



February 2025

# U.S. POSTAL SERVICE

Reviews of Proposed  
Facility Consolidation  
Costs Met Some Best  
Practices but Could  
More Robustly  
Analyze Risks

# GAO Highlights

Highlights of [GAO-25-107630](#), a report to congressional requesters

## Why GAO Did This Study

USPS plays a critical role in the nation's communications and commerce. In fiscal year 2024, USPS delivered 112 billion pieces of mail and packages. However, for years USPS has struggled financially. As part of its 10-year strategic plan, USPS is redesigning its mail processing and delivery network to improve its service performance and financial viability. MPFRs are a key element of this effort, as they allow USPS to evaluate whether potential consolidations of mail processing facilities will result in cost savings and operational improvements.

GAO was asked to review the MPFR process. This report addresses (1) USPS's process for reviewing proposed consolidations to mail processing facilities, and the number of such reviews that USPS has initiated; and (2) the extent to which the cost and savings analysis that USPS conducts as part of the MPFR process aligns with selected best practices.

GAO reviewed MPFR policies and guidance, as well as other USPS documents; compared USPS's MPFR cost and savings analysis with eight selected GAO best practices for cost estimates; and interviewed USPS officials and relevant employee union leadership about the MPFR process.

## What GAO Recommends

GAO is making four recommendations, including that USPS include all cost-influencing assumptions and estimating methodologies, as well as analyses for sensitivity, risk, and uncertainty, in the MPFR process. USPS disagreed with the four recommendations. GAO maintains that its recommendations are warranted.

For more information, contact David Marroni at (202) 512-2834 or [marronid@gao.gov](mailto:marronid@gao.gov).

February 2025

## U.S. POSTAL SERVICE

# Reviews of Proposed Facility Consolidation Costs Met Some Best Practices but Could More Robustly Analyze Risks

## What GAO Found

The U.S. Postal Service (USPS) uses a multistep process—called Mail Processing Facility Reviews (MPFR)—to review proposed consolidations to mail processing facilities. As part of that process, USPS provides public notice and an opportunity for public input on proposed consolidations. USPS also analyzes the effects that proposed consolidations may have on costs and savings, USPS employees, and mail service performance. Since starting the MPFR process in July 2023, USPS has initiated 59 reviews. In May 2024, USPS announced it was pausing all in-process MPFRs until January 2025. According to USPS's announcement, this decision was in part a response to concerns from the public and Congress about the effects of facility consolidations. During this pause, USPS announced changes in scope for 16 MPFRs.

GAO found that the cost and savings analysis (cost estimate) USPS conducts as part of the MPFR process aligned with (i.e., fully or substantially met) four selected best practices but did not align with (i.e., partially met, minimally met, or did not meet) four others.

### Extent to Which U.S. Postal Service's (USPS) Cost Estimate for Mail Processing Facility Reviews Aligned with Selected Best Practices

Selected best practice for developing a cost estimate	GAO assessment
Provides evidence that the cost estimate was reviewed and accepted by management.	Fully met
Contains few, if any, minor mistakes.	Substantially met
Includes all relevant costs.	Partially met
Captures the source data used.	Minimally met
Describes in sufficient detail the calculations performed and the estimating methodology used.	Not met
Documents all cost-influencing ground rules and assumptions.	Not met
Includes a risk and uncertainty analysis.	Not met
Includes a sensitivity analysis.	Not met

Fully met
  Substantially met
  Partially met
  Minimally met
  Not met

Source: GAO analysis of USPS and GAO information. | GAO-25-107630

Specifically, GAO found that USPS's MPFR documentation lists few ground rules and assumptions related to costs and does not explain how USPS determined the assumptions. Nor does MPFR documentation describe some methodologies used in the analysis. Without such documentation, decision-makers and oversight groups may have concerns about the credibility of cost estimates and may not have complete information for decision-making and oversight. Additionally, USPS's MPFR documentation does not include an assessment of how different assumptions affected the underlying cost estimate (i.e., a sensitivity analysis). Moreover, MPFR documents include uncertainty ranges related to the cost estimates but do not explain how USPS determined the ranges (i.e., a risk and uncertainty analysis). Without analyses of sensitivity, risk, and uncertainty, USPS cannot determine the degree of confidence it has in expected cost savings from proposed consolidations. These analyses are particularly important given that USPS's facility consolidations are taking place in a rapidly changing USPS operational environment.

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## Abbreviations

MPFR	Mail Processing Facility Review
OIG	Office of Inspector General
USPS	U.S. Postal Service

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February 7, 2025

The Honorable David P. Joyce  
Chairman  
Subcommittee on Financial Services and General Government  
Committee on Appropriations  
House of Representatives

The Honorable Mark E. Amodei  
Chairman  
Subcommittee on Homeland Security  
Committee on Appropriations  
House of Representatives

The U.S. Postal Service (USPS) is redesigning its mail processing and delivery network as a key part of its 10-year strategic plan.<sup>1</sup> Mail processing facilities, where USPS sorts mail and packages for processing and delivery, are an important component of this network.<sup>2</sup> USPS plans to create a modernized network based around new regional processing and distribution centers. As part of this initiative, USPS has recently started a new effort to consolidate operations, moving some mail processing operations—including for local mail and packages—to large regional facilities from local facilities.<sup>3</sup>

The Postal Accountability and Enhancement Act requires that USPS follow certain procedures before it can consolidate a processing facility.<sup>4</sup> For example, USPS is required to give public notice of the proposed changes and provide information on how the changes will affect USPS employees and mail service in the facility’s service area. USPS

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<sup>1</sup>USPS, *Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence* (Washington, D.C.: March 2021).

<sup>2</sup>In this report, we use “mail” and “mail processing” to refer to both mail—such as First-Class Mail and Marketing Mail—and packages.

<sup>3</sup>USPS facility consolidation involves moving mail processing operations from one facility to another. A consolidation can be done on its own or as part of a facility closure. USPS has stated that the facility consolidations it has proposed as part of its 10-year strategic plan will not result in facility closures.

<sup>4</sup>Pub. L. No. 109-435, § 302(c)(5), 120 Stat. 3198, 3221 (2006). These requirements apply to both USPS processing and logistics facilities, and they would apply to USPS closing such facilities. In this report, we focus on consolidations of processing facilities, and we use “facilities” to refer to USPS’s processing facilities.

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addresses these requirements as part of its process for reviewing proposed consolidations, known as Mail Processing Facility Reviews (MPFR).

According to USPS, MPFRs assess the effects of proposed changes at specific mail processing facilities on customers, USPS employees, and service standards performance. As part of the MPFR process, USPS analyzes the costs and savings associated with the proposed facility consolidation. To fulfill legal requirements, USPS provides opportunities for public input on the proposed changes, including through public meetings and outreach activities. USPS also presents some results from its required analysis in publicly available MPFR documents.<sup>5</sup>

Recent USPS Office of Inspector General (OIG) reports have raised questions about USPS's decision-making process for facility consolidations and the clarity of the MPFR process. For example, in March 2024, the OIG reported that USPS did not conduct an MPFR when it shifted mail operations and staffing levels at several mail processing facilities that support its new regional processing plant in Richmond, VA. The OIG also found that USPS's MPFR process generally lacked clarity, and that in this case, inadequate communication with the public had eroded trust in USPS.<sup>6</sup> In August 2024, the OIG reported on service delays resulting from network changes in Atlanta, GA.<sup>7</sup>

You asked us to review USPS's MPFR process. This report addresses

1. USPS's process for reviewing proposed consolidations to mail processing facilities, and the number of such reviews that USPS has initiated; and

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<sup>5</sup>USPS provides information on the MPFRs, including results of some of the MPFR analysis, on a webpage. "Mail Processing Facility Review," USPS, accessed Dec. 31, 2024, <https://about.usps.com/what/strategic-plans/mpfr/welcome.htm>.

<sup>6</sup>U.S. Postal Service Office of Inspector General (OIG), *Effectiveness of the New Regional Processing and Distribution Center in Richmond, VA*, 23-161-R24 (Arlington, VA.: Mar. 28, 2024). The OIG report included a recommendation related to the MPFR process, which USPS officials told us they plan to address by May 2025. Specifically, the OIG recommended that USPS update its policies and procedures to include the definition of service area, and clearly define when an MPFR is required.

