



Office of Inspector General | United States Postal Service

Audit Report

Nationwide Service Performance

Report Number 21-120-R21 | September 20, 2021



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Highlights

Objective

Our objective was to assess the U.S. Postal Service's service performance for all mail classes over an 18-month period and determine the most common failure points in the mail flow process.

Mail is divided into different categories called "classes," each having different features, service levels, and postage rates. The Postal Service has service standards for delivering mail in each class after receiving it from the customer. The delivered mail is measured against the service standards and the service performance targets for each mail class to determine the percentage of mail delivered on time.

We analyzed service performance for Priority, First-Class, Periodicals, Marketing, and Bound Printed Matter mail classes. We also reviewed data to identify where in the mail flow process service failures occurred.

Using service performance data for the period of October 1, 2019, through February 28, 2021, we judgmentally selected six mail processing facilities with large numbers of service failures and two with fewer service failures. In April and May 2021, we observed the mail flow process to determine where service failures occurred the most often at the selected facilities. This included observations of mail during processing, transportation in and out of the processing facilities, and delivery at 14 delivery units serviced by those facilities.

What the OIG Found

During the period under review, which was greatly impacted by the COVID-19 pandemic, the amount of mail and parcels delivered on time decreased for all mail classes, primarily during the FY 2021 peak mailing season (from November 2020 – January 2021). During February and March 2021, the amount of mail delivered on time improved by 6 percentage points, but [REDACTED], in part due to weather impacts of major winter storms. We analyzed Informed Visibility data to determine where the largest failures in the mail flow process for letters and flats were occurring and found that most pieces failed in the transit phase of the mail cycle, followed by the last mile phase. The third largest number of failures was categorized as "Unable to Assign." During our

site visits, we found increased parcel volume, challenges with transportation of mail, and low employee availability affected the Postal Service's ability to process, transport, and deliver mail and parcels timely.

Service Performance

The Postal Service only met service performance targets for three of 33 products in FY 2020. The worst performance was between October and December 2020, when the amount of letter and flat mail (First-Class, Marketing, Periodical, and Bound Printed Matter) delivered on time was 81.9 percent, which was between 8.1 and 14.1 percent below targets. Likewise, the number of parcels (First-Class and Priority) delivered on time was [REDACTED] percent, which were both [REDACTED] percent below target. In April 2021, the amount of mail delivered on time continued to improve while the volumes started to decline and both trends have continued through June 2021.

On May 6, 2021, the Postal Service Board of Governors decreased service performance targets for most of its mail classes from 2.8 to 26.6 percent. The Postal Service stated this was done to ensure the targets were meaningful and to account for the ongoing and unprecedented impacts of the COVID-19 pandemic.

Most Common Failure Points

We reviewed data on where service failures occurred the most often during the mail flow process and identified the associated root causes during our site visits:

- Letters, Flats, and Parcels were not processed at the destinating facility on-time due to transportation and facility processing delays. We also saw a large number of non-machinable parcels and not enough staff available to process them on time. Further, the facilities did not always process mail in a first-in first-out order to ensure timeliness.
- Parcels were received from customers but not processed at the originating facility on-time due to insufficient processing capacity and a Postal management directive to focus on Priority mail over First-Class parcels.
- Parcels were misrouted to incorrect facilities due to mechanical and human error.

- Letters, Flats, and Parcels were processed on-time to meet delivery standards but were not delivered on time because mail was not consistently sorted for the carriers when it arrived at the delivery unit.

These common failure points were exacerbated by the overarching challenges experienced by the Postal Service throughout the COVID-19 pandemic, including increased parcel volume, lack of available transportation, and low employee availability.

Increased Parcel Volume

Increased parcel volume during each peak season [REDACTED] [REDACTED] sort, transport, and deliver parcels and other mail. However, the increase in parcel volume was much greater and for a longer period of time during the FY 2021 peak mailing season due to the COVID-19 pandemic.

From October 2020 to March 2021, the Postal Service processed over [REDACTED] incoming and outgoing parcels, an increase of almost [REDACTED] percent compared to the October 2019 to March 2020 period. Some processing facilities experienced an even greater increase, with 61 of the 148 parcel processing facilities having a [REDACTED] percent or higher increase in parcel volume. The four parcel sites selected for review ranged from a [REDACTED] percent to a [REDACTED] percent increase in parcel volume from October 2020 to March 2021 when compared to October 2019 to March 2020. Management explained the unexpected increase in parcel volume created a shortage of floor space leading to operational gridlock in many locations. Management also said the increase in parcel volume exceeded the available capacity of air and surface transportation.

Transportation of Mail

Our data analysis showed late processing, air delays, and limitations in air carrier capacity as the root causes for late trips on both air and surface transportation. Our site observations supported the transportation failures identified in our data analysis.

Historically, commercial airlines carried an average of [REDACTED] percent of the First-Class air network volume. Due to the COVID-19 pandemic, the Postal Service lost over 50 percent of this capacity. To keep the mail moving, the Postal Service

turned to its existing air partners (FedEx and UPS) and also began shifting some of its Priority and First-Class parcel volume from air to surface transportation in May 2020. Even with these mitigation strategies, we found the following transportation challenges affected service performance from October 1, 2019, to March 31, 2021:

- Over 736 million mailpieces were delayed due to air capacity issues or commercial air delays.
- 26 percent of all surface transportation trips arriving at processing facilities were late.
- 14 percent of all surface transportation trips leaving processing facilities were late.

Employee Availability

Average employee availability at all facilities nationwide declined from October 1, 2019, through March 31, 2021. Specifically, the average employee availability decreased from 78.35 percent in 2019 to 77.14 percent in 2020 and has continued to decline in the first three months of 2021, averaging 75.64 percent.

During our site visits, we observed a lack of employee availability at mail processing facilities, in transportation networks, and at delivery units. The limited employee availability was due to employees using sick leave, emergency sick leave, dependent care leave, emergency paid leave, leave without pay, and being absent without leave during the COVID-19 pandemic. The lack of experienced employees to sort, distribute, and deliver the mail contributed to service performance failures. It also resulted in mail not processed or staged timely, empty mail transport equipment not removed which caused congestion on the floor, and some areas being unstaffed or understaffed due to mail handlers being moved to other machines.

Lack of employee availability impacted the Postal Service's ability to meet service standards during the duration of the COVID-19 pandemic. We discussed employee availability with local management at each site and confirmed it as a root cause for their low service performance scores and found some facilities were impacted more than others.

Best Practices

During our site visits, we observed the best practices related to the timely processing of mail. In the sites with fewer service failures, we saw:

- Increased daily discussions with the local processing, transportation, and delivery management components to communicate projected volumes and previous day's issues.
- Implementation of programs to increase employee engagement.
- Updated dock signage to enable employees and drivers to easily locate and stage the mail.
- Training for employees on proper staging and sequential processing to aid in locating, staging, and processing mail.

If implemented at facilities nationwide, these best practices may improve service performance.

Actions to Address Service Issues

On March 23, 2021, the Postal Service issued, *Delivering for America*, its Ten-Year Plan (Plan) for achieving financial sustainability and service excellence. The Plan outlines the challenges facing the Postal Service and its strategies to improve service performance. It also identifies the main causes for declining service as high parcel volume, a lack of available transportation, and low employee availability.

The Plan also notes that the Postal Service has not met First-Class Mail service performance targets since FY 2012. The Plan proposes to modify the existing

service standards for First-Class Mail Letters and Flats from a current 1-to-3-day service standard (for mail being delivered within the continental U.S.) to a 1-to-5-day service standard to allow additional time for transporting mail long distances. The Plan also proposes to adjust service standards for First-Class Parcels to enable more parcels to be moved via ground transportation rather than on air transportation.

Recommendations

We recommended management:

- Reemphasize the need for discussions among local processing, transportation, and delivery management components to communicate projected volumes and the previous day's issues to proactively manage mail flow operations.
- Investigate and understand the root causes for failed mailpieces in the "Unable to Assign" category, and work to decrease and maintain the total number of mailpieces in this category to under 10 percent of total failures.
- Reemphasize and implement, as appropriate at facilities nationwide, best practices related to programs aimed at increasing employee engagement and training on the proper staging and sequential processing of mail to improve service performance.
- When employee availability and transportation allow, direct local processing management to retain only the quantity of mail transport equipment the facilities and customers need for one week of mail processing operations in accordance with Handbook PO-502, *Mail Transport Equipment*.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

September 20, 2021

MEMORANDUM FOR: ISAAC CRONKHITE
CHIEF LOGISTICS & PROCESSING OPERATIONS
OFFICER & EXECUTIVE VICE PRESIDENT

DR. JOSHUA COLIN
CHIEF RETAIL & DELIVERY OFFICER & EXECUTIVE
VICE PRESIDENT

MICHAEL L. BARBER
VICE PRESIDENT, PROCESSING AND MAINTENANCE
OPERATIONS

ROBERT CINTRON
VICE PRESIDENT, LOGISTICS

JEFFREY JOHNSON
VICE PRESIDENT, ENTERPRISE ANALYTICS

Melinda M. Perez

FROM: Melinda M. Perez
Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Audit Report – Nationwide Service Performance
(Report Number 21-120-R21)

This report presents the results of our audit of the U.S. Postal Service's Nationwide Service Performance.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Todd J. Watson, Director, Network Processing, or me at 703-248-2100.

