



July 16, 2008

TERRY J. WILSON
VICE PRESIDENT, SOUTHEAST AREA OPERATIONS

SUBJECT: Audit Report – Miami Airport Mail Center Outsourcing
(Report Number EN-AR-08-004)

This report presents the results of our audit of the Miami, Florida Airport Mail Center (AMC) outsourcing initiative (Project Number 08XG013EN000). Our objectives were to evaluate the planning process, the operational and monetary impacts of this initiative, and its compliance with policies and procedures. The report responds to a request from the U.S. Postal Service and is part of our Value Proposition Agreement.¹ This is the second in a series of reviews examining outsourcing initiatives.² Click here to go to [Appendix A](#) for additional information about this audit.

Conclusion

The Postal Service's planning for the Miami AMC outsourcing initiative appeared adequate. Additionally, the Postal Service's decision to outsource some operations at the Miami AMC was supported and should reduce costs with minimal impact on service performance. Management generally complied with existing policies and procedures. To further enhance the process, we previously recommended the Postal Service conduct a post-implementation process to measure the results of this initiative.

Planning for Outsourcing

Planning for outsourcing of the Miami AMC appeared adequate, considering the facility was heavily damaged by Hurricane Wilma, which struck in late October 2005. The contract for sortation of destinating mail was established in late September 2006. Implementation of a permanent contract was delayed by the Article 32 process.³ Consequently, management made modifications to the temporary contract until the Article 32 process was completed. Click here to go to [Appendix B](#) for our analysis of this topic.

¹ A value proposition is a signed agreement between the U.S. Postal Service Office of Inspector General (OIG) and management to perform one or more specific audits in an agreed-upon time period.

² AMC outsourcing is one of many outsourcing initiatives of the Postal Service. Outsourcing is the use of outside resources to perform activities that internal staff and resources traditionally handle.

³ Article 32 of the Collective Bargaining Agreement between the Postal Service and labor unions requires the Postal Service to meet with unions while developing an initial comparative analysis and to consider the unions' views of costs and other factors in discussions of outsourcing.

Operational Impact

The operational impacts of the outsourcing of the Miami AMC were minimal, and outsourcing should reduce costs. Management eliminated excess capacity and reduced staff by an equivalent of 130 employees. Also, outsourcing had minimal impact on service performance. Click here to go to [Appendix B](#) for our detailed analysis of this topic.

Monetary Impact

Management's projected cost savings for the outsourcing of the Miami AMC were generally supported. However, management underestimated the cost savings by approximately \$3.3 million. This occurred because there was no specific guidance for preparing a cost savings analysis for closing and outsourcing AMC operations. Consequently, the analysis may not show the actual cost savings from outsourcing the Miami AMC. Click here to go to [Appendix B](#) for our detailed analysis of this topic.

Compliance with Policies and Procedures

Management generally complied with outsourcing policies and procedures for the Miami AMC, while dealing with the effects of a hurricane. Management considered outsourcing policies and procedures before outsourcing the sortation of destinating mail in Miami. Click here to go to [Appendix B](#) for our detailed analysis of this topic.

Measuring Results

Management did not conduct a post-implementation review (PIR) after outsourcing the Miami AMC to determine whether the outsourcing was cost-effective. The Postal Service had not established post-implementation guidance at the time the outsourcing was initiated. In a previous AMC outsourcing report, we recommended Postal Service Headquarters management develop⁴ a PIR process, and they are currently developing guidance. Without a review, there is no assurance that the outsourcing initiative achieved anticipated results. Click here to go to [Appendix B](#) for our detailed analysis of this topic.

Risk Factors

We determined that outsourcing Postal Service functions presents several potential risks that should be considered prior to outsourcing. Click here to go to [Appendix B](#) for our detailed analysis of this topic.

We recommend the Vice President, Southeast Area:

⁴ *St. Louis Airport Mail Center Outsourcing* (Report Number EN-AR-08-002, dated February 29, 2008).

1. Perform a post-implementation review (PIR) to determine the cost savings from this initiative⁵ once PIR guidance has been developed by headquarters management.

Management's Comments

Management agreed with our findings and recommendation and will implement corrective action. Management's comments, in their entirety, are included in [Appendix J](#).

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendation in the report. The OIG considers the recommendation significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. This recommendation should not be closed in the follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed. Management's corrective actions should resolve the issues identified in the report.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Michael A. Magalski, Director, Network Optimization, or me at (703) 248-2100.