<sup>7</sup>OIG, *Effectiveness of the New Regional Processing and Distribution Center in Atlanta, GA*, 24-074-R24 (Arlington, VA.: Aug. 28, 2024).

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2. the extent to which the cost and savings analysis that USPS conducts as part of the MPFR process aligns with selected best practices.

To address our first objective, we reviewed MPFR policies and guidance as well as additional USPS documents, including USPS press releases, the 10-year strategic plan and relevant plan updates, and MPFR final proposals.<sup>8</sup> We also interviewed USPS officials and other relevant stakeholders about the MPFR process.

To address our second objective, we selected eight of the 18 best practices for developing a reliable cost estimate identified in our *Cost Estimating and Assessment Guide* to assess USPS's MPFR cost and savings analysis.<sup>9</sup> The best practices identified in the guide are intended for use in a wide range of activities, such as projects or policies that benefit from the use of cost estimating, and are equally applicable to capital and non-capital program cost estimates. We selected cost estimating best practices most relevant to the limited scope of USPS's MPFR cost and savings analysis.<sup>10</sup> The eight selected best practices are that a cost estimate (1) include all relevant costs; (2) document all cost-influencing ground rules and assumptions; (3) capture the source data used; (4) describe in sufficient detail the calculations performed and the estimating methodology used; (5) provide evidence that the cost estimate was reviewed and accepted by management; (6) contain few, if any, minor mistakes; (7) include a sensitivity analysis; and (8) include a risk and uncertainty analysis. For more information about our objectives, scope, and methodology, see appendix I.

We conducted this performance audit from June 2024 to February 2025 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain

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<sup>8</sup>USPS, *Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence*; USPS, *Delivering for America Second Year Progress Report* (Washington, D.C.: April 2023); and USPS, *Delivering for America 2.0 Fulfilling the Promise* (Washington, D.C.: Sept. 30, 2024).

<sup>9</sup>GAO, *Cost Estimating and Assessment Guide*, [GAO-20-195G](#) (Washington, D.C.: March 2020).

<sup>10</sup>We selected best practices that were most relevant to USPS's cost estimate, which is limited to the costs and savings associated with operational and other changes involved in a proposed consolidation. We determined that certain best practices were not applicable to our assessment. We also selected the following three MPFRs to use as a nongeneralizable sample to assess USPS's policy and procedures for its cost and savings analysis: (1) Augusta, GA; (2) Lehigh Valley, PA; and (3) Reno, NV. For further information on the selected best practices, our scoring, and MPFR selection, see appendix I.

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sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

### USPS Mission and Operations

USPS plays a critical role in the nation's communications and commerce. In fiscal year 2024, USPS delivered 112 billion pieces of mail and packages to more than 168 million locations along more than 235,000 delivery routes.

USPS's mission is to provide prompt, reliable, and efficient universal postal service.<sup>11</sup> To provide universal postal service, USPS maintains the largest physical and logistical infrastructure of any nonmilitary government institution. This infrastructure facilitates a vast network for collecting, processing, transporting, and delivering mail. USPS's portfolio of properties includes over 33,000 post offices, as well as processing and distribution facilities that support mail delivery. Further, USPS is one of the largest civilian employers in the U.S. USPS had over 639,000 employees in fiscal year 2024, including about 126,000 clerks and 46,000 mail handlers, as well as maintenance workers and supervisors that may work in mail processing facilities.

In March 2021, USPS released a 10-year strategic plan outlining key goals, including changes to its mail processing and delivery network, to improve its service performance and financial viability.<sup>12</sup> We have included USPS's financial viability on our High Risk List since 2009 because USPS has been unable to fully fund its current level of services and financial obligations.<sup>13</sup> In the 2-year update to the strategic plan that USPS issued in April 2023, USPS provided details on its plans to improve its processing and delivery network.<sup>14</sup> These plans include building or

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<sup>11</sup>USPS is required by statute to provide prompt, reliable, and efficient services to patrons in all areas and render postal services to all communities. 39 U.S.C. § 101(a). A separate provision states USPS shall serve as nearly as practicable the entire population of the U.S. 39 U.S.C. § 403(a).

<sup>12</sup>USPS, *Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence*.

<sup>13</sup>GAO, *High-Risk Series: Efforts Made to Achieve Progress Need to Be Maintained and Expanded to Fully Address All Areas*, [GAO-23-106203](#) (Washington, D.C.: Apr. 20, 2023).

<sup>14</sup>USPS, *Delivering for America Second Year Progress Report*.



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repurposing existing facilities into new regional processing and distribution centers, local processing centers, and sorting and delivery centers.<sup>15</sup> USPS provided updates on the status of these plans in its most recent strategic plan, issued in September 2024.<sup>16</sup>

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## USPS Facility Consolidations

USPS has conducted facility reviews for over 40 years to consolidate and close facilities.<sup>17</sup> In 2006, the Postal Accountability and Enhancement Act established the following requirements that USPS must meet before consolidating or closing a facility:<sup>18</sup>

- Provide adequate public notice to communities potentially affected by the proposal
- Provide information on any service changes in the affected communities, any other effects on customers, any effects on USPS employees, and any cost savings
- Afford affected persons ample opportunity to provide input on the proposed decision
- Take public comments into account in making a final decision

To meet these legal requirements, USPS uses a process—which is overseen by USPS’s Chief Processing and Distribution Officer—to review proposed changes before consolidating mail processing facilities. USPS has used variations of this process since 2011.<sup>19</sup> We discuss MPFRs—USPS’s current facility review process—in greater detail below.

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<sup>15</sup>USPS’s optimized network will include three new facility types: (1) regional processing and distribution centers, which are larger processing facilities that sort all mail and packages being sent to other regions, as well as packages for delivery within a regional area; (2) local processing centers, which sort letters and flats to individual mail carrier routes in a regional area, as well as some packages; and (3) sorting and delivery centers, which will be new delivery facilities that aggregate mail carrier operations from several smaller current locations in an area.

<sup>16</sup>USPS, *Delivering for America 2.0 Fulfilling the Promise*.

<sup>17</sup>USPS has conducted facility consolidation reviews since 1979 under the name Area Mail Processing. USPS changed the name of its review process from Area Mail Processing to MPFR in December 2022. USPS updated its policies and procedures for consolidating mail processing facilities in July 2023.

<sup>18</sup>Pub. L. No. 109-435, § 302(c)(3)(D), (c)(5), 120 Stat. at 3220–21.

<sup>19</sup>In 2011, USPS started a large-scale review of its facilities for consolidation and closure as part of its Area Mail Processing reviews. For additional information on this effort, see OIG, *Area Mail Processing Consolidations*, NO-AR-15-007 (Arlington, VA: June 5, 2015).