Attachment

cc: Corporate Audit Response Management
Postmaster General

Results

Introduction/Objective

This report presents the results of our self-initiated audit of the U.S. Postal Service's Nationwide Service Performance (Project Number 21-120). Our objective was to assess the Postal Service's service performance for all mail classes over an 18-month period and determine the most common failure points in the mail flow process.

Background

Mail is divided into different categories called "classes", each having different features, service levels, and postage rates. The Postal Service has service standards for delivering mail in each class after receiving it from the customer. These standards are one of the primary operational goals, or benchmarks, against which the Postal Service measures its performance. The delivered mail is measured against the service standards and the service performance targets for each mail class to determine the percentage of mail delivered on time. The Postal Service did not meet the majority of its service performance targets in FY 2018 or

“The Postal Service has service standards for delivering mail. These standards are one of the primary operational goals, or benchmarks, against which the Postal Service measures its performance.”

FY 2019. The Postal Service is also subject to a universal service obligation to ensure all customers receive a minimum level of service at a reasonable price.

Our September 3, 2021 audit report, *Service Performance – First-Class Single Piece Letter Mail*, responded to a congressional request to evaluate declining service performance for First-Class Single Piece letter mail nationally and in 17 selected districts. In that audit, we found nationwide service performance for First-Class Single Piece letter mail dropped throughout 2020 after the onset of the COVID-19 pandemic, and performance at the 17 selected districts trended comparably with the national scores but were lower, some far lower, than the national scores. Service performance scores declined due to internal and external network impacts in mail processing, transportation, and delivery operations including employee availability challenges, increased package volumes, and a loss of transportation capacity.

This audit includes a review of service performance for all classes of mail as well as a review of where service failures occurred in the mail flow process. We analyzed service performance for Priority, First-Class, Periodicals, Marketing, and Bound Printed Matter mail classes. We also reviewed data to identify where in the mail flow process service failures occurred.

Using service performance data for the period October 1, 2019, through February 28, 2021, we judgmentally selected six mail processing facilities with large numbers of service failures and two with fewer service failures¹ (see [Figure 1](#)). In April and May 2021, we observed the mail flow process to determine where service failures occurred the most at the selected facilities. This included observations of mail during processing, transportation in and out of the processing facilities, and delivery at 14 delivery units serviced by those facilities.

¹ Seven different sites were observed. Eight sites were selected; however, one site was selected for both poor performance for parcels and for poor performance for letters and flats.

Figure 1. Mail Processing Facilities Selected



Source: U.S. Postal Service Office of Inspector General (OIG) analysis of Informed Visibility (IV) Mail Product Heat Map and Enterprise Data Warehouse (EDW) On Time Performance Report Composite.

The Postal Service generally processes mail through five interdependent phases. The following timelines help the Postal Service prepare for each phase to process, transport, and deliver mail to meet its service standards:

1. Collections/Acceptance – collecting mail from all induction points which include collection boxes, retail units, businesses, and residences. Customers who mail in bulk can also induct mail at various locations.
2. Originating Mail Processing – sorting of mail originating within a facility’s boundary of responsibility. Mail destined within the same boundary is sent to

“The Postal Service generally processes mail through five interdependent phases.”

3. Transportation – moving originating and destinating mail between facilities. The Postal Service transports mail primarily by contract air or truck using both contracted and Postal Service transportation.
4. Destinating Mail Processing – sorting of mail destinating within a facility’s boundary for delivery.
5. Delivery – delivering mail to the final address.

Because the five phases are interdependent, failure in any phase has the potential to create significant delays in subsequent phases. This audit identified the most common failure points in the mail flow process.

What the OIG Found

The amount of mail and parcels delivered on time decreased for all mail classes during the COVID-19 pandemic, especially for the fiscal year (FY) 2021 peak mailing season (November 2020 – January 2021). During February and March 2021, the amount of mail delivered on time improved by 6 percentage points, but [REDACTED], in part due to weather impacts of major winter storms. We analyzed data from Informed Visibility (IV) to determine where the largest failures in the mail flow process for letters and flats were occurring and found that most pieces failed in the transit phase of the mail cycle, followed by the last mile² phase. The third largest number of failures was categorized as “Unable

“We found increased parcel volume, challenges with transportation of mail, and low employee availability affected the Postal Service’s ability to process, transport, and deliver mail and parcels timely.”

² A last mile failure is a mailpiece that received its last processing operation event on time, resulting in an Anticipated Delivery Date that is on or prior to its Expected Delivery Date, but the delivered event for that piece occurred after the Expected Delivery Date.

to Assign”³. During our site visits of lower performing facilities, we found increased parcel volume, challenges with transportation of mail, and low employee availability affected the Postal Service’s ability to process, transport, and deliver mail and parcels timely. When determining sites to visit, we selected two better performing facilities to note practices that may be contributing to the sites’ higher service performance scores related to the timely processing of mail.

Service Performance

The Postal Service only met its service performance targets for three of 33 products in FY 2020; specifically, Marketing Mail destination entry⁴ (92.59 percent), destination sectional center facility⁵ letters (93.38 percent), and destination network distribution center (NDC)⁶ letters (93.47 percent) all exceeded their target of 91.8 percent. The worst performance nationwide was between October and December 2020, when the amount of letter and flat mail⁷ delivered on time was 81.90 percent — which was 8.1 to 14.1 percent below target; and parcels delivered on time were only ██████ percent — which were both ██████ percent below target. In April 2021, the amount of mail delivered on time continued to improve while the volumes started to decline and both trends have continued through June 2021 (see [Appendix B](#)).

During an open season meeting of the Board of Governors on February 9, 2021, the Postmaster General explained the multiple challenges the Postal Service faced during peak season and acknowledged that it fell short of meeting service targets. He added that the Postal Service’s ability to meet the universal service obligation will be threatened if service, reliability, and cost do not improve. Subsequently, on May 6, 2021, the Postal Service Board of Governors decreased service performance targets for most mail classes by 2.8 to 26.6 percentage points. The Postal Service stated that this was necessary to ensure targets were meaningful and to account for the ongoing and unprecedented impacts of the COVID-19 pandemic.

Most Common Failure Points

We analyzed data from the IV application for Quarter 3, FY 2021, to determine where the largest failures⁸ in the mail flow process for letters and flats were occurring. We found most pieces failed in the transit phase of the mail cycle, followed by the last mile phase. Transit failures⁹ accounted for 56.12 percent of all failures, while the last mile accounted for 19.05 percent of failures. The “Unable to Assign” category, the third largest, accounted for 11.43 percent of all failures. This category for failures may be due to the lack of scans or being incapable of confidently identifying the proper failure point (see [Figure 2](#)).

3 Failed mailpieces are assigned to the “Unable to Assign” category when they do not fit into the other failure categories and the Postal Service cannot assign to a failure point.

4 The deposit of plant-verified drop shipment mail by the mailer at a postal facility such as a delivery unit, sectional center facility, or network distribution center that serves the delivery address of the mail.

5 The sectional center facility or other postal facility designated as a sectional center facility where a mailer enters mail directly.

