



September 15, 2008

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MANAGER, LOGISTICS

SUBJECT: Management Advisory Report – Best Practices for Post-Implementation Reviews of Airport Mail Center Initiatives (Report Number EN-MA-08-002)

This report presents the results of our review of the Best Practices for Post-Implementation Reviews of Airport Mail Center (AMC) Initiatives (Project Number 08XO005EN000). The report responds to a request from the Vice President, Network Operations. Our objective was to identify best practices associated with post-implementation reviews (PIR) for outsourcing and consolidation initiatives. This review addresses both strategic and operational risks. Click [here](#) to see the attached PowerPoint presentation for additional information about this review.

Conclusion

Our review identified best practices in the use of PIRs at other government organizations. These best practices help to determine whether outsourcing initiatives achieve intended results, and could be of assistance to the U.S. Postal Service.

Best Practices Associated with Post-Implementation Reviews

Postal Service management requested assistance in developing a PIR process for the AMC outsourcing initiatives. Management's request was in response to a previous U.S. Postal Service Office of Inspector General (OIG) audit recommendation.¹

This management advisory report identifies best practices associated with PIRs from other federal agencies. In addition, the OIG identified the essential elements for conducting PIRs of outsourcing and consolidation initiatives. The PIR process should assist management in identifying savings achieved by these initiatives. Results from the PIR process should provide management with data for complying with requirements in the Postal Accountability and Enhancement Act to report the savings and costs from realignment or consolidation initiatives. See Table 1 for a suggested PIR framework.

¹ *St. Louis Airport Center Outsourcing* (Report Number EN-AR-08-002, dated February 29, 2008).

TABLE 1. PIR FRAMEWORK

PLAN THE PIR
Use an independent team
Use data for last four quarters prior to start of initiative as a baseline
Conduct review 12 months after initiative has been fully implemented
ASSESS THE INITIATIVE
Background information
Customer satisfaction
Customer and service impacts
Equipment relocation and maintenance, if any
All costs associated with the initiative, including: contract, contract administration, additional transportation requirements, staffing, workhour costs, added costs to facilities affected by the initiative
All savings associated with initiative, including: reduction in staffing and workhours, reduction in indirect costs, reduction in transportation costs
Identify other cost savings programs which could affect results, but were not associated with the initiative
Any unanticipated costs/savings from the initiative
Efficiency gains/losses at all facilities affected by the initiative
Comparison of estimated costs/savings to actual costs/savings
Determine why there were any differences in costs/savings
PREPARE THE REPORT
Include summary narratives that address the issues
Compare the approved plan with the implemented project
Obtain signatures of appropriate levels of management to ensure awareness of successes and deficiencies resulting from the initiative
Maintain supporting documentation for at least 3 years after the PIR

We discussed our observations and conclusions with management officials on August 13, 2008. This report is provided for information only and although a response was not required, we provided Postal Service management the opportunity to comment on the report. Management stated they appreciated the review and thought the information provided would assist in the development of the AMC PIR process, but had no specific comments.

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 Robert Batta 
VERIFY authenticity with ApproveIt


Robert J. Batta
Deputy Assistant Inspector General
for Mission Operations

Attachment

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Best Practices for Post-Implementation Reviews of Airport Mail Center Initiatives

(Project Number 08XO005EN000)



APPENDIX A: Additional Information

- Background
 - Management requested assistance in establishing a post-implementation review (PIR) process for Airport Mail Center (AMC) outsourcing based on our recommendation in the St. Louis AMC Outsourcing report.
 - The Postal Service's strategic objectives state the Postal Service is committed to improving its operational efficiency by consolidating mail processing operations.
 - The Postal Service's *2006 Strategic Transformation Plan* includes efforts to create a flexible network to increase productivity and effectiveness. One of these efforts was to re-examine the role of AMCs to determine if these facilities could be reduced and better coordinated using third-party facilities.



APPENDIX A: Additional Information (continued)

- Background (continued)
 - The Postal Accountability and Enhancement Act (Postal Act of 2006) required the Postal Service to:
 - Provide a facilities plan, including a strategy for:
 - rationalizing the facilities network and
 - removing excess processing capacity and space from the network.
 - 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,
 - state how the Postal Service saved funds by realigning or consolidating facilities, and
 - include overall estimated costs and cost savings.
 - In June 2008, Postal Service issued their Network Plan.



APPENDIX A: Additional Information (continued)

- Prior Audit Coverage
 - OIG, *St. Louis AMC Outsourcing* (Report Number EN-AR-08-002, February 29, 2008)
 - OIG, *Miami AMC Outsourcing* (Report Number EN-AR-08-004, July 16, 2008)
 - Government Accountability Office, *Data Needed to Assess the Effectiveness of Outsourcing Results* (GAO-08-787, July 24, 2008)



APPENDIX A: Additional Information (continued)

OBJECTIVE

Identify best practices associated with post-implementation reviews for outsourcing and consolidation initiatives.