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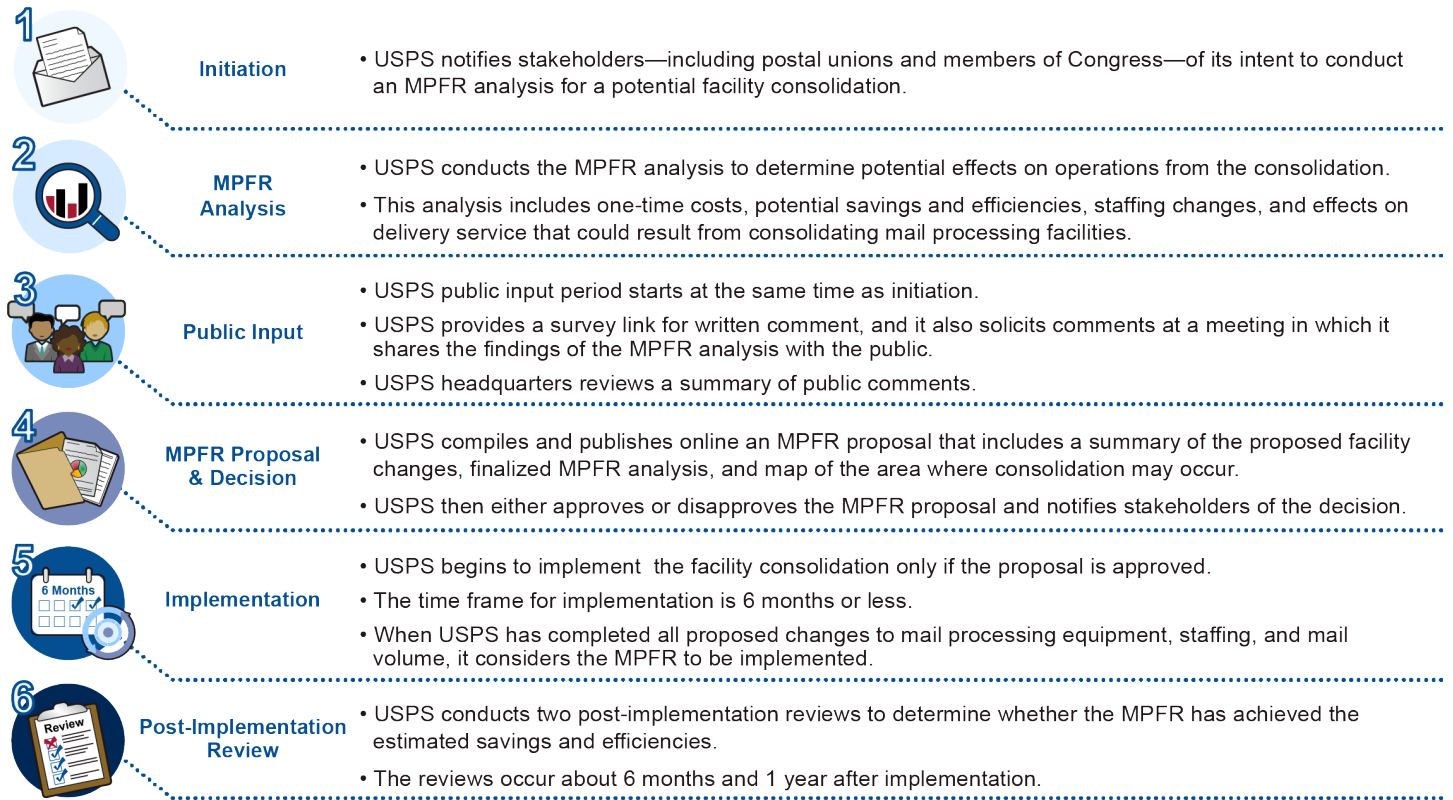
**USPS Has Initiated  
59 Facility  
Consolidation  
Reviews Using a  
Multistep Process  
That Addresses  
Statutory  
Requirements**

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**USPS's MPFR Process  
Addresses Statutory  
Requirements, Including  
Soliciting Public Input and  
Analyzing Potential Effects**

USPS uses the multistep MPFR process to review proposed consolidations to mail processing facilities (see fig. 1). USPS's policies and procedures for MPFRs are found primarily in two documents—a publicly available, high-level policy document and an internal procedures document. The policy document references the legal requirements that USPS must meet before consolidating a facility. The internal procedures document establishes procedures USPS officials are to use when conducting MPFRs, to determine whether a proposed consolidation's benefits—when compared with its effects on operations—merit its implementation.

**Figure 1: U.S. Postal Service (USPS) Mail Processing Facility Review (MPFR) Process**



Source: GAO illustrations and analysis of USPS information and documentation. | GAO-25-107630

USPS officials told us the current MPFR process was based on multiple decades of USPS facility consolidation efforts, especially the reviews USPS conducted after the legal requirements were established in 2006.<sup>20</sup> However, they said the MPFR process differs from past efforts in its focus on consolidating operations at selected facilities, rather than closing facilities. These consolidations would allow USPS to gain efficiencies by processing greater mail volume at regional facilities and better using smaller existing facilities, rather than closing facilities. For example, a proposed consolidation may involve shifting mail processing activities from one facility to another, including moving equipment and employees.

<sup>20</sup>The Area Mail Processing reviews USPS started in 2011 were the first to occur after the Postal Accountability and Enhancement Act established requirements for these consolidations in 2006.

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Further, officials said the MPFR process supports broader USPS initiatives to optimize its network. Specifically, they told us consolidations are an integral step in implementing the regional processing network that is in USPS's 10-year strategic plan. Additionally, USPS officials said they have reviewed the MPFR process during its implementation and made changes as needed based on what they have learned. For example, according to the officials, after USPS initiated its first MPFR—for its mail processing facility in Augusta, GA—USPS made adjustments to refine the required cost and savings analysis in subsequent MPFRs based on lessons learned.

As discussed above, part of the MPFR process's purpose is to comply with statutory requirements for consolidating facilities.<sup>21</sup> These requirements fall into two main categories: (1) public notice and input, and (2) required analysis.

**Public notice and input.** The MPFR process addresses requirements for public notice and input through its initiation and public input steps. During the initiation step, USPS issues a public notice of intent that signals the start of the MPFR process and includes the facilities that may be consolidated, the operations under review, and an invitation for public comment.<sup>22</sup> USPS officials told us they primarily collect public input through a unique internet survey link that allows for comment on each MPFR, as well as through the public meeting it holds for each MPFR.<sup>23</sup>

At the public input meetings, USPS provides information via a slide presentation about the MPFR, including high-level results of the analysis it performed, such as anticipated effects on mail service, facility staffing changes, and estimated savings. Additionally, USPS discusses planned capital improvements to the facility that would occur separately from the MPFR. USPS officials told us they have adjusted the public input

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<sup>21</sup>OIG, *Effectiveness of the New Regional Processing and Distribution Center in Richmond, VA*. As reported by the OIG, USPS's long-standing approach has been to follow its facility review process only when, "consolidating all originating and/or destinating operations between facilities in different service areas". According to USPS officials, this approach is based on USPS's interpretation of the term "consolidation."

<sup>22</sup>USPS posts information on MPFRs on a dedicated webpage that includes the notice of intent, notice of public meeting, public meeting summary, and other relevant MPFR documents. "Mail Processing Facility Review," USPS, accessed Dec. 31, 2024, <https://about.usps.com/what/strategic-plans/mpfr/welcome.htm>.

<sup>23</sup>According to USPS officials, the internet survey link is available for comment at least 15 days before and 15 days after the public meeting is held.

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meetings—such as their timing and location, and the slides USPS uses during the presentation—in response to public feedback.

USPS aggregates the public input it receives into spreadsheets for each MPFR. USPS officials said that relevant staff, management, and leadership review and categorize these comments as they consider the proposed consolidation.

**Required analysis.** USPS's MPFR policy outlines the analysis that USPS must perform to determine the potential effects of the proposed consolidation. According to statute, USPS must make available information regarding any service changes, any other effects on customers, effects on USPS staff, and cost savings associated with the proposed consolidation. To obtain and make this information available, USPS analyzes the following potential effects:

- *Effects on service standards:* To determine the potential effects of a proposed consolidation on service performance in relation to current standards, USPS compares the current times and locations of mail collection with the proposed changes. Additionally, USPS considers effects of the proposed consolidation on the availability of mail services, such as business mail entry into the USPS mail system.<sup>24</sup>
- *Effects on USPS staff:* To determine the potential effects of a proposed consolidation on facility employees such as clerks, mail handlers, maintenance staff, and managers, USPS considers any workforce changes that would be necessary to accommodate proposed operational changes. These operational changes could result in changes in mail type and volume sorted at an MPFR facility. USPS officials said they would not lay off any career workers due to a consolidation USPS undertakes under the MPFR process.<sup>25</sup> Instead,

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<sup>24</sup>Business mail—including First-Class Mail and packages—must be brought to a business mail entry site, which can be a post office or a mail processing facility, to enter the USPS mail system.

<sup>25</sup>USPS craft employees, such as clerks and mail handlers, are divided into career and non-career categories. Career employees—who comprise the majority of USPS's workforce—are permanent employees entitled to a range of benefits (e.g., health and retirement) and privileges (e.g., greater schedule certainty). Pre-career, also known as non-career, employees are generally seen as a temporary workforce and receive fewer benefits and lower pay than career employees. Many non-career positions offer a pathway to a career position. USPS officials told us that the work rules that govern the pre-career and career employee experiences—including hours worked and the degree to which employees are required to move around—are the result of the collective-bargaining process between USPS and its employee unions.