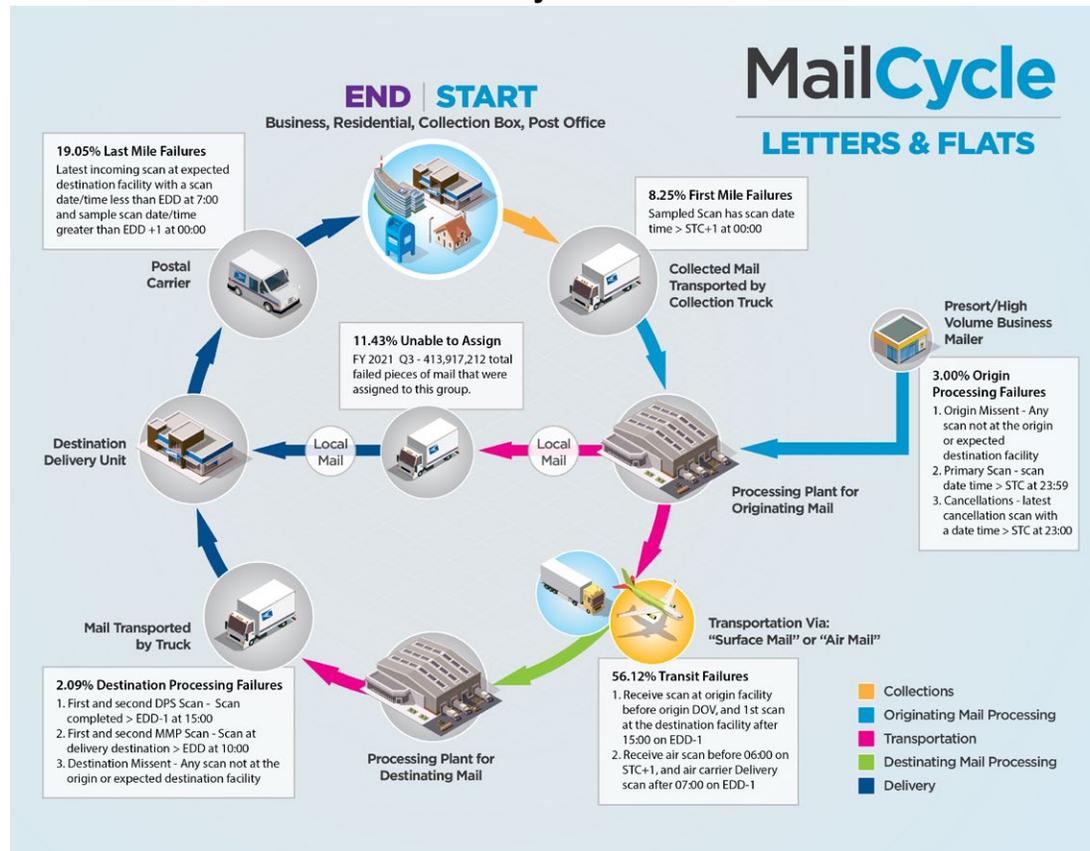
6 The NDC or other postal facility designated as an NDC such as an auxiliary service facility where a mailer enters mail directly.

7 Letter and flat mail include First-Class, Marketing, Periodicals, and Bound Printed Matter.

8 The Postal Service uses root cause failure categories to determine the time and location of the failure.

9 Transit failures include pieces on time at the origin plant but which failed to make clearance time at the destination plant.

Figure 2. Letter and Flat Failures in the Postal Service Mail Service Cycle¹⁰



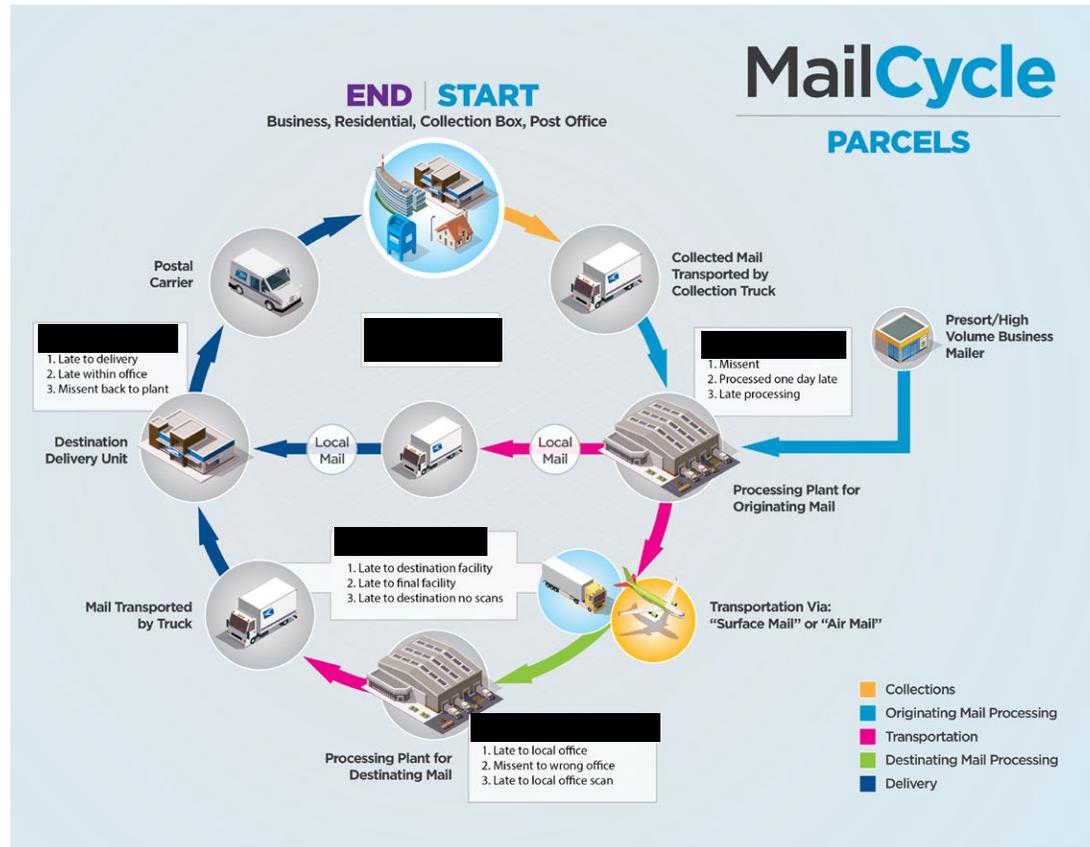
Source: U.S. Postal Service Office of Inspector General (OIG) analysis based on FY 2018 *Annual Compliance Determination Report* and IV End-to-End Diagnostic Report

Additionally, we analyzed data from the IV application for Quarter 3, FY 2021, to determine where the largest failures in the mail flow process for parcels were occurring. We found the greatest cause for failed parcels was at the origin processes. Origin failures — pieces that did not get a scan by the clearance time at the originating facility, were missent by the originating facility, or were originating and destinating at the same facility — accounted for █ percent of all failures in the mail cycle. Transit failure was the second largest failure at █ percent, followed by Destination failure¹¹ at █ percent. The Postal Service recognizes █ percent of failures as “Other,” which are unable to be further defined (see Figure 3).

¹⁰ EDD is the expected delivery date. STC is start-the-clock, the recorded date and time when a mailpiece enters the mailstream. DOV is the dispatch of value, the last dispatch of the day that is loaded on transportation in time to meet the service standard for the mail class or destination. DPS is delivery point sequence, an automated process of sorting mail by carrier routes into delivery order. MMP is the managed mail program, a distribution system that masses mail within a Postal Area Distribution Center.

¹¹ Destination failures include pieces that were on time for the first destination scan but had a subsequent late destination scan or were late arriving at the delivery unit (late described as an AAU scan after 9:00 a.m. on the scheduled delivery day).

Figure 3. Parcel Failures in the Postal Service Mail Service Cycle



Source: U.S. Postal Service Office of Inspector General (OIG) analysis based on FY 2018 *Annual Compliance Determination Report* and IV Package Processing Performance report.

“We found unsorted and late arriving letters, flats, and parcels from mail processing facilities was the main issue preventing delivery units from meeting service standards at the majority of the selected delivery units.”

We conducted on-site observations at seven mail processing facilities to identify the root causes of the most common failures. Additionally, to determine the reason mail does not meet its delivery standards even when processed on time, we conducted site visits at 14 delivery units associated with the selected mail processing facilities. We found unsorted and late arriving letters, flats, and parcels from mail processing facilities was the main issue preventing delivery units from meeting service standards at the majority of the selected delivery units. We also conducted site observations of the transportation network to identify and

confirm root causes for transportation failures associated with the selected mail processing facilities. We found the transportation delays occurred due to a variety of issues including late arriving trucks, transportation supervisors not confirming that mail was not left behind, and employees not following dispatch discipline.

We reviewed data on where service failures occurred the most during the mail flow process and identified the associated root causes during our site visits (see [Appendix C](#)):

- Letters, Flats, and Parcels not processed at the destinating facility on time occurred due to transportation and facility processing delays. In addition, we saw a large number of non-machinable parcels and not enough staff available to process them on time. Further, the facilities did not always process mail in first-in first-out order to ensure timeliness.
- Parcels were received from customers but not processed at the originating facility on time due to insufficient processing capacity and a postal management directive to focus on Priority mail over First-Class parcels.
- Parcels misrouted to incorrect facilities were due to mechanical and human error.
- Letters, Flats, and Parcels were processed on time to meet delivery standards but were not delivered on time because mail was not consistently sorted for the carriers when it arrived at the delivery unit.

These common failure points were exacerbated by the overarching challenges experienced by the Postal Service throughout the COVID-19 pandemic, including increased parcel volume, lack of available transportation, and low employee availability.

Increased Parcel Volume

Increased parcel volume¹² during each peak season [REDACTED] sort, transport, and deliver parcels and other mail. However, the increase in parcel volume was much greater and for a longer period of time during the FY 2021 peak mailing season due to the COVID-19 pandemic.

“From October 2020 to March 2021, the Postal Service processed over [REDACTED] incoming and outgoing parcels, an increase of almost [REDACTED] percent compared to the October 2019 to March 2020 period.”