E-Signed by Darrell E. Benjamin, 
VERIFY authenticity with ApproveIt

for

Colleen A. McAntee
Deputy Assistant Inspector General
for Mission Operations

Attachments

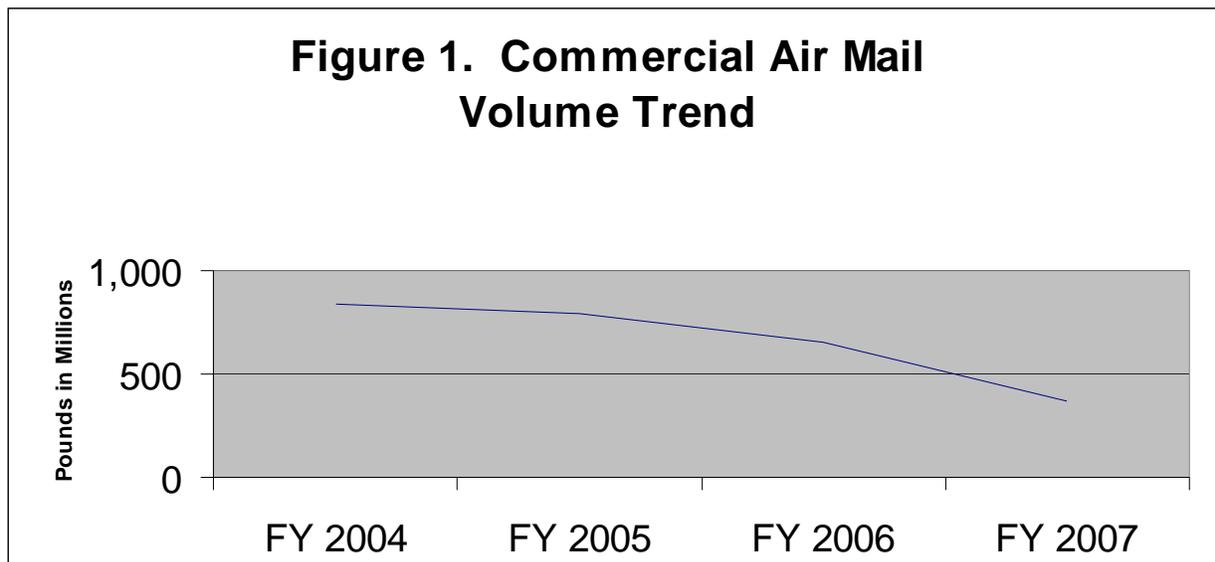
cc: Patrick R. Donahoe
William P. Galligan
Anthony M. Pajunas
Tammy J. Autenrieth
Cynthia F. Mallonee
Katherine S. Banks

⁵ Savings and cost estimates should be revised to include additional transportation required after the AMC closed.

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

The Postal Service maintains AMCs and airport mail facilities (AMF)⁶ to expedite the transfer of mail to and from commercial air carriers. This transfer is called the tender and receipt of mail. In many cases, these airport facilities have excess capacity as a result of declining volumes of mail tendered to commercial air carriers. Commercial air volume has declined from approximately 837 million pounds of mail in fiscal year (FY) 2004 to 368 million pounds in FY 2007. Figure 1 shows this trend. To address this issue, the Postal Service began standardizing AMCs by returning non-core AMC operations to processing and distribution centers (P&DC) and bulk mail centers (BMC). This standardization enabled the Postal Service to reduce inefficiency, improve productivity, and reduce costs at AMCs.



The Postal Service identified Network Integration and Alignment (NIA) as a strategy in the *Transformation Plan*.⁷ NIA's charter was to create a flexible logistics network that would reduce costs for both the Postal Service and its customers, increase operational effectiveness, and improve consistency of service. In 2003, the President's Commission⁸ found the Postal Service had more facilities than needed and recommended optimizing the facility network.

⁶ We use the term AMC in this report to refer to both AMCs and AMFs, which perform essentially the same functions and have the same operations. AMCs are generally larger than AMFs.

⁷ United States Postal Service's *Transformation Plan*, dated April 2002.

⁸ *Report of the President's Commission on the United States Postal Service*, dated July 31, 2003.

The *Strategic Transformation Plan 2006-2010*⁹ stated the efforts to create a flexible network to increase productivity and effectiveness — formerly called NIA — would continue as an evolutionary process called Evolutionary Network Development. One of these efforts was to reexamine the role of AMCs to determine whether these facilities could be reduced and better coordinated using third-party facilities (contracting out). The *2006 Annual Progress Report*¹⁰ noted that because of the consolidation of air contractors and expansion of the surface transportation network, the Postal Service was reviewing AMCs. At that time, management was considering contracting out operations at 43 AMCs. The *Strategic Transformation Plan 2006-2010, 2007 Update*¹¹ noted that some non-core operations were transferred from AMCs to processing plants. More than 40 facilities were standardized, and additional facilities were to be standardized in 2008.

In December 2006, the Postal Accountability and Enhancement Act¹² (Postal Act of 2006) required the Postal Service to provide a facilities plan that would include a strategy for rationalizing the facilities network and removing excess processing capacity and space from the network.

Because of security restrictions imposed by the Federal Aviation Administration after September 11, 2001, the Postal Service no longer used commercial passenger aircraft for Priority Mail®. Consequently, there was a significant decrease in the volume of mail tendered to commercial passenger carriers. Priority Mail was tendered to Federal Express and United Parcel Service and containerized by terminal handling services in specially configured facilities. This contributed to the underutilization of AMC facilities. Before the initiative to outsource and reduce the number of AMCs, the Postal Service had 80 AMCs — 12 percent of the facilities in the processing network. Click here to go to [Appendix C](#) for the status and disposition of AMCs as of March 31, 2008.

In January 2006, management implemented a nationwide integrated air strategy that included reducing reliance on passenger airlines; renegotiating and renewing the Federal Express contract; and where possible, shifting mail moved by air to less costly ground transportation. This strategy would allow the Postal Service to eliminate infrastructure because contractors would perform tender and receipt of mail and other AMC core operations, reducing or eliminating the need for some AMCs.