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USPS would work within collective bargaining requirements to move staff to another position or location, if needed.

- *Costs and savings:* To determine the costs and savings associated with a proposed consolidation, USPS analyzes potential effects on labor costs for applicable staff and management, on maintenance costs for the facility and equipment, and on operations—such as changes to transportation logistics—among other factors. USPS officials told us the analysis focuses on the facility whose operations are being moved, and not on the facility receiving those operations. For example, the recently implemented MPFR proposal for Augusta, GA, moved some processing operations to the new regional facility in Atlanta while retaining delivery processing; however, the MPFR focused solely on costs and savings related to changes at the Augusta facility. In addition, officials said some of the proposed savings resulting from consolidations would be from broader operational efficiencies expected to be achieved as USPS further optimizes its network, such as through changes to regional facilities and mail transportation.

According to USPS's MPFR procedures, relevant staff revisit the analysis during post-implementation reviews. USPS uses these reviews to validate the MPFR analysis and determine whether the potential effects USPS identified match the actual results of the consolidation.

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## USPS Has Initiated 59 MPFRs Under Its 10-Year Strategic Plan but Temporarily Paused In-Process Reviews

Since July 2023, when USPS began conducting MPFRs, USPS has initiated 59 such reviews, with more anticipated as USPS continues its network optimization efforts.<sup>26</sup> The status of the 59 MPFRs varies. As of December 2024, the majority of the MPFRs were still in process, and none had been completed—meaning that post-implementation reviews had not occurred (see table 1).

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<sup>26</sup>USPS lists the MPFRs and their status on a dedicated webpage. "Mail Processing Facility Review," accessed Dec. 31, 2024, <https://about.usps.com/what/strategic-plans/mpfr/welcome.htm>.

**Table 1: Status of U.S. Postal Service (USPS) Mail Processing Facility Reviews (MPFR), as of December 2024**

Status	Number of MPFRs
Initiated but not in process <sup>a</sup>	1
In process <sup>b</sup>	52
Implemented <sup>c</sup>	4
Completed <sup>d</sup>	0
Not proceeding <sup>e</sup>	2
<b>Total</b>	<b>59</b>

Source: GAO analysis of USPS Information. | GAO-25-107630

Note: The USPS MPFR process has six steps: (1) initiation, (2) MPFR analysis, (3) public input, (4) MPFR proposal and decision, (5) implementation, and (6) post-implementation review.

<sup>a</sup>USPS issued a notice of intent to proceed for one MPFR but has not proceeded with the rest of the MPFR process.

<sup>b</sup>The MPFRs that are in process have completed the initiation, MPFR analysis, public input, and MPFR proposal and decision steps of the MPFR process, but not the implementation or post-implementation steps.

<sup>c</sup>MPFRs are considered implemented when all changes to mail volume, mail processing equipment, and staffing identified in the MPFR proposal and decision step have transferred to the receiving facility.

<sup>d</sup>The MPFR process is completed when USPS has conducted the two post-implementation reviews.

<sup>e</sup>USPS decided not to proceed with one MPFR after the public input step, and not to implement another MPFR after the MPFR proposal and decision step but before implementation.

In May 2024, USPS announced it was pausing in-process MPFRs until January 2025. In a public letter, the Postmaster General said that the reasons for the decision included confusion and concern on the part of the public and Congress about the MPFR process and about implementation of broader efforts to optimize USPS’s mail processing and delivery network.<sup>27</sup> USPS officials told us another reason USPS paused implementation was to address operational needs related to the 2024 election cycle and peak shipping season during the holidays.

During this pause, USPS announced changes in scope for some of the 52 MPFRs that were in process. Specifically, USPS adjusted the scope of the operations it proposed to consolidate at 16 facilities with MPFRs in

<sup>27</sup>The Postmaster General’s letter to Chairman Peters of the U.S. Senate Homeland Security and Government Affairs Committee is available online. USPS, accessed Nov. 27, 2024, <https://about.usps.com/newsroom/global/pdf/0520-pmg-dejoy-to-chairman-peters.pdf>.

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process, and USPS officials said that more adjustments were possible.<sup>28</sup> These scope changes would keep certain local mail processing operations (i.e., the sorting and handling of mail meant to stay in a facility's service area) at the original facility instead of moving the operations to another facility. USPS officials told us they made these scope changes outside the MPFR process. They said that because the MPFR process is happening in a rapidly changing operational environment, they regularly re-evaluate the process to align it with broader network optimization. Further, USPS officials told us that during the post-implementation review, they would address any effects of the scope change on the MPFR analysis for the affected facilities.

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## USPS's Estimates of Proposed Facility Consolidation Costs Align with Some but Not All Selected Best Practices, Including Those Related to Risk

As discussed above, as part of the MPFR process, USPS conducts an analysis of the likely costs and potential savings (cost estimate) that would result from consolidating a mail processing facility.<sup>29</sup> We found that USPS's MPFR cost estimate process aligned with four of our eight selected best practices. However, the cost estimate process did not align with the remaining four selected best practices, including those associated with assessing sensitivity, risk, and uncertainty.

We assessed USPS's MPFR cost estimate—specifically, the policies, procedures, and information from three selected MPFRs—against eight

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<sup>28</sup>As of November 21, 2024 USPS had made scope changes at the following facilities: Bismarck, ND; Burlington, VT; Charleston, WV; Chattanooga, TN; Eastern Maine (Hampden), ME; El Paso, TX; Fort Myers, FL; Greenville, SC; Gulfport, MS; Knoxville, TN; McAllen, TX; NW Arkansas (Fayetteville), AR; Reno, NV; Sioux Falls, SD; Tulsa, OK; and Waterloo, IA.

<sup>29</sup>For the purposes of this review, we refer to the cost and potential savings analysis and any related processes as a cost estimate. This report discusses the MPFR potential savings as part of the cost estimate, because the two are linked in the analysis. Specifically, if the cost estimate has issues such as not being documented and credible, the potential savings would have the same or similar issues.



selected cost estimating best practices that we identified.<sup>30</sup> We determined scores based on our review of USPS’s MPFR documentation and interviews with officials, as shown in figure 2. Specifically, we determined that USPS’s MPFR cost estimate “fully met” two and “substantially met” two best practices for a reliable cost estimate. However, the cost estimate partially met, minimally met, or did not meet the remaining four selected best practices.

**Figure 2: Extent to Which U.S. Postal Service’s (USPS) Cost Estimate for Mail Processing Facility Reviews Aligned with Selected Best Practices**

Selected best practice for developing a cost estimate	GAO assessment
Includes all relevant costs.	
Documents all cost-influencing ground rules and assumptions.	
Captures the source data used.	
Describes in sufficient detail the calculations performed and the estimating methodology used.	
Provides evidence that the cost estimate was reviewed and accepted by management.	
Contains few, if any, minor mistakes.	
Includes a sensitivity analysis.	
Includes a risk and uncertainty analysis.	

- Fully met:** GAO found evidence that fully satisfied the best practice.
- Substantially met:** GAO found evidence that satisfied a large portion of the best practice.
- Partially met:** GAO found evidence that satisfied about half of the best practice.
- Minimally met:** GAO found evidence that satisfied a small portion of the best practice.
- Not met:** GAO found no evidence that satisfied the best practice.

Source: GAO analysis of USPS and GAO information. | GAO-25-107630

Note: The selected best practices for developing a cost estimate are found in GAO’s *Cost Estimating and Assessment Guide*, [GAO-20-195G](#) (Washington, D.C.: March 2020).

We discuss the extent to which the cost estimate aligned with the best practices in more detail below.

<sup>30</sup>USPS’s cost estimates are limited to the effects on service standards, staff, and costs and savings associated with operational and other changes involved in a proposed consolidation. Therefore, we selected cost estimating best practices that were most relevant to USPS’s cost estimate, and that we would expect any entity—whether business or government agency—to follow in conducting a cost estimate. The best practices developed in our guide are intended for use in a wide range of activities that benefit from the use of cost estimating, and they are equally applicable to capital and non-capital program cost estimates. We determined that certain best practices were not applicable to our assessment. To aid in our analysis, we also selected three individual MPFRs that were nongeneralizable but provided additional detail on how USPS conducts cost estimates. For more information on these practices and selected MPFRs, see appendix I.