From October 2020 to March 2021, the Postal Service processed over [REDACTED] incoming and outgoing parcels, an increase of almost [REDACTED] percent compared to the October 2019 to March 2020 period. Parcel volume remained elevated throughout the COVID-19 pandemic and some processing facilities experienced an even greater increase during peak season, with 61 of 148 parcel processing facilities having a [REDACTED] percent or higher increase in parcel volume. Further, data analysis for facilities nationwide revealed the Queens, NY, San Juan, PR, Chicago NDC, IL, and Peachtree Annex, GA, experienced more than a [REDACTED] increase in the volume of parcels processed in FY 2021, Quarters 1 and 2, compared to FY 2020, Quarters 1 and 2 (see [Table 1](#)).

¹² Parcel volume includes First-Class and Priority parcels.

Table 1. Top Ten Facilities with the Largest Increase of Parcel Volume¹³

Facility	Parcel Volume October 2019 to March 2020	Parcel Volume October 2020 to March 2021	Parcel Volume Increase
Queens P&DC, NY	████████	████████	████████
San Juan P&DC, PR	████████	████████	████████
Chicago NDC, IL	████████	████████	████████
Peachtree Annex, GA	████████	████████	████████
Jet Cove Annex, TN	████████	████████	████████
Dominick V Daniels P&DC, NJ	████████	████████	████████
Bakersfield P&DC, CA	████████	████████	████████
Fresno P&DC, CA	████████	████████	████████
Bethpage P&DC, NY	████████	████████	████████
Los Angeles P&DC, CA	████████	████████	████████

Source: On-Time Performance Report from EDW and TOPS Originating Processing Facilities Dashboard (TOPS).

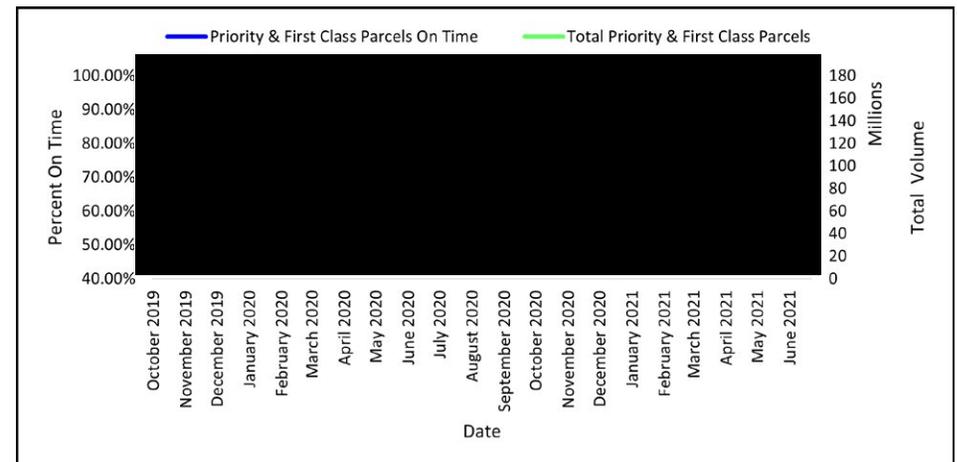
The increase in parcel volume during peak season affected the ability of the Postal Service to meet on time delivery service performance targets (see Figure 4). Specifically, the Postal Service experienced the highest weekly incoming and outgoing volume of parcels ██████████ and the lowest on time performance

“The increase in parcel volume during peak season affected the ability of the Postal Service to meet on time delivery service performance targets.”

¹³ Parcel volume was calculated for only facilities with greater than 4 million parcel pieces during October 1, 2019, to March 31, 2021.

██████████ between December 12, 2020, and December 25, 2020. In April 2021, parcel volume began declining and on time performance began improving. As of the first week of June 2021, on time performance of parcels improved to ██████████ — an over ██████ percentage point increase from December 2020.

Figure 4. Parcel On Time Delivery Compared to Total Parcel Volume Weekly



Source: IV Mail Product Trend Report.

During our observations, management explained that increased parcel volume during the COVID-19 pandemic exceeded the available capacity of air and surface transportation, and at times created a shortage of floor space, leading to operational gridlock.

“Increased parcel volume during the COVID-19 pandemic exceeded the available capacity of air and surface transportation, and at times created a shortage of floor space, leading to operational gridlock.”

Our data analysis showed an increase in parcel volume at each selected facility (see Table 2). Specifically, parcel volume increased above the nationwide average for [REDACTED] of the four sites selected for parcel observations. This includes the Oakland, CA P&DC which experienced a [REDACTED] percent increase in parcel volume from October 2020 to March 2021 when compared to the same period one year prior.

Table 2. Parcel Volume Comparison for Observed Sites

Facility	Parcel Volume October 2019 to March 2020	Parcel Volume October 2020 to March 2021	Percentage Increase
North Texas, TX P&DC	[REDACTED]	[REDACTED]	[REDACTED]
Kansas City, KS NDC	[REDACTED]	[REDACTED]	[REDACTED]
Oakland, CA P&DC	[REDACTED]	[REDACTED]	[REDACTED]
Brooklyn, NY P&DC	[REDACTED]	[REDACTED]	[REDACTED]

Source: EDW On-Time Performance Report and TOPS.

Additionally, in our audit of *Embargoes and Redirections at the U.S. Postal Facilities* (Report Number 21-112-R21, dated August 13, 2021), we found facilities were accepting more parcels than they could process. This resulted in crowded conditions on workroom floors of the affected facilities, which became so congested that employees could not move mail between the facilities' processing equipment and the loading docks.

Transportation of Mail

When the COVID-19 pandemic hit, the Postal Service faced a large reduction in its ability to move mail on commercial airlines (CAIR), which historically carried an average of [REDACTED] percent of the First-Class air network volume. Compared to volume transported in FY 2019, the Postal Service lost over 50 percent of capacity on this network as a direct result of the COVID-19 pandemic.

To compensate for this, the Postal Service turned to its existing air partners — FedEx and UPS — to alleviate the loss of this network. To support the Postal Service, [REDACTED] agreed to transport additional mail despite not having the typical advantage of planning¹⁴ for the volume. Even with [REDACTED] assistance, the Postal Service faced an air transportation shortfall, which was intensified by the increase in parcel volume. To keep the mail moving, in May 2020, the Postal Service began shifting some of its Priority and First-Class parcel volume from air transportation to surface transportation. However, this change did not mitigate unplanned increases of over [REDACTED] pounds of mail and parcels per month on the air network.

Insufficient Air Network Capacity and Service Performance

Air network delays and insufficient capacity resulted in a processing delay¹⁵ of over 736 million mailpieces from October 1, 2019, through March 31, 2021. Of these, about 69 percent (507 million pieces) occurred between May 2020 through March 2021. Most of this mail was scheduled to move on the air network the following day; however, it was at a higher risk of not meeting service standards.

“When the COVID-19 pandemic hit, the Postal Service faced a large reduction in its ability to move mail on commercial airlines.”

¹⁴ The volume transported on the [REDACTED] network is agreed upon 180 days in advance.

¹⁵ Delayed mail occurs when mail is assigned to be transported by air but does not make it onto the assigned air trip.

The Postal Service measures on-time performance for each network when it expects delivery of mail to occur based on its assigned routing. The Air Network Performance dashboard in IV¹⁶ measures on-time performance based on when delivery scans occur against its required delivery time. There are times when the Postal Service will grant waivers for performance when circumstances occur outside of the air carrier’s control; for example, when air traffic control grounds flights and weather delays. Air network performance remained high for [REDACTED] performance deteriorated when asked to carry more

mail. From October 2019 through March 2021, [REDACTED] consistently transported over [REDACTED] percent of the Postal Service’s air volume but its on-time performance suffered, decreasing to [REDACTED] percent¹⁷ during the period of October 2020 through March 2021. While the increase in volume notably contributed to the decrease in service performance, the Postal Service needed to transport its mail by whatever means possible (Table 3 outlines the service performance and percentage of mail carried).

Table 3. Air Carrier Performance by Network

Network	October 2019 to March 2020 Percent on Time	Percent of Network	COVID Impact April 2020 to Sept 2020 Percent on Time	Percent of Network	October 2020 to March 2021 Percent on Time	Percent of Network
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: OIG analysis of Air Network Performance in IV.

Air network performance and capacity shortages impacted some areas more than others. For example, because of high volume, California had three service areas in the top 10 locations of mail not moving timely on the air network from October 2020 through March 2021 (see Table 4).

¹⁶ Internal application used by the Postal Service to measure performance. IV is a system that will provide comprehensive and integrated capabilities for data-driven real-time service performance measurement and diagnostics of market-dominant products, mail inventory and predictive workloads of all mail to include packages, and end-to-end tracking and reporting for mail.

¹⁷ This reflects actual performance; however, the score can change once the Postal Service reviews and determines whether waivers are applicable to the air carrier.

