GAO Highlights

Highlights of GAO-14-155, a report to congressional requesters

Why GAO Did This Study

USPS has reached its statutory borrowing limit and has projected unsustainable losses. GAO's prior work has stated USPS's financial challenges hinder its ability to make capital investments. GAO was asked to review USPS's capital investment process.

This report addresses the extent to which USPS follows leading practices for four phases of capital investments: planning, selecting, managing, and evaluating. GAO identified the phases and leading practices primarily by analyzing the Office of Management and Budget's capital investment guide and compared them with USPS's policies and practices. External stakeholders with both public and private-sector experience reviewed the leading practices and found them to be reasonable for USPS. To examine how USPS policies were applied in specific cases, GAO reviewed 5 of 28 capital investments greater than $25 million that were approved for funding since fiscal year 2007.

What GAO Recommends

USPS should, among other recommendations, modify some of its capital investment policies to more closely align with leading practices, particularly for planning, selecting, and evaluating capital investments and regularly examine the extent to which managers reassess projects. USPS partially concurred or concurred with all of GAO's recommendations. GAO continues to believe that all of its recommendations are valid and implementation will help to improve USPS's capital investment process as discussed further in this report.

View GAO-14-155. For more information, contact Lorelei St. James at (202) 512-2834 or stjamesl@gao.gov.

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Actions Needed to Strengthen the Capital Investment Process

What GAO Found

For each of the *four phases* of capital investments, USPS's conformance with leading practices varied. There are several practices within each of the phases. GAO assessed conformance as "substantial" if USPS's policy conformed to all or almost all elements of the practice, and as "partial" if USPS's policy conformed to some elements, or GAO identified cases in the five projects reviewed where the policies were not consistently applied.

For *planning* capital investments, USPS substantially conformed to most of the leading practices, such as identifying mission needs and gaps in services, reviewing and approving a framework for selecting its investments, and developing a long-term capital investment plan. However, USPS did not substantially conform to other practices such as evaluating alternative investments by considering whether an external entity could perform all or part of a function because USPS's investment policies do not require such evaluations. However, USPS is not precluded from conducting such evaluations. Modifying its policies to require such evaluations could place USPS in a better position to ensure the evaluations are completed and to identify the best option for reducing costs and increasing the quality of investments.

For *selecting* capital investments, USPS substantially conformed to most of the leading practices, such as ranking and prioritizing, and linking its investments with budget considerations. However, consistent with its investment policy, USPS developed business cases for approval by project rather than following leading practices that call for using a portfolio approach of allocating resources based on overall organizational goals linked to the agency's mission. Modifying policies to require a comprehensive portfolio approach would better enable USPS to consider projects alongside those that have been funded to select the mix of investments that best meets its mission needs.

For *managing* capital investments, USPS conformance with leading practices was mixed. For example, consistent with leading practices, USPS established oversight for its capital investments and tracks cost, schedule, and performance data for initiatives. USPS policy requires comparing the planned-investment timeline and performance metrics to actual results to reassess and determine whether to continue, amend, or terminate a project, consistent with leading practices. USPS managers, however, could only verify that such a reassessment occurred for one of the five projects GAO reviewed. Examining the extent to which managers regularly reassess projects to continue, amend, or stop a project would help to establish crucial accountability for limited resources.

For *evaluating* capital investments, USPS conformance with leading practices was partial. USPS policy calls for a comparison of actual return-on-investment and performance data for completed projects against expected results, consistent with leading practices. However, four of the five projects GAO reviewed did not have comparable return-on-investment data, thereby limiting the ability of managers to assess the investment's impact, identify modifications to potentially improve performance, and revise the investment process. Finally, USPS policy does not require incorporating best practices or lessons learned after project completion—another leading practice—which limits opportunities for USPS to improve its process in a way that could benefit future investments.