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**Includes all relevant costs. *Substantially met.*** Cost estimate documentation should account for all costs—government or contractor—and any cost elements excluded from the cost estimate should be documented and justified. We found that USPS’s MPFR documentation includes both contractor and government costs, such as personnel and transportation costs, and it identifies costs that USPS excluded from the cost estimate. USPS did not fully meet this best practice, however, because the MPFR documentation we reviewed only contains summary-level information and does not include detailed definitions of the various cost components, which makes it difficult to independently confirm that all relevant costs are included.

**Documents all cost-influencing ground rules and assumptions. *Minimally met.*** Cost estimate documentation should include all defined ground rules and assumptions pertaining to costs, their source and supporting historical data, and any associated risks.<sup>31</sup> We found that USPS’s MPFR documentation lists few ground rules and assumptions related to costs and does not explain how USPS determined the assumptions. Furthermore, the documentation does not include any associated sensitivity or risk considerations for the ground rules and assumptions.<sup>32</sup> Documenting all cost-influencing ground rules and assumptions aids the analysis of sensitivity and risk considerations, which we discuss below.

USPS officials stated that the MPFR documentation does not include many ground rules and assumptions because they are common knowledge within USPS and apply to all facilities within the cost estimate. However, if USPS does not document all ground rules and assumptions, along with their sources and supporting historical data, then decision-makers—including USPS management and Congress—and oversight groups will not understand the level of certainty associated with the assumptions and may have concerns about the credibility of the cost estimate.

**Captures the source data used. *Substantially met.*** Cost estimate documentation should show the source data used and the reliability of the

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<sup>31</sup>Ground rules are a set of agreed-upon cost estimating standards that provide guidance and minimize conflicts in definitions. Assumptions are judgments about past, present, or future conditions postulated as true in the absence of positive proof. Assumptions should be supported by historical data to minimize uncertainty and risk.

<sup>32</sup>According to this best practice, cost influencing assumptions should be used as inputs for the sensitivity and uncertainty analyses.

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data. We found that USPS's MPFR documentation identifies most of the source data that USPS used to generate its cost estimate. USPS's cost estimate did not fully meet this best practice, however, because in several notable cases the MPFR documentation does not identify the source data. For example, the source of some labor rate data is not identified, and data supporting mail volume transfer decisions are incomplete.

**Describes in sufficient detail the calculations performed and the estimating methodology used.** *Partially met.* Cost estimate documentation should describe in sufficient detail the calculations performed and the estimating methodology used.<sup>33</sup> The MPFR documents we reviewed include many of the calculations and methodologies that USPS used in its cost estimate, but they do not describe some methodologies, and some of the descriptions are unclear. For example, while USPS described in written correspondence with us certain methodologies (such as adjusting staff workhours), the documentation does not fully explain or demonstrate the logic behind the calculations.

USPS officials said that relevant departments—such as maintenance and logistics—provided key inputs into the MPFR analysis that were included in the cost estimate. Additionally, officials said USPS has documented the estimating methodologies and calculations in the department-level analyses but has not had a reason to incorporate these elements into the MPFR documents.

However, without adequate documentation in the MPFR policy and guidance documents, an analyst unfamiliar with the program will not be able to replicate the estimate, because they will not be provided enough information to recreate it step by step. Furthermore, unless thoroughly documented, the cost estimate may not be defensible. That is, the available documentation may not present a convincing argument of an estimate's validity or help answer probing questions from decision-makers and oversight groups.

**Provides evidence that the cost estimate was reviewed and accepted by management.** *Fully met.* A cost estimate should be reviewed by management, and should document management's acceptance of the cost estimate, including any feedback and

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<sup>33</sup>According to this best practice, cost estimate documentation should be detailed enough to allow an analyst unfamiliar with the program to easily reconstruct the estimate and produce the same result.

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recommendations for changes. Based on the MPFR documents we reviewed, we found that USPS incorporated management feedback into its cost estimate, and that multiple levels of management approved the cost estimate. USPS officials told us that management personnel review the full MPFR cost estimate, including all relevant details, prior to approval.

**Contains few, if any, minor mistakes.** *Fully met.* A cost estimate should use a quality control process to ensure there are few, if any mistakes. The MPFR documents we reviewed and checked contain minimal errors. USPS officials told us the cost estimating process includes multiple reviews by management, and that they fix any data inconsistencies or inaccuracies before finalizing the MPFR.

**Includes a sensitivity analysis.** *Not met.* A cost estimate should include a sensitivity analysis that examines the effect on the program of changing one assumption or cost driver at a time, while holding all other variables constant. We found that USPS's MPFR documentation does not include an assessment of how changes to assumptions or cost drivers affected the underlying cost estimate. In our prior work on USPS's cost estimates for its new vehicle fleet, we similarly found that USPS did not include sensitivity analysis in its cost estimation process.<sup>34</sup>

USPS officials told us they conducted a sensitivity analysis as part of the modeling they used to select facilities that require an MPFR before consolidation can occur. Therefore, USPS officials said they did not believe a sensitivity analysis was necessary for discrete, individual MPFR cost estimates.

However, we found that the MPFR cost estimate is based on assumptions and analysis that are uncertain, and a sensitivity analysis would help inform how these uncertainties may affect the MPFR cost estimates. For example, we found that documentation supporting USPS's estimate of workhour savings for mail processing, which is based on improved efficiency from shifting mail processing to a new facility, shows wide variation in the efficiency rate historically achieved.

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<sup>34</sup>We recommended that USPS incorporate sensitivity analysis into future updates of USPS's cost estimates for acquiring new delivery vehicles. This recommendation was still open as of March 2024. For more information, see GAO, *U.S. Postal Service: Action Needed to Improve Credibility of Cost Assumptions for Next Generation Delivery Vehicles*, [GAO-23-106677](#) (Washington, D.C.: Apr. 20, 2023).

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Furthermore, USPS provided information that noted key areas of uncertainty that would likely affect realized potential savings from a proposed consolidation. Those areas of uncertainty underpin the range of possible savings that USPS applied in its analysis. USPS could use this information to conduct a sensitivity analysis for an individual MPFR. Without conducting a sensitivity analysis as part of the MPFR cost estimate process, USPS risks making decisions for consolidating a facility without clearly understanding how these uncertainties could affect costs.

**Includes a risk and uncertainty analysis. *Minimally met.*** A cost estimate should include a risk and uncertainty analysis that quantifies the imperfectly understood risks and identifies the effects of changing key cost driver assumptions and factors.<sup>35</sup> The MPFR documents we reviewed include uncertainty ranges related to the cost estimates. However, the documentation does not explain how USPS determined the ranges.

USPS officials told us they based the uncertainty ranges on their prior experience with facility consolidation and on factors that are common knowledge to USPS staff. Further, they said these ranges are consistent with their expectations for a consolidation's outcome and that they would reevaluate the ranges as part of their planned post-implementation reviews.

While a range of costs does help decision-makers better understand the risks associated with a program, this range should be developed using a quantitative risk assessment and should not be based on arbitrary percentages or factors that are not documented. Without a quantitative risk and uncertainty analysis, the cost estimate will not reflect the degree of uncertainty, and the agency cannot provide a level of confidence about the estimate and may underestimate or overestimate program costs. Furthermore, if the risk and uncertainty analysis has been poorly executed, management may have a false sense of security that all risks have been accounted for and that the analysis is based on sound data. When this happens, program decisions will be based on bad information.

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## Conclusions

USPS is in the midst of an expansive and evolving processing and delivery network redesign. As it moves operations among its facilities, USPS is evaluating whether each of those consolidations results in cost

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<sup>35</sup>A risk and uncertainty analysis should model probability distributions based on data availability, reliability, and variability.

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savings and operational improvements. While each of those individual MPFR evaluations has a limited scope, they are all integral to USPS's efforts to implement broader network optimization initiatives to improve its financial condition. Further, even analyses with a limited scope benefit from incorporating selected best practices.