Table 4. Top Air Network Impacted Service Areas

Rank	Air Stop Code	Service Area	On-Time Air Network Performance
1	LAX	Los Angeles, CA	69.7%
2	ONT	Ontario, CA	67.1%
3	EWR	Newark, NJ	65.4%
4	SEA	Seattle, WA	68.0%
5	PHL	Philadelphia, PA	64.1%
6	SMF	Sacramento, CA	70.4%
7	PDX	Portland, OR	66.6%
8	MIA	Miami, FL	67.5%
9	BOS	Boston, MA	69.1%
10	DFW	Dallas, TX	79.1%

Source: IV Air Network Performance dashboard.

As part of its mitigation strategy for increased parcel volume and loss of air network capacity, the Postal Service shifted over [REDACTED] pieces of mail planned to be transported by air to surface transportation from May 2020 through March 2021 (see [Table 5](#)). Because of the added travel time needed for surface transportation, this mail had an increased risk of not meeting expected service standards.

Table 5. Air Volume Diverted to Surface Transportation

Time Period*	Priority Pieces	Priority Percentage On-Time	First-Class Parcel Pieces	First Class Parcels Percentage On-Time	Total Pieces Shifted to Surface	Total Pieces Percentage On-time
May 2020	██████	76%	██████	69%	██████	74%
June 2020	██████	78%	██████	68%	██████	74%
July 2020	██████	74%	██████	70%	██████	72%
Aug. 2020	██████	71%	██████	61%	██████	66%
Sept. 2020	██████	76%	██████	77%	██████	77%
Oct. 2020	██████	79%	██████	86%	██████	82%
Nov. 2020	██████	80%	██████	85%	██████	82%
Jan. 2021	██████	57%	██████	63%	██████	59%
Feb. 2021	██████	69%	██████	75%	██████	71%
March 2021	██████	73%	██████	71%	██████	72%
Total:	██████	74%	██████	70%	██████	73%

Source: OIG analysis of 3-digit ZIP code performance shifted from air using data from EDW.
 *December is excluded due to changes in service measurement calculations for Priority and First-Class parcels.

Late Trips

From October 2019 through March 2021, 26 percent of all surface transportation trips arrived late to processing facilities. During the same period, 14 percent of surface transportation trips left processing facilities late. Generally, Postal Service personnel noted contractor failure and dock congestion as the most common reasons trips arrived/departed late.

From October 1, 2019, through March 31, 2021, over 45 percent of late trips were from one processing facility to another (see [Table 6](#)). In addition, over half of the late trips were between a processing facility and a delivery unit. Both trucks operated by the Postal Service and its contractors experienced issues with driver availability. The lack of drivers contributed to late trips coming and going from facilities as managers improvised driver scheduling to transport mail to its destination.

Table 6. National Late Trips Percentage by Inbound and Outbound Trips

Network Trip Type	Inbound	Outbound	Total	Percentage of Total
Processing Facility to Processing Facility	2,959,065	1,811,224	4,770,289	45.35%
Delivery Unit to Processing Facility	3,550,756	1,331	3,552,087	33.77%
Processing Facility to Delivery Unit	1,680	1,774,042	1,775,722	16.88%
“Others” ¹⁸	281,580	139,771	421,351	4.00%
Grand Total	6,793,081	3,726,368	10,519,449	100.00%

Source: OIG analysis of Postal Service Surface Visibility Web Data.

The North Texas, TX, P&DC was impacted by an unprecedented and historical eight-day period of winter weather from February 10 to February 19, 2021. The adverse weather conditions across Texas impacted the entire state causing power outages and limited road and air travel. Local management confirmed the winter weather was a major contributor to service issues and their low service performance scores during this timeframe. Additionally, Western Tennessee experienced record-breaking low temperatures and storms between February 10 and February 19, 2021, which affected the FedEx headquarters and Express World Hub in Memphis. The storms created delays in the FedEx network until March 7, 2021. The delays forced the Postal Service to move some mail from air to surface transportation and add extra surface transportation.

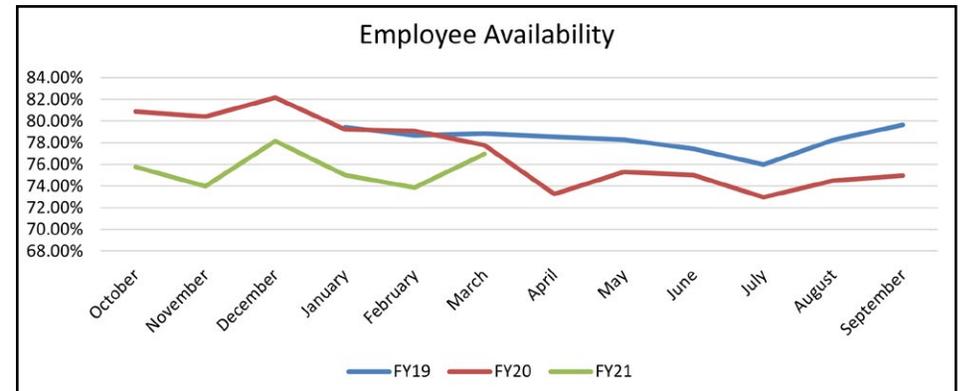
¹⁸ “Others” includes trips between processing facilities and terminal handling services, between processing facilities and commercial air carriers, and between delivery units.

¹⁹ Employee availability for Postal Vehicle Services drivers and city delivery remained fairly constant during our review period. Specifically, for Postal Vehicle Services it averaged 83.77% for FY 2019, 83.57% for FY 2020, and 83.08% for October 1, 2020, through March 31, 2021. Employee availability for city delivery and customer service averaged 81.99% in FY 2019, 81.51% in FY 2020, and 81.04% for October 1, 2020, through March 31, 2021.

Employee Availability

The average number of employees¹⁹ available to work nationwide has been lower each month compared to the same month of the prior year since 2019. Specifically, the employee availability in the processing facilities decreased from 78.35 percent in 2019 to 77.14 percent in 2020 and has continued to decline in the first three months of 2021. Nationwide employee availability was 75.64 percent for the period January to March 2021 (see Figure 5). Employee availability generally remained above the 60 percent threshold to maintain essential operations, as outlined in the March 6, 2020, *Postal Service Pandemic Influenza Plan*. However, we found some processing facilities were hit harder with low employee availability throughout the duration of the COVID-19 pandemic than others.

Figure 5. Nationwide Processing Employee Availability FY 2019 – 2021



Source: Time and Collection System (TACS) and Workforce.

Nationwide, the ten facilities most impacted by employee availability from October 2020 through March 2021 only had between 63 to 68 percent of their processing employees available to work. This was 7.17 - 12 percent lower than the national average (see Table 7). During our site visits, we observed a lack of employee availability at mail processing facilities, in transportation networks, and at delivery units. Local management confirmed lack of employee availability to be

a major contributor to service issues and to be a root cause for their low service performance scores. Throughout the COVID-19 pandemic, employee availability was limited by the Families First Coronavirus Response Act,²⁰ which expanded the Family and Medical Leave Act for emergency sick leave or dependent care leave; and the American Rescue Act of 2021,²¹ which provided emergency paid leave in addition to sick leave, leave without pay, and absence without leave.

Table 7. Facilities with the Lowest Employee Availability

Facility	FY 2019	FY 2020	Difference from FY20 Nationwide Average (77.14%)	FY 2021	Difference from FY21 Nationwide Average (75.29%)
Harrisburg, PA P&DC	74.57%	70.04%	7.10%	63.29%	12.00%
Cleveland, OH P&DC	73.78%	68.80%	8.34%	63.64%	11.65%
Kansas City, KS NDC	70.07%	69.61%	7.53%	64.98%	10.31%
South Suburban IL P&DC	73.12%	70.09%	7.05%	65.37%	9.92%
Detroit MI P&DC	74.21%	67.93%	9.21%	65.74%	9.55%
Baltimore MD P&DC	72.55%	68.95%	8.19%	66.41%	8.88%
Richmond VA P&DC	72.24%	70.41%	6.73%	66.84%	8.45%
Los Angeles CA P&DC	72.92%	69.78%	7.36%	67.26%	8.03%
Michigan Metroplex MI P&DC	73.65%	67.08%	10.06%	67.95%	7.34%
Philadelphia NDC	75.62%	71.13%	6.01%	68.12%	7.17%

Source: TACS and Workforce.

*Includes only facilities which processed more than 1 billion parcels from October 1, 2019, through March 31, 2021.

Similar to how increased parcel volume affects facilities differently, lack of employee availability impacted the Postal Service’s ability to meet service standards during the COVID-19 pandemic at some facilities more than others.

For example, the impact of employee availability was prevalent at the Carol Stream, IL, P&DC where average employee availability was only 72 percent. We observed that decreased employee availability affected the ability to process

20 The Family First Coronavirus Response Act, which was effective from April 1 to December 31, 2020, created two new types of leave. It allowed up to 80 hours of emergency paid sick leave for qualifying reasons. It also amended the Family Leave Medical Act to allow employees to take up to 12 weeks of leave for an additional qualifying reason related to the closure of a child’s school or place of care.