In September 2006, the Postal Service issued a new commercial air contract with seven air carriers: American Airlines, American Trans Air, Continental, Jet Blue, Midwest Express, Sun Country, and US Airways/America West. In April 2007, the Postal Service added an eighth air carrier, United Airlines, on a trial basis. The previous commercial air contract used 17 air carriers. At the same time, the Postal Service continued with its air-to-surface initiative, which diverted 3-day First-Class Mail® volume to surface

⁹ *Strategic Transformation Plan 2006-2010*, dated September 2005.

¹⁰ *Strategic Transformation Plan 2006-2010, 2006 Annual Progress Report*, dated December 2006.

¹¹ *Strategic Transformation Plan 2006-2010, 2007 Update*, dated December 2007.

¹² *Postal Accountability and Enhancement Act*, Public Law 109-435, dated December 2006.

transportation. This reduction of air carriers and increased use of surface transportation provided an opportunity to use direct tender and receipt of mail.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to evaluate planning for the Miami AMC outsourcing initiative, its operational and monetary impacts, and compliance with relevant policies and procedures. To accomplish the objectives, we interviewed Postal Service managers; visited the Miami, Florida, P&DC, a P&DC annex, the former Miami AMC, and the current contractor's facility; and performed a limited review of Article 12 and Article 32 processes the Postal Service followed to terminate and outsource AMC operations. We also reviewed the outsourcing cost analysis for accuracy and support, and service performance before and after the hurricane and after some core operations were outsourced. In addition, we reviewed available guidance for outsourcing mail processing operations at AMCs, and the implications of the Postal Act of 2006.

We relied on several Postal Service data systems: Web Management Operating Data System and Enterprise Data Warehouse System, which includes the Transit Time Measurement System. We did not test the controls over these systems. However, we checked the accuracy and reasonableness of the data by confirming our analysis and results with management and by consulting different data sources. We found no material differences. Because the comparative analysis developed to evaluate AMC outsourcing could not be used to project cost savings, we relied on other documents to complete our analysis.

We conducted this performance audit from November 2007 through July 2008 in accordance with generally accepted government auditing standards and included tests of internal controls that were necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management officials on April 29, 2008, and included their comments where appropriate.

PRIOR AUDIT COVERAGE

The report titled *St. Louis Airport Mail Center Outsourcing* (Report Number EN-AR-08-002, dated February 29, 2008) found that the decision to outsource some operations at the St. Louis AMC was supported and should reduce costs with minimal impact on service performance. However, management could have improved planning for this initiative. Management generally complied with policies and procedures, but opportunities existed to formalize lessons learned and best practices and enhance guidance for measuring results. Management agreed with our recommendations to

formalize lessons learned, establish a PIR program for AMCs, and conduct a PIR for the St. Louis AMC.

GOVERNMENT ACCOUNTABILITY OFFICE AUDIT

On August 28, 2007, the Government Accountability Office (GAO) announced a review of Postal Service outsourcing. The GAO plans to assess recent trends and future plans in outsourcing; how the Postal Service manages, oversees, and measures performance of outsourcing functions; and estimated cost savings of outsourcing functions.

APPENDIX B: DETAILED ANALYSIS

Planning for Outsourcing

The outsourcing of some operations at the Miami AMC met the organization's strategic goal of realigning the network to reduce costs. Planning for the outsourcing of sortation of destinating mail from the Miami AMC appeared adequate, considering the facility was heavily damaged by a hurricane and management had to expedite the closure and outsourcing of the AMC.

- Hurricane Wilma struck the Miami, Florida, area on October 24, 2005, severely damaging the Miami AMC. Portions of the roof were torn off and the interior of the building sustained water damage. Click here to go to [Appendix D](#) for photographs of the damage to the Miami AMC from Hurricane Wilma. Management took aggressive action, and within a few days after the hurricane struck, mail processing was restarted. All AMC operations and personnel were relocated, mainly to the Miami P&DC. In addition, management arranged temporary transportation to move the mail between the P&DC, the airlines, and the Miami International Service Center (ISC). In mid-November 2005, the unions were notified that the facility would not reopen.
- The Article 32 process for the Miami AMC began in November 2005 when management provided the unions a draft initial comparative analysis. This comparative analysis indicated outsourcing the core operations¹³ of dispatch and receipt of mail at the Miami AMC would be more efficient and cost-effective than opening and operating an airport transfer center (ATC).¹⁴ The analysis used an ATC as a baseline for comparison purposes.¹⁵ The comparison was made using the assumption that the ATC would perform only the core operations of dispatch, receipt, and ramp activities at the facility. The Article 32 process was completed at the end of September 2006. The final comparative analysis compared an ATC with outsourcing the handling of destinating mail.¹⁶ Management did not perform an analysis that compared the benefits of moving all AMC operations to other Postal Service facilities. Management stated that due to the damage to the AMC following the hurricane, the facility was uninhabitable. Therefore, it was not feasible to follow the standard process.

¹³ AMC core functions include assigning mail to flights, receiving and dispatching mail to and from air carriers (tender and receipt of mail), accepting and sorting mail to and from plants, performing quality control of air carrier operations, and managing functions specific to airport operations.

¹⁴ An ATC is a facility operated by Postal Service employees responsible for tendering and receiving mail to commercial airlines.

¹⁵ In outsourcing guidance, this is referred to as the most efficient internal operation.