APPENDIX A: Additional Information (continued)

Scope and Methodology

To accomplish our objective, we:

- Reviewed Postal Service guidance related to outsourcing initiatives and consolidation of Postal Service facilities.
- Reviewed other government agency guidance for conducting PIRs.
- Reviewed other entities' guidance regarding PIRs.
- Determined risks associated with not performing a PIR.
- Performed analyses as necessary.

Limitation: This review was limited to benchmarking PIR processes and procedures.

We conducted this review from April through September 2008 in accordance with the President's Council on Integrity and Efficiency, *Quality Standards for Inspections*. We discussed our observations and conclusions with management officials on August 13, 2008, and included their comments where appropriate.



APPENDIX B: Detailed Analysis

Best Practices Associated with PIRs

- Postal Service management requested OIG assistance in developing a PIR process for AMC outsourcing and consolidation.
- Management requested this assistance because they did not have a PIR process for AMC outsourcing initiatives.
- OIG identified best practices associated with PIRs from other federal agencies.
- OIG also identified the essential elements for conducting PIRs of outsourcing and consolidation initiatives.
- Results from the PIR process should provide management with data for complying with Postal Act of 2006 requirements to report savings and costs from these outsourcing initiatives.



APPENDIX B: Detailed Analysis (continued)

Best Practices Associated with PIRs (Benchmarking)

- We noted best practices in the following areas (see Appendix C):
 - Uses for PIRs
 - Questions answered by PIRs
 - Standardization of PIRs
 - Who conducts the PIR and when
 - Focus of the PIR
 - Methodology and steps for a PIR
 - Questions to ask during the PIR process
 - Inclusion of recommendations
 - Baselines used by other organizations
 - Common problems encountered



APPENDIX B: Detailed Analysis (continued)

Best Practices Associated with PIRs (Flowchart and Framework)

- We constructed a four-step flowchart of the PIR process based on our benchmarking results. (See Appendix D.)
 - Plan the PIR
 - Focus of the PIR
 - Collect and analyze data
 - Provide feedback and lessons learned
- We created a PIR framework that provides suggestions for a Postal Service PIR program. This framework is a combination of benchmarking and our assessment. This is a 3-part process. (See Appendix E.)
 - Plan the PIR
 - Assess the AMC outsourcing initiative
 - Prepare a report with findings, recommendations, and lessons learned



APPENDIX B: Detailed Analysis (continued)

Best Practices Associated with PIRs (Potential Risks)

We determined there were several potential risks associated with not performing PIRs for outsourcing and consolidation of Postal Service functions. (See Appendix F.)



APPENDIX C

Best Practices for PIRs of Outsourcing and Consolidation Initiatives

Question	Response	Benchmarked Organization
What is a PIR used for?	All investment programs (systems & equipment, facilities, and services)	U. S. Department of Transportation, Federal Aviation Administration (FAA)
	Ensure competitive sourcing process is realizing savings and performance improvements	General Services Administration (GSA)
What questions should a PIR address?	Did the organization get what it needed, and if not, what should the organization do?	U.S. Department of Defense (DoD)
	Was the consolidation effective? Were the proposed savings and/or costs achieved? What was the outcome of the activity? Why did failure occur?	United States Postal Service (USPS)
Are PIRs standardized?	PIRs are tailored to the size, complexity, and importance of an investment program or set of programs.	FAA
	PIR process may be tailored to the specific initiative being reviewed.	GAO guidance (GAO -04-394G)
	PIRs are completed within specific timeframes, and specified worksheets, some with nested formulas, that are required to be used.	USPS



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APPENDIX C (continued)

Question	Response	Benchmarked Organization
Who conducts the PIR?	The PIR evaluation team should be independent. Team members should not have participated in actual development of the system and should not include anyone who could benefit from either a positive or negative PIR report.	U.S. Department of Education, Federal Student Aid (FSA)
	Team Leader should not be from the service organization implementing the program.	FAA
When should a PIR be conducted?	6-18 months after deployment at an operational site after initial problems have been worked out.	FAA
	PIRs should also be conducted for cancelled projects.	GAO/AIMD-10.1.13
	For AMPs ¹ , the first PIR must be completed within 30-days after the 2nd full quarter after implementation. A second PIR is completed within 30 days after the first full year of implementation.	USPS
What is the focus of a PIR?	Investment expectations, actual results (end-user satisfaction, mission and program impact, unanticipated benefits), cost and schedule deviations, review of assumptions made during the decision making period.	GAO-04-394G
	Risks and risk mitigation, cost, customer and user satisfaction, process improvement and innovation, lessons learned.	FSA
	Assessing the project's effectiveness; identifying benefits achieved; evaluating original business assumptions; assessing the impact of project risks; identifying management and user perspectives on the project; evaluating issues requiring continuing attention.	Treasury Inspector General for Tax Administration (TIGTA) report on IRS
	Effectiveness of consolidating mail processing operations, measurement of actual data before and after initiative implementation, comparison of proposed savings or costs to actual savings or costs after implementation.	USPS