Documenting key aspects of the MPFR cost and savings analysis, like ground rules and assumptions and all relevant methodologies, would aid in oversight, present a more convincing argument of an estimate's validity, and help answer probing questions from decision-makers and oversight groups. Further, USPS would benefit from ensuring the MPFR analysis is robust and includes risk and uncertainty analysis, as well as sensitivity analysis. Such analyses strengthen estimates' credibility by providing a better understanding of risks and a clearer sense of the confidence in proposed cost savings. These risk and sensitivity analyses are particularly important given that USPS is consolidating mail processing facilities in a rapidly changing operational environment.

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## Recommendations for Executive Action

We are making the following four recommendation to USPS:

The Postmaster General should direct the Chief Processing and Distribution Officer to include all cost-influencing ground rules and assumptions, along with their sources and supporting historical data, for MPFR cost estimates in relevant policies and guidance. (Recommendation 1)

The Postmaster General should direct the Chief Processing and Distribution Officer to include all estimating calculations and methodologies used for MPFR cost estimates in relevant policies and guidance. (Recommendation 2)

The Postmaster General should direct the Chief Processing and Distribution Officer to include a sensitivity analysis in MPFR cost estimates in relevant policies and guidance. (Recommendation 3)

The Postmaster General should direct the Chief Processing and Distribution Officer to include a risk and uncertainty analysis in MPFR cost estimates in relevant policies and guidance. (Recommendation 4)

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## Agency Comments and Our Evaluation

We provided a draft of this report to USPS for review and comment. In its comments, reproduced in appendix II, USPS disagreed with our four recommendations. USPS characterized our findings as focused more on the form than on the function of the MPFR process and said it did not

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believe our selected criteria were applicable to the MPFR process. However, we maintain our selected criteria are applicable to the MPFR process, and our recommendations are focused on areas where relatively minor changes requiring a low level of investment could benefit the MPFR process and inform USPS's important decisions about facility consolidations. Implementation of GAO's recommendations would also help USPS enhance the explanations of its planned decisions to the Congress and the public.

USPS stated in its comments that we did not adequately address the MPFR process as it relates to USPS's broader network transformation. We recognize that USPS's current network transformation effort has a broad scope and that MPFRs and the resulting facility consolidations are only a part of that effort. However, the focus of our work, as we communicated to USPS staff throughout, was MPFRs, which USPS conducts using a discrete process driven by a statutory requirement to assess proposed facility consolidations. Nevertheless, we include relevant information on USPS's processing and delivery network redesign for context throughout this report. This context includes recent OIG reports that are relevant to the MPFR process and USPS's broader efforts. USPS took issue with this inclusion, but we maintain that those reports are relevant context for understanding MPFRs, including which facility consolidations are subject to these reviews.

As USPS noted in its comments, the MPFR process is distinct from the broader network transformation. Further, the fundamental nature of the MPFR process, including the policies and procedures that define it, are based on past consolidation efforts. While we agree with USPS that the MPFR process is a discrete process that has a limited scope, we do not agree that this means the process, and the cost and savings analysis performed, would not benefit from better alignment with our selected best practices. USPS has stated that confusion and concern on the part of the public and Congress is one reason the agency paused the MPFR process. Better documented and more robust cost estimates would make MPFR results more convincing and could mitigate some of those concerns. Furthermore, improving the robustness of the MPFR process could be beneficial to the broader network efforts because, as we discuss below, USPS has indicated that the resulting MPFR cost savings and processing efficiencies are critical, in the aggregate, to improving USPS's financial condition.

USPS also stated that it did not think our selected best practices applied to the MPFR process and that we did not justify our best practice

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selection. We maintain that the selected best practices are relevant to MPFRs. Further, we specifically excluded best practices that we deemed not applicable due to the limited scope and nature of the MPFR process. In response to USPS's comments about the selected best practices, we edited a section header for clarity and added additional information about our selection in appendix I.

Additionally, USPS believes that because we did not find fault with the overall MPFR process it is inappropriate to evaluate the cost and savings estimates with our selected best practices. We maintain our evaluation of the cost and savings estimates is appropriate. MPFRs involve generating cost savings estimates and making decisions based on those estimates. The selected best practices are those we would expect from any cost estimate and using them can help ensure reliable decision-making.

USPS disagreed with our first and second recommendations because they view the current level of documentation—specifically for cost-influencing ground rules and assumptions and estimating calculations and methodologies—as sufficient. We maintain that improving documentation, in line with best practices, would be beneficial. We have found that a cost estimate that is reliable, and therefore a good basis for decision-making, is one that is well documented. Well-documented cost estimates can easily be repeated or updated and can be traced to original sources through auditing. Moreover, well-documented cost estimates present a more convincing argument of an estimate's validity and can help answer probing questions from oversight groups and decision-makers, including Congress. USPS officials told us much of this information is either common knowledge within USPS or available from relevant departments, so we believe making updates to the relevant MPFR documentation would not be onerous.

USPS also disagreed with our third and fourth recommendations, which relate to incorporating sensitivity, and risk and uncertainty, analyses into the MPFR process. USPS stated that conducting these analyses was unnecessary and would add extensive additional analysis to a process that does not merit that level of effort. As we noted in the report, USPS already has much of the information needed to perform sensitivity, and risk and uncertainty, analyses. As a result, we believe that conducting these analyses for future MPFRs would require a low level of investment from USPS, and that the benefits of doing so would justify this effort. We have found that making decisions with an understanding of risks and uncertainties is critical to successfully achieving objectives. Robust risk and uncertainty analysis can inform decision-makers about the potential



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range of costs and cost drivers. Management, in turn, can use these data to make informed decisions.

Further, USPS comments indicate that the savings and operational efficiencies of individual MPFRs are critical in the aggregate to USPS's broader network transformation efforts and achieving its goal of improving its financial condition. If there are credibility concerns with the cost and savings analysis of individual MPFRs—such as the concerns we raised in this report about the lack of key analyses—could also have effects on the perceived credibility of USPS's broader efforts as well. While the MPFR process is responsive to statutory requirements regarding making analyses available and considering public comments, the statute does not specify how USPS's analyses should be performed. Meeting the general statutory requirements does not mean there is no benefit to having a more robust analysis to support these operational decisions.


Finally, USPS raised a concern in its comments with the tone of our draft title for this report. We did not change the report's draft title at the end of our review, as USPS asserted in its comments. We assign ongoing work a topical descriptive title—in this case we used U.S. Postal Service Mail Processing Facility Reviews—but that is not the title we use for final our reports. The draft report title is not shared with an agency until we have sent the draft report for comment. However, we understand USPS's concern with our draft report title and edited the final title to address it.

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We are sending copies of this report to the appropriate congressional requesters and the Postmaster General. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-2834 or [marronid@gao.gov](mailto:marronid@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on

the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.



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David E. Marroni  
Director, Physical Infrastructure

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# Appendix I: Objectives, Scope, and Methodology

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This report examines the U.S. Postal Service’s (USPS) process for Mail Processing Facility Reviews (MPFRs), which it conducts to review proposed changes before consolidating facilities.<sup>1</sup> In the report, we address (1) USPS’s process for reviewing proposed consolidations to mail processing facilities, and the number of such reviews that USPS has initiated; and (2) the extent to which the cost and savings analysis that USPS conducts as part of the MPFR process aligns with selected best practices.

To describe USPS’s process for reviewing proposed consolidations and determine the number of such reviews initiated, we reviewed MPFR policies and guidance as well as additional USPS documents and statements, including USPS press releases, the 10-year strategic plan and relevant plan updates, and MPFR final proposals.<sup>2</sup> We also reviewed relevant USPS Office of Inspector General (OIG) reports, including reports on USPS processing facilities.<sup>3</sup> Further, we reviewed relevant statutory provisions that apply to MPFRs.<sup>4</sup> In addition, we interviewed USPS officials and postal stakeholders, including postal employee unions, to obtain their views on the MPFR process.

