable. GAO reviewed relevant POSTPlan documentation and data; compared USPS's POSTPlan cost-savings estimating process to GAO's data reliability and cost-estimating guidance and internal control standards adopted by USPS; and interviewed officials from USPS, its regulatory body, and postmaster associations.

## What GAO Recommends

To ensure that USPS has quality information regarding POSTPlan, GAO recommends that USPS establish guidance that clarifies when to develop savings estimates using a rigorous approach; resolve errors in labor data and, as appropriate, recalculate actual savings achieved; and take steps to improve revenue analyses. USPS disagreed with some of GAO's findings but neither agreed or disagreed with the recommendations. GAO continues to believe its recommendations are valid as discussed further in this report.

View [GAO-16-385](#). For more information, contact Lori Rectanus at (202) 512-2834 or [rectanusl@gao.gov](mailto:rectanusl@gao.gov).

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## U.S. POSTAL SERVICE

### Post Office Changes Suggest Cost Savings, but Improved Guidance, Data, and Analysis Can Inform Future Savings Efforts

## What GAO Found

The U.S. Postal Service (USPS) had largely completed Post Office Structure Plan's (POSTPlan) implementation prior to a 2014 POSTPlan arbitration decision and expected millions in cost savings. Specifically, under POSTPlan, USPS planned to reduce hours at about 13,000 post offices (from 8- to 2-, 4-, or 6-hours of retail service a day) and to staff them with employees less costly than postmasters. Prior to the arbitration decision, USPS had reduced hours at most of these offices and taken steps to make the staffing changes. For example, it replaced many career postmasters with non-career or part-time employees by offering separation incentives or reassignments. In July 2012, USPS estimated POSTPlan would result in about \$500 million in annual cost savings.

USPS determined that, while the 2014 arbitration decision significantly affected planned staffing at POSTPlan post offices and estimated savings, POSTPlan was the correct operational decision for USPS and its stakeholders. The arbitrator ruled that many offices be staffed by bargaining-unit employees, such as clerks, rather than the generally less costly employees USPS had planned to use. As a result, USPS estimated in June 2015 that POSTPlan would now result in annual savings of about \$337 million or 35 percent less than the about \$500 million it expected.

USPS's original and post-arbitration decision estimates of expected POSTPlan cost savings have limitations that affect their reliability. USPS officials noted that they do not have strict guidance on when a rough savings estimate is adequate versus when a more rigorous analysis is appropriate. Specific limitations include:

- imprecise and incomplete labor costs, including errors in underlying data;
- lack of a sensitivity review; and
- the exclusion of other factors that affect *net* cost savings, particularly the potential impact of reduced retail hours on revenue.

For example, USPS's post-arbitration-decision estimate relies, in part, on its calculations of actual savings achieved due to POSTPlan. While POSTPlan most likely resulted in some savings, GAO found errors in the underlying salaries and benefits data used that may understate or overstate the amount of savings achieved. Additionally, while USPS later (i.e., after it developed its savings estimates) conducted analyses of changes in revenue, GAO found these analyses were limited because USPS's calculations of changes in revenue at POSTPlan and non-POSTPlan post offices were inconsistent with its definition of what constitutes a POSTPlan office. As of March 2016, USPS was taking steps to understand the scope and origin of the errors in its salaries and benefits data, but its time frame for resolving the issue remains unclear, as does whether USPS subsequently intends to update its calculations of actual savings achieved. Internal control standards state that program managers and decision makers need quality data and information to determine whether they are meeting their goals. Without reliable data and quality methods for calculating the potential savings USPS expects to achieve through its initiatives, the actual savings they achieve, and the effects on revenue, USPS officials and oversight bodies may lack accurate and relevant information with which to make informed decisions regarding future cost-saving efforts in a time of constrained resources.