¹ Area Mail Processing is the consolidation of all originating and/or destinating distribution operations from one or more post officesTM/facilities into other automated processing facilities for the purpose of improving operational efficiency and/or service.



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APPENDIX C (continued)

Question	Response	Benchmarked Organization
What methodology should be used to conduct a PIR?	Quantitative and qualitative data are collected, evaluated for reliability, and analyzed. Trend analyses using historical data and means-end analyses to compare results with known causal factors are conducted.	GAO-04-394G
	Define review objective and structure. Conduct background research. Allocate resources and determine evaluation framework. Collect field data. Analyze and compare data. Identify major issues or findings.	New South Wales (Australia) - Treasury
	Determine what baseline goals were established, including cost, scheduling, risk, and performance measures. Collect and analyze data, documenting any variances between planned and actual results.	PSA
	Collect data for specified periods and compare to baseline to determine success of the initiative. Validate the initiative to ensure it did not deviate from the original proposal. Generally, the same methodology used for the submission of an AMP proposal.	USPS
What should be included in a PIR?	Plan the PIR, including defining measures of effectiveness, developing a PIR strategy, and developing a PIR plan. Conduct the PIR. Prepare a report and identify lessons learned.	FAA
	Document areas that were reviewed with findings that support the PIR conclusions. Provide a report to management, incorporating lessons learned.	PSA
What steps are included in a PIR review?	Evaluate 3 areas: customers through surveys to determine user's satisfaction with the end product; mission/project impact to determine whether the implemented system achieved its intended purpose, whether it still aligns with mission goals, and whether estimated cost savings have been achieved; and evaluation of current and future technical aspects of the project.	GAO/AIMD-10.1.13



APPENDIX C (continued)

Question	Response	Benchmarked Organization
What steps are included in a PIR review? (continued)	Background info of the proposal/activity; narrative describing any applicable issues, modifications and deviations; current data to compare with the baseline; and steps to validate that the activity was implemented as approved in the original proposal.	USPS
What baseline is used for the initiative and what costs are included in the baseline?	Historical baseline costs (actual annual costs incurred) should correspond to the manner in which the function was performed during the last complete fiscal year prior to the year of public announcement. Costs should include: actual cost of indirect labor, direct labor, materials, supplies, facilities, equipment, travel, etc., and the organization's overhead rates, as applicable.	GSA
	Final year of full funding for closing installations.	DoDIG report on Base Realignment and Closure (BRAC)
	The information included in the original proposal is used as a baseline for the PIRs.	USPS
What other baseline measures can be used?	Workload, number of Full-Time Equivalents by grade performing the work, hours of overtime worked, performance metrics, customer satisfaction ratings.	GSA
What common problems have been encountered regarding PIRs?	May not be a common standard for measuring and recording benefits and costs. Lack of documentation. Lack or inadequacy of baseline measures. Organization is too busy to do a PIR and it never gets done. Lack of cooperation from the service provider.	DoD
	Savings estimates did not agree with actual reductions in operating budget. Savings from cancelled construction projects as a result of BRAC were not included. Savings understated because personnel reduction estimates & non-labor cost avoidances not supported by personnel authorizations and operating budgets.	DoDIG report on BRAC
	Project objectives not clearly defined and expressed in quantifiable terms agreed to by all stakeholders.	GAO-04-394G



APPENDIX C (continued)

Question	Response	Benchmarked Organization
What common problems have been encountered regarding PIRs? (continued)	One common trend has been that the baseline has been changed for each PIR.	USPS
	Better estimating guidance and controls needed based on the variation between estimated and actual savings. Retain all relevant and historical records documenting adjustments to operating budgets resulting from BRAC. Reconcile costs of actual workload increases at gaining activities used to offset reduced BRAC savings estimates. Reconcile the number and cost of personnel authorization eliminations in BRAC documents to budget estimates.	DoDIG
What recommendations or conclusions have been included in PIR reports?	Outputs should include: user evaluations of the project's effectiveness, actual costs broken down by category, measurements used to calculate benefits, and a comparison of actual to estimates. Results should include both strengths and weaknesses. Potential weaknesses include: inadequate quantitative measures (Return on Investment, benefit/cost, and risk analysis), lack of quality data used in the investment decision, project-level cost and benefit data do not exist, and heavy reliance on qualitative, judgmental data and analysis rather than quantitative measures.	GAO/AIMD-10.1.13
What are key questions to ask related to measurements of actual vs. projected performance to determine adequacy of data?	Is the organization collecting projected versus actual cost, benefit, and risk data as part of PIR process? Have projected benefits been quantified? If not, are qualitative measures being used to determine impact? Has cost data been verified or validated?	GAO/AIMD-10.1.13