To assess the extent to which USPS’s MPFR cost and savings analysis aligns with best practices, we selected eight of the 18 best practices for developing a reliable cost estimate identified in GAO’s *Cost Estimating*

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<sup>1</sup>The consolidation of USPS facilities involves moving mail processing operations from one facility to another. A consolidation can be done on its own or as part of a facility closure. USPS policy defines an MPFR as, “the consolidation of all originating and/or destinating distribution operations from one or more Post Offices/facilities into other automated processing facilities for the purpose of improving operational efficiency and/or service.”.

<sup>2</sup>USPS, *Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence* (Washington, D.C.: March 2021); USPS, *Delivering for America Second Year Progress Report* (Washington, D.C.: April 2023); and USPS, *Delivering for America 2.0 Fulfilling the Promise* (Washington, D.C.: Sept. 30, 2024).

<sup>3</sup>U.S. Postal Service Office of Inspector General (OIG), *Effectiveness of the New Regional Processing and Distribution Center in Richmond, VA*, 23-161-R24 (Arlington, VA.: Mar. 28, 2024). OIG, *Effectiveness of the New Regional Processing and Distribution Center in Atlanta, GA*, 24-074-R24 (Arlington, VA.: Aug. 28, 2024).

<sup>4</sup>See Postal Accountability and Enhancement Act, Pub. L. No. 109-435, § 302(c)(5), 120 Stat. 3198, 3221 (2006). The legal requirements apply to both USPS processing and logistics facilities and would apply to USPS closing such facilities. This report focuses on consolidation of processing facilities.

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*and Assessment Guide*.<sup>5</sup> To select the best practices, we performed a high-level assessment of the MPFR process using all 18 best practices, and determined that eight were applicable based on the limited scope of the process. For example, we selected the best practice “includes all relevant costs” because it is important to understand whether USPS considered all potential costs in its analysis. However, given that MPFRs only use 1 year of data, we did not select best practices related to adjusting for inflation.

The eight selected best practices are that a cost estimate (1) include all relevant costs; (2) document all cost-influencing ground rules and assumptions; (3) capture the source data used; (4) describe in sufficient detail the calculations performed and the estimating methodology used; (5) provide evidence that the cost estimate was reviewed and accepted by management; (6) contain few, if any, minor mistakes; (7) include a sensitivity analysis; and (8) include a risk and uncertainty analysis.

The best practices developed in the guide are intended for use in a wide range of activities, such as in projects or policies, that benefit from the use of cost estimating. The best practices are equally applicable to cost estimates for capital and non-capital programs. We selected cost estimating best practices most relevant to USPS’s MPFR cost and savings analysis, whose scope is limited to the expected effects of a specific consolidation on USPS staff, service performance, and cost and savings. We determined that certain best practices were not applicable to our assessment.

We analyzed the extent to which USPS’s MPFR cost and savings analysis aligned with the eight selected best practices. We scored USPS policies based on relevant documentation USPS provided for each selected best practice, interviews with USPS officials, and written responses to information requests.

We shared the best practices we used to evaluate the cost and savings analysis with USPS. We also shared and discussed our initial assessment with USPS officials, and they provided additional documentation and clarification on USPS policies and procedures as applicable. Where warranted, we updated our analyses following the

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<sup>5</sup>GAO, *Cost Estimating and Assessment Guide*, [GAO-20-195G](#) (Washington, D.C.: March 2020). The processes and best practices developed in the guide are intended for use in any acquisition, program, project, activity, function, policy, or product that benefits from the use of cost estimating and earned value management.

steps outlined above, based on USPS's responses and information, to reach a final score.

We used the following scoring system in our analysis:

- **Fully met.** We found complete evidence that satisfied the best practice.
- **Substantially met.** We found evidence that satisfied a large portion of the best practice.
- **Partially met.** We found evidence that satisfied about half of the best practice.
- **Minimally met.** We found evidence that satisfied a small portion of the best practice.
- **Not met.** We found no evidence that satisfied the best practice.

If the score for a selected best practice was “fully met” or “substantially met,” we concluded that USPS’s policies and procedures aligned with the selected best practice. If the score was “partially met,” “minimally met,” or “not met,” we concluded that USPS’s policies and procedures did not align with the selected best practice.

In addition, we selected three of the 59 MPFRs that USPS had initiated as of June 2024 to help us assess the extent to which the MPFR cost and savings analysis aligned with the selected best practices. We selected the MPFRs for (1) Augusta, GA; (2) Lehigh Valley, PA; and (3) Reno, NV. This nongeneralizable sample provides examples of how USPS applied its policies and procedures for cost and savings analysis in the MPFR process. To select the MPFRs, we considered when USPS conducted the MPFR, to obtain a range in dates between July 2023 (when USPS began conducting MPFRs) and May 2024 (when USPS paused the MPFRs). We also selected the MPFRs to reflect a variety of potential effects on service, costs and savings, and other factors.

We conducted this performance audit from June 2024 to February 2025 in accordance with generally accepted government auditing standards. 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# Appendix II: Comments from U.S. Postal Service

DOUG A. TULINO  
DEPUTY POSTMASTER GENERAL AND  
CHIEF HUMAN RESOURCES OFFICER



January 21, 2025

David Marroni  
Director, Physical Infrastructure  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548-0001

SUBJECT: USPS Mail Processing Facility Review (GAO-25-107630)

Dear Mr. Marroni,

Thank you for providing the Postal Service an opportunity to review and comment on the draft report concerning the Mail Processing Facility Review (MPFR) process. For the reasons discussed below, we strongly disagree with many of the conclusions and with all of the recommendations made by the Government Accountability Office (GAO) in the draft report. Those conclusions and recommendations represent form over substance. Moreover, GAO's decision to change the title at the end of the engagement to focus disproportionately on the negative findings is misleading and disingenuous. The unnecessarily sensationalized title ignores the positive findings in the report and demonstrates GAO's apparent commitment to find fault with the MPFR process.

***MPFRs Serve a Discrete Purpose and Are Occurring as Just One Part of a Much Broader Network Transformation and Strategic Plan Not Addressed by the Report***

The Postal Service has for decades utilized specified policies, methodologies, and procedures to assess whether it would improve the efficiency and effectiveness of our network to transfer processing operations, in whole or in part, from one particular facility to another. While we recently modernized our approach to assessing whether to implement a consolidation with the establishment of the current MPFR process, the fundamental nature of the process – which is tailored to its intended purposes – has remained the same. Over these decades, the processes we have followed to analyze specific consolidation decisions have proved to be successful, and we routinely achieve most of the projected savings as determined through the Post-Implementation Review portion of the overall process.

Moreover, the MPFR process is supplemental to the Postal Service's broader strategic and operational planning, and therefore the MPFR process must be considered within this broader context. The Postal Service is required by statute to provide prompt, reliable, and efficient universal postal services across an integrated mail and package network, at least 6 days a week, and to do so in a financially self-sufficient manner. This requires that the Postal Service adjust our network in a rational and business-like manner in response to changing circumstances. In that regard, in section 302 of the Postal Accountability and Enhancement Act (PAEA), Congress strongly encouraged the Postal Service to expeditiously streamline our distribution network to eliminate unnecessary costs.

Furthermore, the path to financial sustainability requires the Postal Service to significantly grow our package volume and revenue. The only way for us to achieve that imperative in the highly competitive marketplace is for us to run our operations as efficiently and effectively as possible so that we can offer value to our customers through the provision of products that deliver both high quality and affordable service.

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In order for us to succeed in this effort, we must pursue the various network initiatives outlined in the DFA Plan. If we fail to do so, we won't grow our package business sufficiently, and the net result will be the financial failure of the Postal Service.

***While The Cost Savings and Operational Benefits of Any Single MPFR Study are Important, The Report Fails to Appreciate that Such Benefits Also Need to be Considered Collectively and Cumulatively as They are Compounded When Applied Across an Entire Nationwide Network***

To achieve our statutory obligations, the Postal Service is engaged in highly detailed planning processes, pursuant to our *Delivering for America* strategic plan, to assess the conditions of our deteriorated network and how to best correct those conditions through the engagement of modern logistics, engineering, and production processes. Based on these deliberations, we are pursuing a comprehensive transformation of our network so that it is based on Regional Processing and Distribution Centers (RPDCs) and Local Processing Centers (LPCs), which deploy standardized and logically sequenced operating plans and schedules for the movement of mail and packages, more sortation equipment, optimized transportation routes, and improved operating tactics to increase throughput, gain productivity, and increase asset utilization across the country. These improvements to Postal operations will enhance the level of service provided to the public; drive innovation and enable a broader array of postal products and services; enhance organizational competitiveness; improve efficiency and lower the cost to operate; and provide better workplaces and careers for Postal Service employees.