¹⁶ Outsourcing at the Miami AMC covered the handling of destinating mail only. Originating mail is processed at local Postal Service facilities. The handling of destinating mail includes receiving incoming mail from air transportation suppliers; scanning and separating mail into ZIP Code ranges (sortation); and containerizing the mail for dispatch to other Postal Service facilities for delivery.

- After the hurricane, Postal Service management and American Airlines management worked together to ensure the continuous flow of mail. On February 6, 2006, American Airlines officially began sortation of some mail previously sorted at the AMC. This sortation was performed in the American Airlines cargo facility at the Miami International Airport. During the Article 32 process, Postal Service management modified the 2003 Commercial Air (CAIR-03) contract¹⁷ to include the handling of destinating mail in Miami by American Airlines. This modification was extended twice. Management solicited bids from several airlines in Miami, but no other airline was interested in handling this mail. Through the Article 32 process and modifications to the current CAIR-06 contract, American Airlines was awarded permanent contracts at the end of September 2006 for handling domestic and international mail in Miami. The Article 32 process took approximately 11 months. Click here to go to [Appendix E](#) for a timeline of the sequence of events for the Miami AMC after the hurricane and a second timeline of the Miami AMC outsourcing initiative.

Because of the time required to complete the Article 32 process, management had to make multiple modifications to the temporary contract. In addition, management may have overlooked some viable planning options by comparing outsourcing only to an ATC.

Operational Impact

We concluded that by outsourcing some functions of the Miami AMC and performing the remaining functions in other Postal Service facilities, management eliminated excess capacity with minimal impact on service performance.

- Excess Capacity – Relocating operations and outsourcing some Miami AMC functions reduced the number of employees and workhours and permitted elimination of a facility. These actions should reduce costs.
 - Management reduced staff by an equivalent of 130 employees after closing the Miami AMC and outsourcing the sortation of destinating mail. Before the hurricane struck and the Miami AMC was closed, 239 employees were performing core and non-core AMC operations. After all AMC operations were moved to other facilities, 79 employees continued to perform AMC-type work. An additional 30 employees were added to the Miami P&DC to perform operations previously conducted at the Miami AMC.
 - By closing the AMC and outsourcing its functions, management eliminated the need for a facility in a high-cost location. The Postal Service leased both

¹⁷ CAIR-03 was the predecessor to the current contract, CAIR-06, for transportation of domestic mail by passenger airlines.

the land and building for the Miami AMC at a cost of \$2,062,019 annually. The lease was scheduled to expire on July 31, 2008.

- Service Performance – We concluded that outsourcing some Miami AMC operations had minimal impact on service performance. We evaluated service performance for 2- and 3-day destinating First-Class Mail starting in May 2005, before Hurricanes Katrina and Wilma; in FY 2006, after the hurricane had damaged the facility and all operations had been relocated; and in FY 2007, after some operations had been outsourced. Service performance was initially affected by the hurricanes, but gradually improved.
 - On-time service performance for 2-day destinating mail decreased to 83.4 percent in October 2005, but by February 2006 had increased to 92.7 percent. The goal was 91 percent in FY 2005 and 92 percent in FYs 2006 and 2007. Click here to go to Chart 1, [Appendix F](#), for 2-day on-time service performance by month.
 - On-time service performance for 3-day destinating mail dropped to 76.6 percent in October 2005 and 66.5 percent in December 2005, but increased to 89.9 percent by March 2006. The goal was 90 percent for all 3 fiscal years. Click here to go to Chart 2, [Appendix F](#), for 3-day on-time service performance by month.
 - The drop in service performance may have been partially due to the Christmas mailing season.

The Postal Service measured contractor performance for the Miami AMC operations by delivery scans. The contract for handling destinating mail in Miami required that each mail handling unit¹⁸ be scanned, placed into Postal Service containers, and made available for Postal Service employees to pick up within 1 hour after accepting the mail from the air transportation supplier. Mail that is not scanned may result in nonpayment to the contractor. The contractor's on-time performance exceeded the standard of 93 percent in 9 of the 12 months during the first year of the contract. On-time performance ranged from a low of 88.1 percent to a high of 96.9 percent. Click here to go to Chart 3, [Appendix G](#), for contractor performance.

¹⁸ A handling unit is defined as an individual package, parcel, letter tray, flat tub, or sack.

Monetary Impact

Our analysis determined that Postal Service cost savings projections were generally supported, but may be underestimated by approximately \$3.3 million. Management estimated a total cost savings of approximately \$4.2 million; however, we estimated a total cost savings of approximately \$7.5 million.¹⁹ Table 1 compares cost savings calculated by the Postal Service to OIG calculations.

	OIG Projections	Postal Service Projections	Difference
Labor	\$ 6,267,199	\$ 2,529,759	\$ 3,737,440
Facility	2,062,019	2,062,019	0
Transportation	(283,586)	0	(283,586)
Other Costs	245,739	103,170	142,569
Contract	(771,571)	(456,953)	(314,618)
Total	\$ 7,519,800	\$ 4,237,995	\$ 3,281,805

We attributed the understatement to the following factors:

- Management used FY 2006 actual costs for labor and other costs. FY 2006 expenditures were considerably less than FY 2005 expenditures because FY 2006 only included a few months of AMC expenses.
- Management did not include additional transportation costs required for movement of mail to and from the contractor facility.
- Management estimated contract costs at the FY 2006 commercial volumes at \$.025 per pound. Management did not include international volumes at \$.055 per pound.