21 The American Rescue Act of 2021, which is effective from March 11 to September 30, 2021, provides employees with up to 600 hours of paid leave.

and stage mail timely, to remove empty mail transport equipment and recycling material so it did not contribute to congestion on the floor, and it left some areas unstaffed or understaffed due to mail handlers being moved to other machines. Excessive amounts of mail transport equipment were also observed at the North Texas, TX, Richmond, VA, and Brooklyn, NY, P&DCs, thus contributing to work floor congestion and improper mail staging. According to Policy 2-8, Excess Mail Transport Equipment (Hoarding) in Handbook PO-502, P&DCs should retain only the quantity of mail transport equipment that their facilities and customers need for one week of normal mail processing operations. The reduction of excessive mail transport equipment can create the floor space needed to increase efficient mail processing and for proper staging, sorting, and machine operations.

During the pandemic, the Postal Service supplemented its workforce with temporary and less experienced employees to sort and distribute the mail. The

lack of experienced employees to sort, distribute, and deliver the mail contributed to service performance failures. As a long-term solution, the Postal Service plans to promote employee stabilization by converting 6,982 postal support employees and 6,596 mail handlers to career status across 245 facilities by August 14, 2021²².

We compared letter, flats, and parcel volume from October 1, 2019, to March 31, 2020, to that of October 1, 2020, to March 31, 2021, to determine the increase and potential correlation to employee availability. However, there was no correlation for the sites selected as increased employee availability did not always result in more volume processed (see Table 8). For example, the North Texas, TX, P&DC had more employee availability, yet it struggled to process parcels because of cluttered floor space, which also prevented them from processing mail in first-in first-out order.

Table 8. Volume Increase and Employee Availability for Facilities Selected

FY 2020 Quarters 1 & 2 vs. FY 2021 Quarters 1 & 2					
Facility	Parcel Volume in FY 2020	Percentage Increase in FY 2021	Letter/Flat Volume in FY 2020	Percentage Decrease in FY 2021	Average Employee Availability
North Texas, TX P&DC	████████	██████	1,074,495,938	13.73%	75.3%
Kansas City, KS NDC	████████	██████	n/a	n/a	68.8%
Brooklyn, NY P&DC	████████	██████	906,452,643	20.97%	71.2%
Richmond, VA P&DC	████████	██████	695,090,722	12.18%	70.3%
Carol Stream, IL P&DC	████████	██████	620,437,282	14.17%	75.8%
Santa Clarita, CA P&DC	████████	██████	689,842,683	7.80%	80.7%
Oakland, CA P&DC	████████	██████	703,868,773	11.09%	79.5%

Source: EDW On-Time Performance Report, IV Product Heat Map, Workforce, TACS, and TOPS.

²² Memorandum of Understanding between the United States Postal Service and the American Postal Workers Union, AFL-CIO, dated June 21, 2021, regarding Additional Function 1 Staffing, and Memorandum of Understanding between the United States Postal Service and the National Postal Mail Handlers Union, dated June 21, 2021, regarding Additional Mail Handler Staffing.

Additionally, during our site visits, we found plant management implementing liberal leave policies — such as the Family First Coronavirus Response Act, dated March 18, 2020, and the American Rescue Plan, dated March 11, 2021 — differently across facilities. We also found that management did not develop a standard leave request form for using the Family First Coronavirus Response Act; however, the American Rescue Plan has a standardized leave request form. The lack of standardized guidance contributed to the differences in implementation across facilities. Standardization is needed for plant management to uniformly implement liberal leave policies. In our report, *COVID-19 Leave Administration*,²³ dated June 2021, we recommended that the Postal Service reiterate to managers and supervisors at all levels the importance of policy requirements to manage and document leave, including pandemic-related leave. The Postal Service agreed and we are therefore not making a similar recommendation in this report.

“Standardization is needed for plant management to uniformly implement liberal leave policies.”

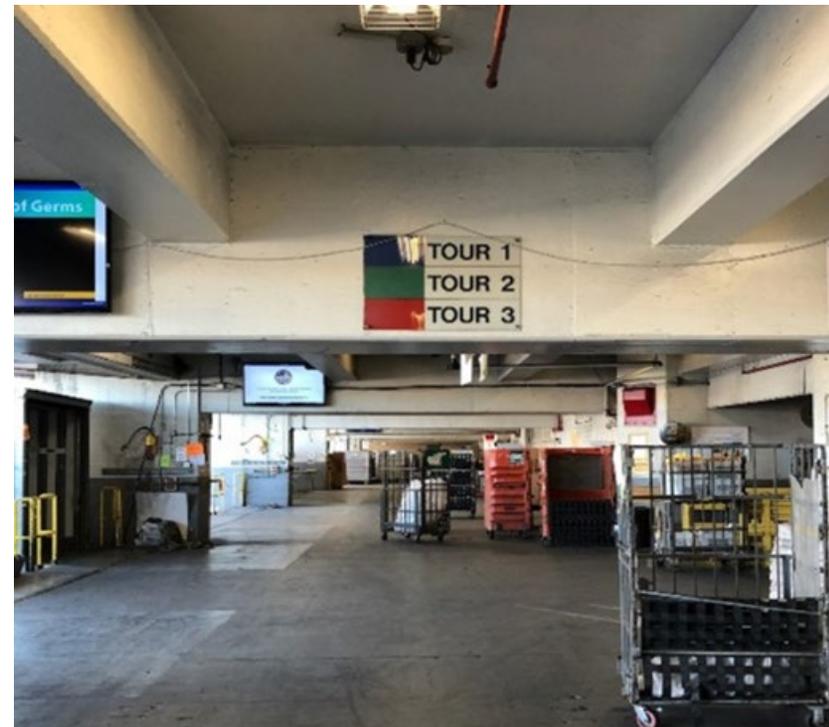
Best Practices

Our methodology included selecting better performing facilities to note practices that may have contributed to their higher service performance scores. We found these facilities emphasized communication, employee engagement, and training.

Specifically, managers at the Oakland, CA, P&DC focused on proper signage and communication. We observed dock signage color-coded by tour to visually communicate the mail location and staging area for employee and driver ease (see Figure 6). The local processing, transportation, and delivery management components held daily discussions to communicate projected volumes and to address the previous day’s issues. They also reviewed specific trip issues, mail arrival quality and plant arrival quality variances, and any mail to be offloaded to another facility.

Oakland, CA, P&DC management also implemented programs to increase employee engagement. These programs include “MVP Awards” presented by the Manager, In-Plant Support, to recognize outstanding employees and a surface visibility scanning competition between the three tours to increase mail processing efficiency and enhance employee engagement. At the Santa Clarita, CA, P&DC, we observed staff properly staging and adhering to sequential processing, which helped employees locate and process delivery point sequenced mail ahead of schedule. If facilities nationwide implemented these best practices, their service performance might improve.

Figure 6. Oakland, CA P&DC Dock Signage



Source: OIG photo taken on May 5, 2021, at 9:59 a.m.

²³ Report Number 21-032-R21.

Actions to Address Service Issues

On March 23, 2021, the Postal Service issued *Delivering for America*, its Ten-Year Plan (Plan), for achieving financial sustainability and service excellence. The Plan outlines challenges facing the Postal Service and its strategies to improve service performance. It also identifies the main causes for declining service as high parcel volume, a lack of available transportation, and low employee availability.

The Plan also notes the Postal Service has not met First-Class Mail service performance targets since FY 2012. The Plan proposes to modify existing service standards for First-Class Mail Letters and Flats from a current 1-to-3-day service standard (for mail being delivered within the continental U.S.) to a 1-to-5-day service standard to allow additional time for transporting mail long distances. The Plan also proposes to adjust service standards for First-Class Parcels to enable more parcels to be moved via ground rather than air transportation.

The Plan outlines initiatives to improve service by modernizing route structures for delivery operations while investing in the carriers and accelerating the deployment of small package sorting systems to support the increase in parcel volumes. It also proposes to minimize redundant transportation lanes and unplanned late and extra trips while modernizing the logistics management systems. The mail processing initiatives include resetting the 24-hour operating clock,²⁴ consolidating mail processing operations, and modernizing package sorting equipment and other plant automation. Additionally, to meet the service initiatives, the Postal Service plans to update its operating plans by rightsizing its workforce, expanding and aligning facility footprint and size to market demand, and transforming network distribution centers to handle increased parcel demand. These initiatives, coupled with OIG recommendations, can assist the

“The Postal Service has not met First-Class Mail service performance targets since FY 2012.”

Postal Service with optimizing its network and achieving consistent and improved service performance.