These broader planning and implementation efforts are distinct from the MPFR process, which is used to make a discrete operational decision: whether it makes business sense to implement a specific consolidation. The MPFR process is designed with this narrow purpose in mind. It is also designed to explain to interested parties the factors informing the Postal Service's deliberations of whether to consolidate specific facilities, to give such parties the opportunity to comment, in conformity with Section 302 of the PAEA.

***GAO's "Cost Estimating and Assessment Guide" is Largely Not Relevant to MPFRs, Yet GAO Still Selectively Over-Applies its "Best Practices" to Form Conclusions – Elevating Form Over Substance Without Any Tangible Benefits***

With this context in mind, the GAO report fails to demonstrate that it has identified any relevant concerns with the MPFR process or that its recommended changes to the process are necessary or appropriate. Instead, the GAO elevates form over substance but without identifying how the different form that it recommends would result in any meaningful improvements to the results.

In particular, the GAO report does not indicate that the MPFR process as currently structured fails to fully achieve its intended purposes, nor does the GAO identify any actual flaws or errors in the assessment of adjustments to mail operations, equipment, personnel and facility functions. Rather, the GAO compares the MPFR process to "best practices" set forth in its *Cost Estimating and Assessment Guide*. While the GAO recognizes that many of the "best practices" in its *Guide* are not relevant to the MPFR process given its limited scope, it judgmentally selects eight "best practices" that it considers to be relevant (without explaining the basis for its determination) and concludes that the MPFR process does not meet four of those practices. The Postal Service fundamentally disagrees that the GAO's identified "best practices" as selected and interpreted by GAO demonstrate any actual problems with the MPFR process, and therefore considers restructuring the MPFR process to be consistent with GAO's recommendations is nothing more than bureaucratic change that fails to enhance the utility of the MPFR process.

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**Appendix II: Comments from U.S. Postal Service**

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GAO also notes that the Postal Service Office of Inspector General recently made certain findings and recommendations concerning facility consolidations and the MPFR process. Irrespective of our views on those erroneous findings, what is clear here is that they are wholly irrelevant to this report.

The OIG raised questions concerning the threshold issue of whether to apply the MPFR process in the first place to a particular movement of processing operations, and not to the sufficiency of the process when conducted (which is purportedly the focus of this report). In addition, GAO's reference to the service issues experienced in Atlanta is also completely irrelevant to this report, as those issues had nothing to do with the MPFR process but concerned temporary execution issues in implementing the broader network reforms in the Atlanta region, which were particularly complex. Neither matter indicates any issue with the MPFR cost estimating methodologies and procedures themselves, and therefore they are red herrings in the context of this report.

GAO's first two recommendations are predicated on its view that the Postal Service's MPFR documentation is not detailed enough, in terms of describing all calculations and estimating methodologies that are used. The Postal Service disagrees: the level of detail provided in the MPFR workbooks is more than sufficient given the MPFR's intended purposes and is consistent with the statutory requirements that underlie the current MPFR process.

Throughout this engagement, the Postal Service clearly explained all underlying data sources and cost estimating calculations and methodologies to GAO, and further explained that the Postal Service does not incorporate all ground rules and assumptions in the MPFR workbooks because those ground rules and assumptions are well-understood within the Postal Service given decades of application. For example, the Postal Service did provide the relevant complement methodologies that are used to determine adjusted staff workhours, both in written form and in technical discussions, which fully explains the basis for those calculations.

GAO's discussion and recommendations do not call into question the substantive validity of the Postal Service's actual calculations and methodologies. Rather, GAO claims that adding additional information into the MPFR workbooks is appropriate because otherwise "decision-makers and oversight groups may have concerns about the credibility of cost estimates and may not have complete information for decision-making and oversight." However, in the context of deciding whether to implement a specific consolidation, the "decision-makers" are senior Postal Service officials, and the Postal Service has explained that the MPFR documentation provides more than enough information, based on detailed workbooks and well understood data sources, calculations, methodologies, and assumptions, for these officials to make the necessary decisions.

In addition, we do not believe that it is necessary or makes sense to increase the level of detail in the MPFR documentation simply to aid potential future inquiries by unspecified "oversight groups." The level of detail provided in the MPFR is more than sufficient to achieve the purposes of the MPFR process, in terms of enabling Postal Service decision-making and providing the public with a clear and understandable explanation of the factors being considered. Adding additional complexity into the MPFR documentation is neither necessary nor beneficial to achieving these purposes. As we did with this engagement, the Postal Service is always ready and willing to explain any aspect of the MPFR process to any relevant "oversight group" that may in the future wish to acquire additional information.

GAO's final two recommendations are predicated on its view that the Postal Service's MPFR process should include detailed sensitivity and risk analyses. We disagree that these "best practices" are applicable to the MPFR process, given its intended purposes. As noted above, the MPFR process is separate and distinct from the Postal Service's broader operational and strategic planning, in which the Postal Service is assessing the overall design of the network.



Appendix II: Comments from U.S. Postal Service

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Considerations of sensitivity and risk are evaluated by the Postal Service as part of these deliberations in an ongoing fashion regarding the network redesign, which is being pursued in an iterative, region-by-region basis that allows the Postal Service to proceed in a careful and deliberate manner and to make adjustments as necessary based on experience gained from prior implementations and changing circumstances.

The MPFR process, on the other hand, considers a discrete question, concerning the impact on costs, service, and employees if certain operations were conducted in one location rather than another. In assessing this question, the Postal Service already utilizes estimated savings capture ranges in the MPFR workbooks to reflect potential uncertainties of results at the gaining facility, the implementation of a reconstructed and updated MPFR workbook, and our historical knowledge of past consolidation savings. Moreover, the methodologies and assumptions employed for factors such as assumed workhour savings also is based on Postal Service operations and production processes generally that have withstood the test of time, and that are not facility specific.

Incorporating the extensive and unnecessary additional analyses that GAO recommends concerning sensitivity and risk would not add any meaningful information to the MPFR exercise. Rather, we believe it would potentially inhibit timely and efficient decision-making through paralysis by analysis. That result is untenable given the dire financial condition of the Postal Service. GAO states that these analyses should be incorporated into the MPFR process because otherwise the Postal Service "cannot provide a clear picture of the confidence in expected cost savings from proposed consolidations." However, as previously noted, the Postal Service considers the current process to provide a firm foundation to make specific and timely consolidation decisions that are the subject of the MPFR process, and employs specific post-implementation processes to validate results, which further confirm the accuracy of the process.

In summary, GAO's recommendations would make the MPFR process more complex and bureaucratically onerous for no valid reason. We disagree with GAO's reasoning that the selected "best practices" from its *Guide* demonstrate any deficiencies in the current MPFR process, or that changing the process in the manner suggested by GAO would be appropriate, beneficial, or useful. The Postal Service's current MPFR process fully meets our statutory mission to act in a business-like manner, while making operational decisions regarding specific facility consolidations based on a consideration of all relevant factors, and providing the public with notice and an opportunity to comment on potential consolidations. Altering the MPFR process to adhere to the purported "best practices" that GAO recommends would significantly increase the burden and complexity of the process, hindering its effectiveness, without adding anything that is relevant or material to the analysis being performed.

For the reasons stated above, USPS disagrees with GAO's four recommendations.



Doug A. Tulino

cc: Corporate Audit Response Management

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# Appendix III: GAO Contact and Staff Acknowledgments

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## GAO Contact

David Marroni, (202) 512-2834 or [marronid@gao.gov](mailto:marronid@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, Kyle Browning (Assistant Director), Betsey Ward-Jenks (Analyst in Charge), Jennifer Echard, William Liang, Jason Lee, Michael Soressi, Laurel Voloder, Brennan Williams, Malika Williams, Elizabeth Wood, and Edward Young made key contributions to this report.

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