Savings projected by the Postal Service did not include all costs or savings because there was no specific guidance for determining what to include in a cost savings analysis for closing and outsourcing AMC operations and no specified time period to use for an analysis.²⁰ Consequently, the analysis may not show the actual cost savings of outsourcing the Miami AMC.

¹⁹ We used FY 2005 data (the year before the hurricane) to capture all labor and other cost savings associated with the closure and outsourcing of the Miami AMC.

²⁰ The Postal Service included one-time costs for partial year rent, facility start-up costs, equipment moving, and restoration, which are not reflected in the projected cost savings chart. Restoration one-time costs of \$187,000 were associated with returning the facility to its original condition.

Compliance with Policies and Procedures

Management generally complied with outsourcing policies and procedures, including Article 12²¹ and Article 32 of the national agreement with the unions, although compliance may be tested by arbitration. In November 2005, shortly after Hurricane Wilma heavily damaged the Miami AMC, management advised the unions that the Miami AMC facility would not reopen. Management met with the unions while developing the comparative analysis for the Miami AMC, as required by Article 32 of the national union agreements. Article 32 requires the Postal Service to consider five factors when considering outsourcing. The Postal Service's and the OIG's consideration of the five factors are described in [Appendix H](#).

The National Postal Mail Handlers Union and the American Postal Workers Union initiated a national dispute regarding the Article 32 process for outsourcing the Miami AMC. This dispute has not been arbitrated and is not scheduled for arbitration.

Measuring Results

Management generally complied with outsourcing policy and procedures during the Miami AMC closure. Based on our review of the St. Louis AMC outsourcing, we recommended and management agreed to establish a policy requiring PIR-type reviews.²² However, at the time of the Miami AMC closure, management did not require PIRs for outsourcing initiatives. A PIR process would help improve management accountability and transparency and indicate whether the outsourcing initiative achieved the anticipated results.

The Postal Act of 2006 requires the Postal Service to establish a facilities plan, which must include information on cost-saving initiatives. The Postal Act of 2006 also requires the Postal Service to submit an annual report to Congress on how its decisions have impacted or will impact network rationalization plans. This report must include actions taken to identify excess capacity in the processing, transportation, and distribution networks, and must state how the Postal Service saved funds by realigning or consolidating facilities. The report must include overall estimated costs and cost savings.

Comparing projected with actual results after outsourcing and closing an AMC ensures accountability for decision making, helps management meet goals and objectives, and informs Congress about how outsourcing and closing a facility affects network rationalization.

²¹ Article 12 of the Collective Bargaining Agreement applies when a major relocation of employees is planned in a major metropolitan area. The Postal Service must meet with the unions at the national level at least 90 days in advance of the plan's implementation and must also meet with unions at the regional level in advance of the relocation (6 months in advance, if possible). When an independent installation is discontinued, full-time and part-time employees will be involuntarily reassigned to continuing installations, to the maximum extent possible.

²² *St. Louis Airport Mail Center Outsourcing* (Report Number EN-AR-08-002, dated February 29, 2008).

Risk Factors

Outsourcing Postal Service functions has several potential risks that should be addressed prior to outsourcing. The risk factors are contracting out, labor agreements, contingent liabilities, process efficiency, customer service, and security of the mail. Click here to go to [Appendix I](#) for details.

**APPENDIX C: STATUS OF AIRPORT MAIL CENTERS
AS OF MARCH 31, 2008**

Status of AMCs as of March 31, 2008	
	Number of Facilities
Outsourced	13
Planned to be outsourced (date to be determined)	11
Direct tender/receipt (in-house)	12
To be direct tender/receipt	1
Changing from in-house to outsourced	1
Not considered for outsourcing	4
Reclassifying as P&DC	8
Reclassifying as carrier unit	2

Note: The Miami AMC is one of the 13 outsourced facilities.