Recommendation #1

We recommend the **Chief Logistics & Processing Operations Officer & Executive Vice President** and the **Chief Retail & Delivery Officer & Executive Vice President**, reemphasize the need for discussions among local processing, transportation, and delivery management components to communicate projected volumes and previous day’s issues to proactively manage mail flow operations.

Recommendation #2

We recommend the **Vice President, Processing & Maintenance Operations**, and the **Vice President, Enterprise Analytics**, investigate and understand root causes for failed mailpieces in “Unable to Assign” category, and work to decrease and maintain the total number of mailpieces in this category to under 10 percent of total failures.

Recommendation #3

We recommend the **Vice President, Processing and Maintenance Operations**, reemphasize and implement as appropriate at facilities nationwide best practices related to programs aimed at increasing employee engagement and training on the proper staging and sequential processing of mail to improve service performance.

Recommendation #4

We recommend the **Vice President, Processing and Maintenance Operations**, when local employee availability and transportation allow, direct local processing management to retain only the quantity of mail transport equipment that their facilities and customers need for one week of mail processing operations in accordance with Handbook PO-502, *Mail Transport Equipment*, Policy 2-8, Excess Mail Transport Equipment (Hoarding).

²⁴ A highly structured means to manage mail flows to achieve optimal service and efficiency while ensuring national consistency in the process. It features a series of indicators and targets, each a key step in the daily flow of mail and handoffs from mail induction, mail processing, to delivery.

Management's Comments

Management generally disagreed with the findings; disagreed with recommendations 1, 2, and 4; and partially disagreed with recommendation 3. Management stated the unprecedented impacts of the COVID-19 pandemic was understated in the findings and there was a data error in Table 11 of our report. See [Appendix D](#) for management's comments in their entirety.

Regarding recommendation 1, management stated cross-functional communication occurs at multiple levels of the organization on a daily basis. Management added the audit did not demonstrate a failure to communicate or any subsequent impact on service performance.

Regarding recommendation 2, management stated the process of using data to assign a root cause was not in the scope of the audit, nor are there any findings to indicate that "Unable to Assign" results in nonperformance. Management added the Postal Service continues to iteratively work to reduce circumstances that result in insufficient data to assign service failure to a segment of the mail flow as we did prior to the release of the draft audit. While management expects continuing efforts to reduce the volume of failures in "Unable to Assign," they stated they must also consider cost, priorities, and potential impacts to projects and timelines. Management stated they cannot guarantee that the percentage of failures assigned to any specific root cause category will be less than any arbitrary target.

Regarding recommendation 3, management stated the most significant cause of failure to process mail in First In First Out (FIFO) order relates to a combination of decreased employee availability due to COVID and increases in package volume to a level which could not have been anticipated. Management further stated steps have been taken to mitigate both causes in both the short term, by significant increases in hiring, and the long term, by purchasing more package sorters and adding facilities. Management added that these actions were taken to avoid gridlock that prevented FIFO processing during the audit time frame. Management will also review the current training on the proper staging and sequential processing of mail and will reissue the training documents as appropriate. The target implementation date is November 30, 2021.

Regarding recommendation 4, management stated a policy is in place that is reinforced with regular messaging. Management added that during the timeframe covered by the audit, the inability to move Mail Transport Equipment was caused by reduced transportation opportunity, driver shortages due to COVID, and, in some cases, weather events.

Evaluation of Management's Comments

The OIG considers management's comments responsive to recommendation 3 and the corrective actions should resolve the issue. We consider management's comments nonresponsive to recommendations 1, 2, and 4.

Regarding the management's concern that COVID-19 pandemic was understated in the findings, we agree the pandemic has a major impact on the Postal Service. The report goes into detail on the impacts and effects of the pandemic on the USPS, such as loss of air and surface transportation, lack of employee availability, and increased parcel volumes. We discuss the USPS pandemic influenza plan, its COVID-19 Leave Administration, and explained the amount of paid leave available. In total, we mentioned COVID-19 20 times in this report. Regarding the data error identified, we appreciate management pointing out the error in our draft report and we updated the Overnight Presort First-Class Mail score in Table 11 to reflect the correct performance of 93.14 percent on time.

Regarding recommendation 1, although management stated that cross-functional communication occurs at multiple levels of the organization on a daily basis, we noted at the sites we observed the need for communication at the ground level at processing and delivery sites. Multiple delivery units and processing facilities reported a lack of notification of late trips, excessive working of mail, a mail mix that did not follow the mail arrival profile, and inaccurate tray/tub labels and container placards. Increased communication is a best practice which can lead to increased service performance scores. We view the disagreement on recommendation 1 as unresolved and will work with management through the audit resolution process.

Regarding recommendation 2, although management stated that using data to assign a root cause was not in the scope of the audit nor were there any findings to indicate that "Unable to Assign" results in nonperformance, the objective of

the audit included determining the most common failure points in the mail flow process. As explained in the report, the “Unable to Assign” category is the third largest, with 11.43 percent of all failures not being able to be assigned. Not being able to confidently identify the proper failure point limits the Postal Service’s ability to address these service failures. Improved business logic in the system should lead to better oversight and service performance. We believe the USPS should be able to decrease the nationwide “unable to assign” category by 1.43 percentage points, allowing service failures to be better understood. We view the disagreement on recommendation 2 as unresolved and will work with management through the audit resolution process.

Regarding recommendation 4, although management stated the mail transport equipment policy is reinforced with regular messaging, management acknowledged mail transport equipment was not moved due to reduced transportation, weather events, and driver shortages due to COVID. We view the disagreement on recommendation 4 as unresolved and will work with management through the audit resolution process.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. The recommendations should not be closed in the Postal Service’s follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendices

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Appendix A: Additional Information

Scope and Methodology

The scope of our audit was October 1, 2019, through March 31, 2021. We divided the audit into two categories to assess service performance for letters and flats (First-Class Mail, Periodicals, and Marketing) and parcels (Priority and First-Class Mail) and determine the most common failure points in the mail flow process.

For letters and flats, we analyzed nationwide IV data to determine service performance scores, failure by segments, and root cause failures, which includes First-Class Mail, Periodicals, and Marketing.

For parcels, we analyzed nationwide EDW data to determine service performance scores and common failure points in the mail flow process.

From the data, we judgmentally selected eight sites to visit based on facilities that processed over 100 million parcels, or over 1.5 billion pieces of letter and flats during our scope. Through audit team coordination, we removed any sites audited within the last year and selected the three lowest performing and the single highest performing site from different logistical regions for parcels and for letters and flats.

To accomplish our objective, we:

- Analyzed service performance scores and root cause failure data for First-Class, Periodicals, Marketing, and parcels at the national, area, and district level;
- Conducted interviews with Postal Service headquarters key personnel from General Reporting, Processing Operations, Air Transportation, Service Transportation, and City Delivery;

- Performed site observations to determine where the most frequent failures occurred in mail processing and identify best practices;
- Observed how delays in mail processing impacted transportation and delivery; and
- Analyzed employee availability nationwide and at selected sites to determine the impact of employee availability on service performance.

We conducted this performance audit from February through September 2021 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered 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 objective. We discussed our observations and conclusions with management on August 13, 2021, and included their comments where appropriate.

We assessed the reliability of IV, Surface Visibility, EDW, Workforce, Mail Processing Operating Plan, Web End-of-Run, TACS, Customer Service Daily Reporting System, the 24-hour clock indicators, product information, and mailing information by interviewing agency officials knowledgeable about the data and reviewing related documentation. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Service Performance First-Class Single Piece Letter Mail</i>	Evaluate service performance for First-Class Single Piece letter mail nationally and in 17 selected districts.	21-047-R21	9/03/2021	None
<i>COVID-19 Leave Administration</i>	Assess Postal Service's management of its employees' use of the novel coronavirus disease (COVID-19) leave under the Families First Coronavirus Response Act.	21-032-R21	6/16/2021	\$12.38
<i>U.S. Postal Service's Processing Network Optimization and Service Impacts</i>	Determine if the Postal Service's processing network is operating at optimal efficiency and meeting service standards.	19XG013NO000-R20	6/16/2020	\$385
<i>Assessment of the U.S. Postal Service's Service Performance and Costs</i>	Analyze service performance and cost trends of the Postal Service over the last five years.	NO-AR-19-008	9/17/2019	None
<i>U.S. Postal Service Processing Network Optimization</i>	Evaluate trends and practices the Postal Service uses to optimize its processing network.	NO-AR-19-006	9/9/2019	None

Appendix B: Service Performance Targets

The Postal Service did not meet the majority of its service performance targets in FY 2020 or in the first three quarters of FY 2021. Specifically, in FY 2020, it met targets for only three of the 33 mail products (or 9 percent): Marketing Mail Destination Entry, Marketing Mail Destination Sectional Center Facility Letters, and Marketing Mail Destination Network Distribution Center Letters (see Table 9 and Table 10). In the first three quarters of FY 2021, the Postal Service met targets for five of the 33 mail products (or 15 percent) (see Table 11 and Table 12) with the addition of Periodical Destinating Delivery Unit and Package Services Parcel Select Destinating Delivery Unit.