APPENDIX C (continued)

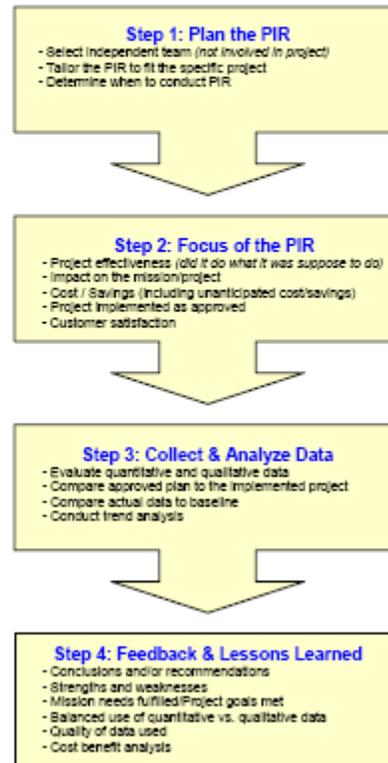
Benchmarked Organizations / Source Documents

- **GAO/AIMD-10.1.13**, *Assessing Risk and Returns: A Guide for Evaluating Federal Agencies' IT Investment Decision-Making*, February 1997
- **GAO-04-394G**, *Information Technology Investment Management, A Framework for Assessing and Improving Process Maturity*, Version 1.1, March 2004
- **US Department of Education, Federal Student Aid**, *Post Implementation Review (PIR) Process Description*, Version 2.0, 17 September 2004
- **Treasury Inspector General for Tax Administration (TIGTA)** report, *The Modernization and Information Technology Services Organization's Revised Post Implementation Review Procedures Can Be Improved*, Reference Number: 2007-20-001, October 26, 2007
- **Federal Aviation Administration**, *PIR Standard Process Guidance*, October 2007
- **General Services Administration**, *Post Competition Accountability*
- **Department of Defense**, Defense Acquisition University, Acquisition Community Connection website
- **New South Wales (Australia) Treasury**, *Total Asset Management, Post Implementation Review Guideline*, September 2004, TAM04-11
- **DoDIG Audit Report**, *Costs and Savings for 1993 Defense Base Realignment and Closures*, (Report No. 98-130), May 6, 1998
- **USPS**, Handbook PO-408, *Area Mail Processing (AMP) Guidelines*, March 2008



APPENDIX D

PIR Process





Appendix E: PIR Framework

Plan the PIR
Use an independent team
Use data for last four quarters prior to start of initiative as a baseline
Conduct review 12 months after initiative has been fully implemented



Appendix E: PIR Framework (continued)

Assess the Initiative
Background information
Customer satisfaction
Customer and service impacts
Equipment relocation and maintenance, if any
All costs associated with the initiative, including: contract, contract administration, additional transportation requirements, staffing, workhour costs, added costs to facilities affected by the initiative
All savings associated with the initiative, including: reduced workhours, reduction in indirect costs, reduction in transportation costs, reduction in staffing
Identify other cost savings programs which could affect results but were not associated with the initiative
Any unanticipated costs/savings from the initiative
Efficiency gains/losses at all facilities affected by the initiative
Comparison of estimated costs/savings to actual costs/savings
Determine why there were any differences in costs/savings



Appendix E: PIR Framework (continued)

Prepare the Report
Include summary narratives that address any issues
Compare the approved plan with the implemented project
Obtain signatures of appropriate levels of management to ensure awareness of successes and deficiencies resulting from the initiative
Maintain supporting documentation for at least 3 years after the PIR



APPENDIX F

RISK FACTORS ASSOCIATED WITH AMC OUTSOURCING INITIATIVES WHEN PIRS ARE NOT PERFORMED

RISK CATEGORY	RISK FACTOR	PROBABILITY	IMPACT	RISK
Strategic	Stakeholder Relationships	High	High	Stakeholders may not have accurate data for decision-making purposes.
Operational	Process Efficiency	High	High	Cannot verify whether outsourcing/consolidation was efficient.
Operational	Customer Service	High	High	Changes in service performance may not be accurately attributed to the initiative.