**APPENDIX D: PICTURES OF HURRICANE DAMAGE TO THE MIAMI
AIRPORT MAIL CENTER**

Roof and Inside of Miami AMC After Hurricane Wilma



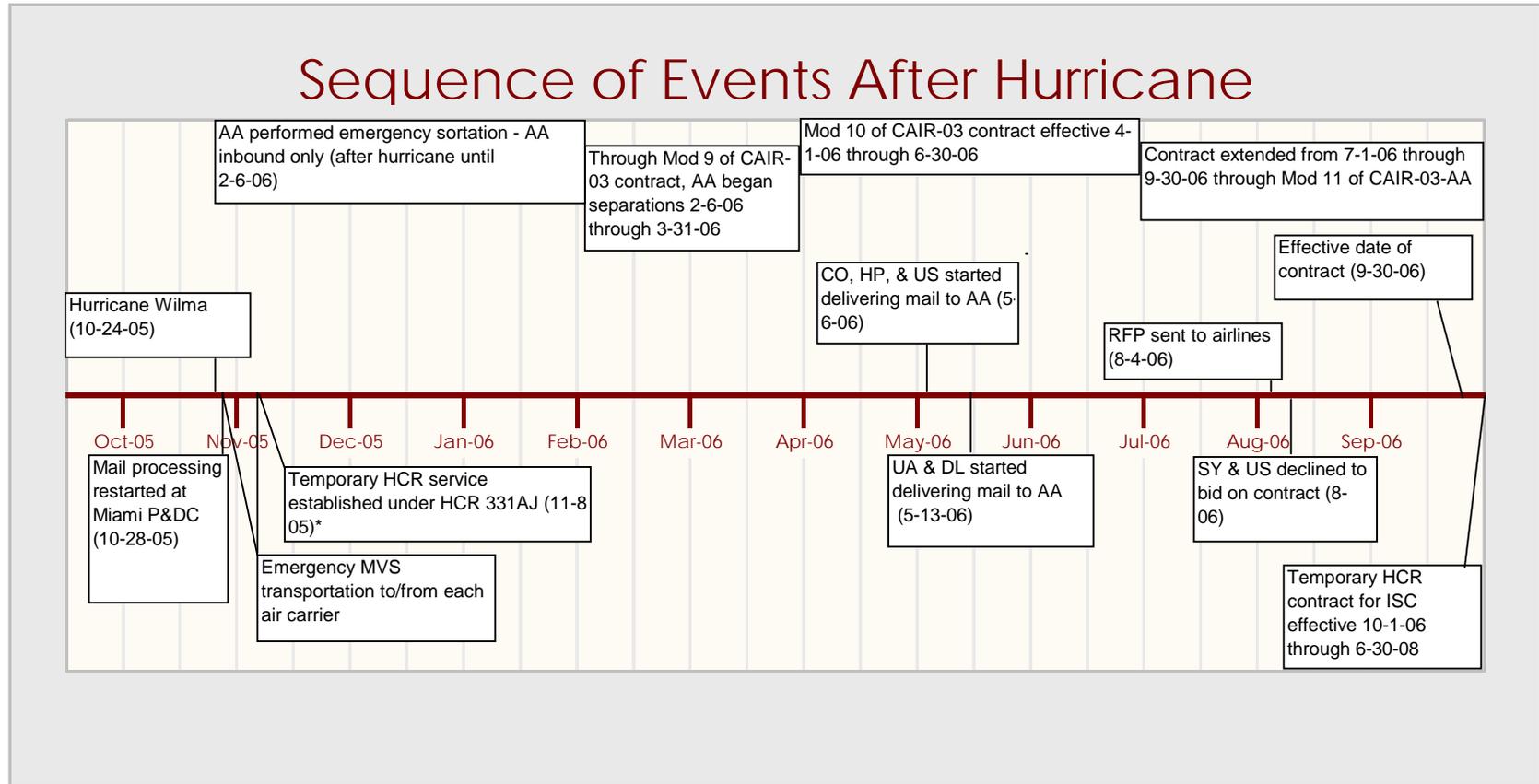
Ceiling and Roof of Miami AMC from Inside Building



Miami AMC Roof with Sections Missing



APPENDIX E: MIAMI AIRPORT MAIL CENTER TIMELINE



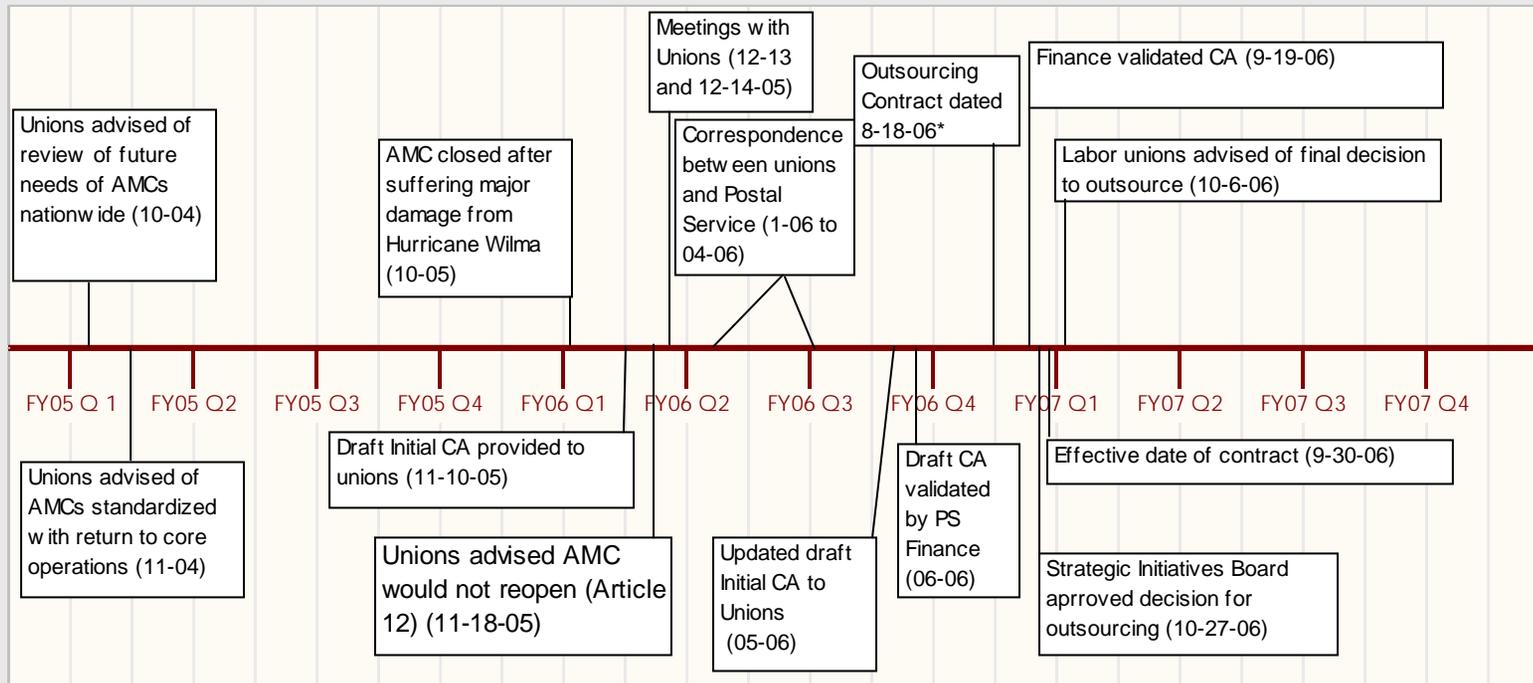
Abbreviations/Acronyms:

AA – American Airlines
 CO – Continental Airlines
 DL – Delta Airlines
 HCR – highway contract route
 HP – America West Airlines
 Mod – modification

MVS – motor vehicle service
 RFP – request for proposal
 SY – Sun Country Airlines
 UA – United Airlines
 US – US Airways

*Temporary service added to HCR contract effective 1/6/07.

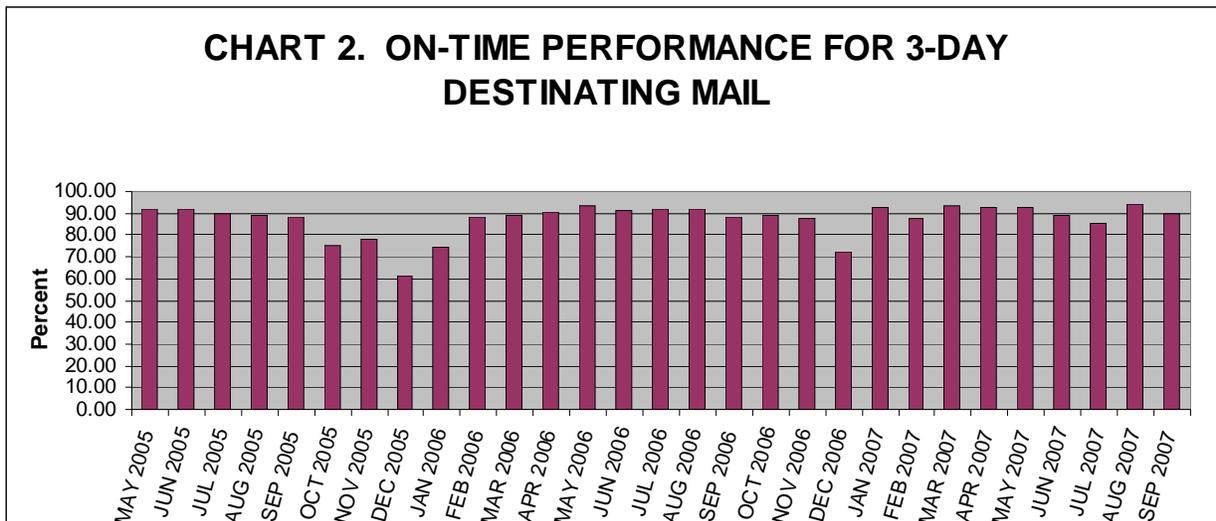
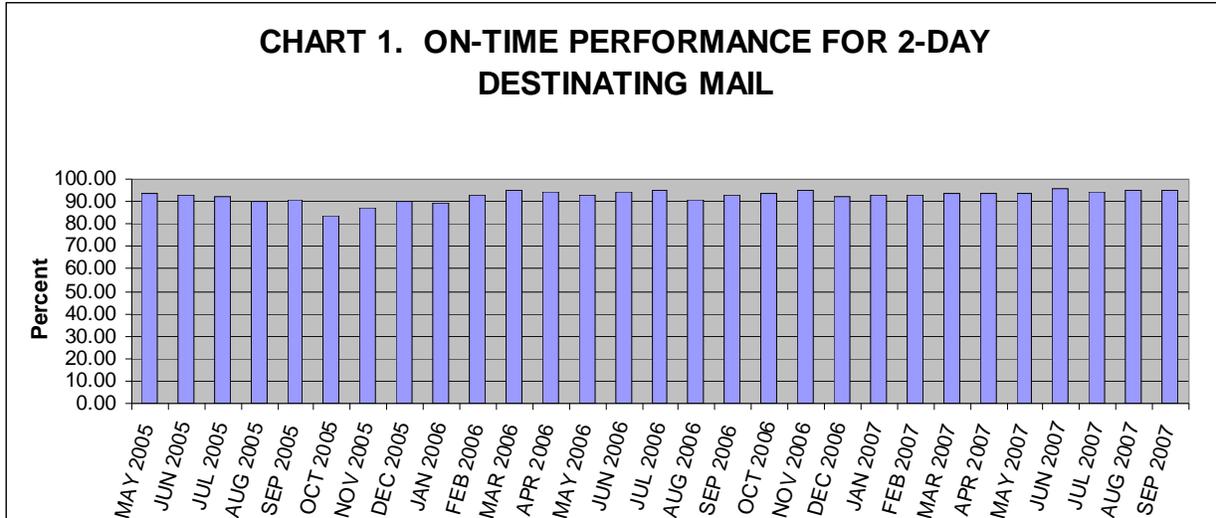
Outsourcing of Miami AMC Timeline



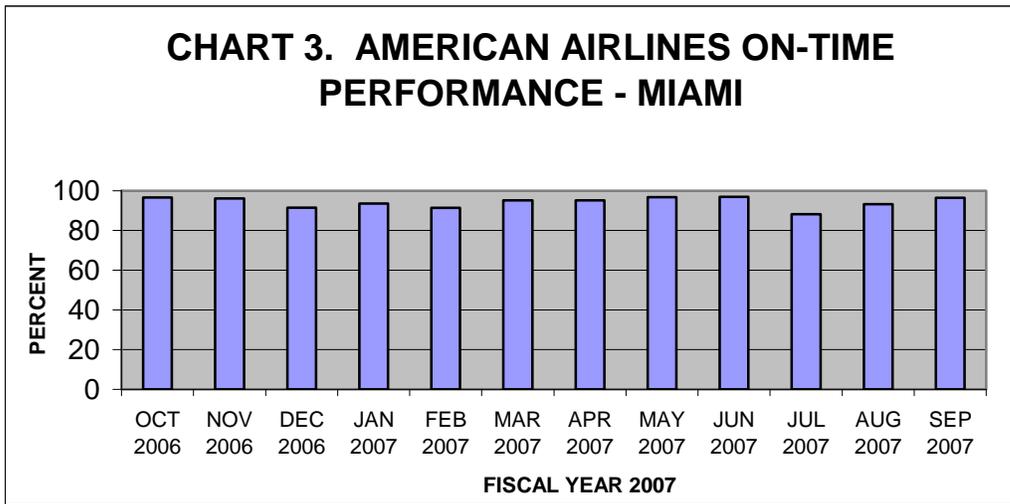
* Modification to CAIR-06-AA

Abbreviations/Acronyms:
 CA – Comparative Analysis
 Q – Quarter

APPENDIX F: ON-TIME PERFORMANCE



APPENDIX G: ON-TIME PERFORMANCE OF AMERICAN AIRLINES



APPENDIX H: FIVE ARTICLE 32 FACTORS

Five Factors		
	Postal Service	OIG
Public Interest	Primary goal of Transformation Plan is to reduce costs and stabilize rates for customers. Use of a contractor provides a more favorable bottom line for the Postal Service and is in the best interest of the public.	Overall, costs are reduced and service performance is not adversely affected, which serves the public interest.
Cost	The combination of eliminating a costly, oversized Postal Service-maintained facility and properly identifying requirements for a replacement facility should significantly reduce costs.	Outsourcing costs are less than the cost of maintaining, staffing, and operating the facility with Postal Service resources.
Efficiency	The combination of eliminating a costly, oversized Postal Service-maintained facility and properly identifying requirements for a replacement facility should significantly improve efficiency.	Mail can be processed with fewer resources, resulting in improved efficiency.
Availability of Equipment	The types and quantity of containers and other equipment used will not change. There should be no impact with either an in-house or outsourced approach.	No impact on equipment with either in-house or outsourcing.
Qualification of Employees	Both Postal Service and contractor employees are equally qualified to provide the required services.	Both Postal Service and contractor employees are qualified to tender and receive the mail.
Conclusion	Outsourcing will have an impact on Postal Service employees, but will improve processing efficiencies for mail transported by air and can be achieved at a lower cost than using Postal Service labor in a properly-sized facility.	Outsourcing is justified when it results in significant savings without a negative impact on service or efficiency.

APPENDIX I: RISK FACTORS

Redacted

APPENDIX J: MANAGEMENT'S COMMENTS

TERRY J. WILSON
VICE PRESIDENT, AREA OPERATIONS
SOUTHEAST AREA



July 1, 2008

BRIAN NEWMAN
ACTING DIRECTOR, AUDIT OPERATIONS
OFFICE OF INSPECTOR GENERAL

SUBJECT: Response to Draft Audit Report – Miami Airport Mail Center
Outsourcing (Report Number EN-AR-08-DRAFT)

This is in response to the Draft Audit Report – Miami Airport Mail Center Outsourcing (Report Number EN-AR-08-DRAFT). We concur with the findings of the OIG with respect to proper planning of outsourcing the Miami AMC operations. Outsourcing was implemented with proper planning given the fact that the Miami AMC was badly damaged by a hurricane and a replacement was required immediately.

OIG Recommendation:

1. Perform a post-implementation review (PIR) to determine the cost savings from this initiative * once PIR guidance has been developed by headquarters management. (*Savings and cost estimates should be revised to include additional transportation required after the AMC closed.)

Management Response:

1. As recommended, the Southeast Area will complete a formal Post Implementation Review of the service impacts and cost savings of the Miami AMC outsourcing initiative.

A handwritten signature in black ink, appearing to read "Terry J. Wilson".

Terry J. Wilson

cc: Mr. Pajunas
Mr. Granholm
Ms. Autenrieth
Ms. Mallonee
Ms. Banks

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