Table 9. FY 2020 Market Dominant²⁵ Mail Products Service Performance Scores

Mail Class	Product	FY 2020 Service Performance	FY 2020 Target	Percentage Points to Target
First-Class	Overnight Presort	94.79	96.80	-2.01
	2-Day Presort	92.80	96.50	-3.70
	2-Day Single Piece	91.43	96.50	-5.07
	3-5 Day Presort	89.95	95.25	-5.30
	3-5 Day Single Piece	78.69	95.25	-16.56
	3-5 Day Surface	88.46	95.25	-6.79
	Presort Letters	91.48	96.00	-4.52
	Presort Flats	75.44	96.00	-20.56
	Single Piece Letters	88.53	96.00	-7.47
	Single Piece Flats	74.42	96.00	-21.58

²⁵ Products and service for which the Postal Service exercises sufficient market power that it can effectively set prices with limited competition.

Mail Class	Product	FY 2020 Service Performance	FY 2020 Target	Percentage Points to Target
Marketing Mail	End-to-End	69.76	91.80	-22.04
	Destination Entry	92.59	91.80	0.79
	Destinating Delivery Unit	79.55	91.80	-12.25
	Destination Sectional Center Facility (SCF) Letters	93.38	91.80	1.58
	Destination SCF Flats	88.93	91.80	-2.87
	Destination NDC Letters	93.47	91.80	1.67
	Destination NDC Flats	88.35	91.80	-3.45
Periodicals	End-to-End	72.41	91.80	-19.39
	Destination Entry	83.77	91.80	-8.03
	Destinating Delivery Unit	89.88	91.80	-1.92
	Destination SCF Flats	83.72	91.80	-8.08
	Destination NDC Flats	84.52	91.80	-7.28
Package Service	Bound Printed Matter Flats	56.45	90.00	-33.55

Source: IV Service Performance.

Table 10. Competitive²⁶ Mail Products Service Performance Scores

Mail Class	Product	FY 2020 Service Performance	FY 2020 Target	Percentage Points to Target
First-Class Packages	2-Day	████	████	████
	3-5 Day	████	████	████
Priority Mail	1-Day Surface	████	████	████
	2-Day Surface	████	████	████
	3-Day Surface	████	████	████
	2-Day Air	████	████	████
	3-Day Air	████	████	████
	Express	████	████	████
Package Services	Retail Ground	████	████	████
	Parcel Select Destinating Delivery Unit	████	████	████

Source: IV Service Performance.

²⁶ A category of Postal Service products and services for which similar products and services are offered by private sector carriers.

Table 11. FY 2021 Quarters 1, 2, & 3 Market Dominant Mail Products Service Performance Scores

Mail Class	Product	FY 2021 through Quarter 3 Service Performance	FY2021 Target	Percentage Points to Target
First-Class	Overnight Presort	93.14	93.99	-0.85
	2-Day Presort	87.12	89.20	-2.08
	2-Day Single Piece	85.50	87.81	-2.31
	3-5 Day Presort	78.94	84.11	-5.17
	3-5 Day Single Piece	60.92	68.64	-7.72
	3-5 Day Surface	74.85	*	
	Presort Letters	82.22	84.88	-2.66
	Presort Flats	64.25	84.88	-20.63
	Single Piece Letters	79.14	84.88	-5.74
	Single Piece Flats	63.95	84.88	-20.93
Marketing Mail	End-to-End	68.93	86.62	-17.69
	Destination Entry	90.38	86.62	3.76
	Destinating Delivery Unit	70.25	86.62	-16.37
	Destination SCF Letters	91.66	86.62	5.04
	Destination SCF Flats	83.36	86.62	-3.26
	Destination NDC Letters	92.33	86.62	5.71
	Destination NDC Flats	83.17	86.62	-3.45

Mail Class	Product	FY 2021 through Quarter 3 Service Performance	FY2021 Target	Percentage Points to Target
Periodicals	End-to-End	61.50	86.62	-25.12
	Destination Entry	76.64	86.62	-9.98
	Destinating Delivery Unit	86.67	86.62	0.05
	Destination SCF Flats	76.59	86.62	-10.03
	Destination NDC Flats	77.15	86.62	-9.47
Package Service	Bound Printed Matter Flats	60.99	*	

Source: IV Service Performance.

*These products do not have FY 2021 targets.

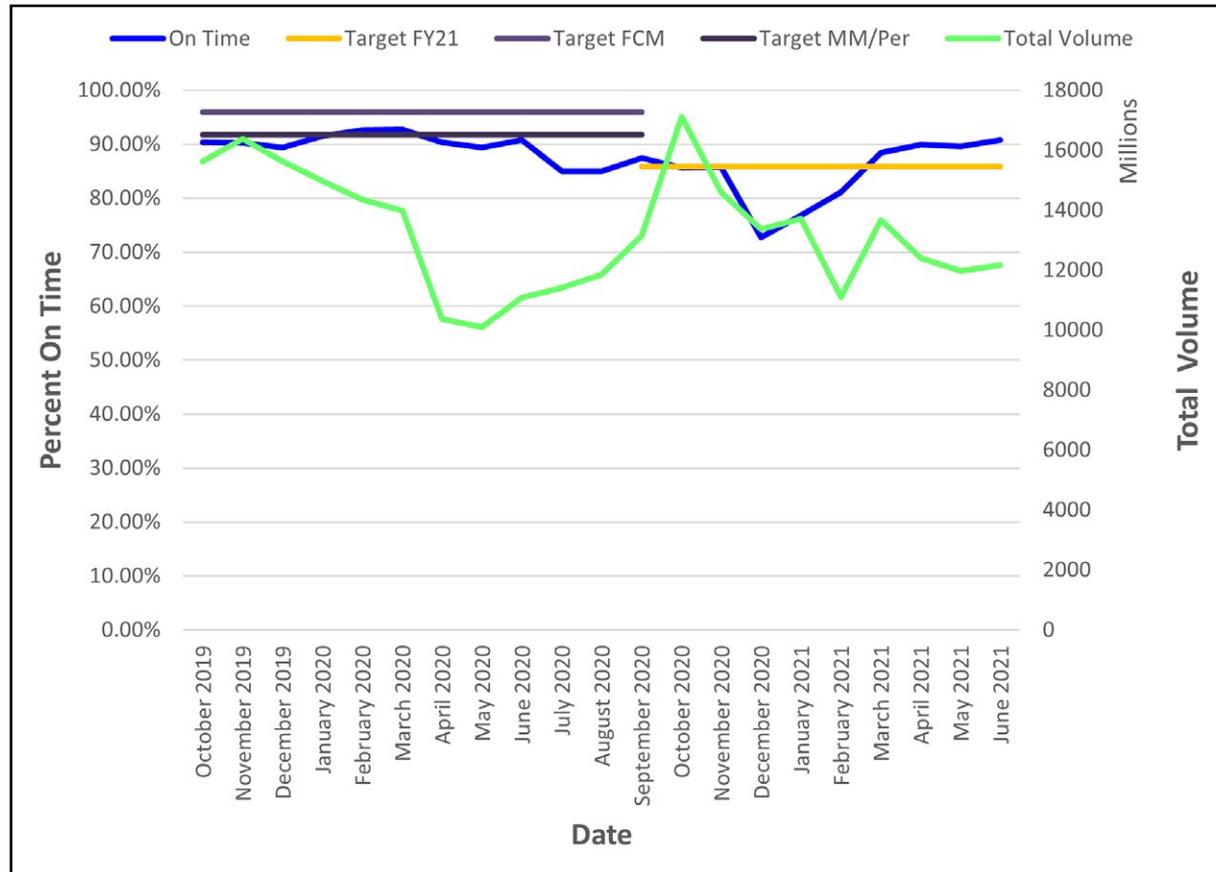
Table 12. FY 2021 Quarters 1, 2, & 3 Competitive Mail Products Service Performance Scores

Mail Class	Product	FY 2021 through Quarter 3 Service Performance	FY 2021 Target	Percentage Points to Target
First-Class Packages	2-Day	████	████	████
	3-5 Day	████	████	████
Priority Mail	1-Day Surface	████	████	████
	2-Day Surface	████	████	████
	3-Day Surface	████	████	████
	2-Day Air	████	████	████
	3-Day Air	████	████	████
	Express	████	████	████
	Package Services	Retail Ground	████	████
	Parcel Select Destinating Delivery Unit	████	████	████

Source: IV Surface Performance.

The Market Dominant Composite targets in FY 2020 for First-Class Mail Composite and Periodical and Marketing Mail Composites were 96.00 percent and 91.80 percent, respectively. In FY 2021, they were combined, and the new target is 85.86 percent. Beginning in April 2021, the scores began to improve and the volumes began to decline, both of which have continued this trend through June 2021 (see Figure 7).

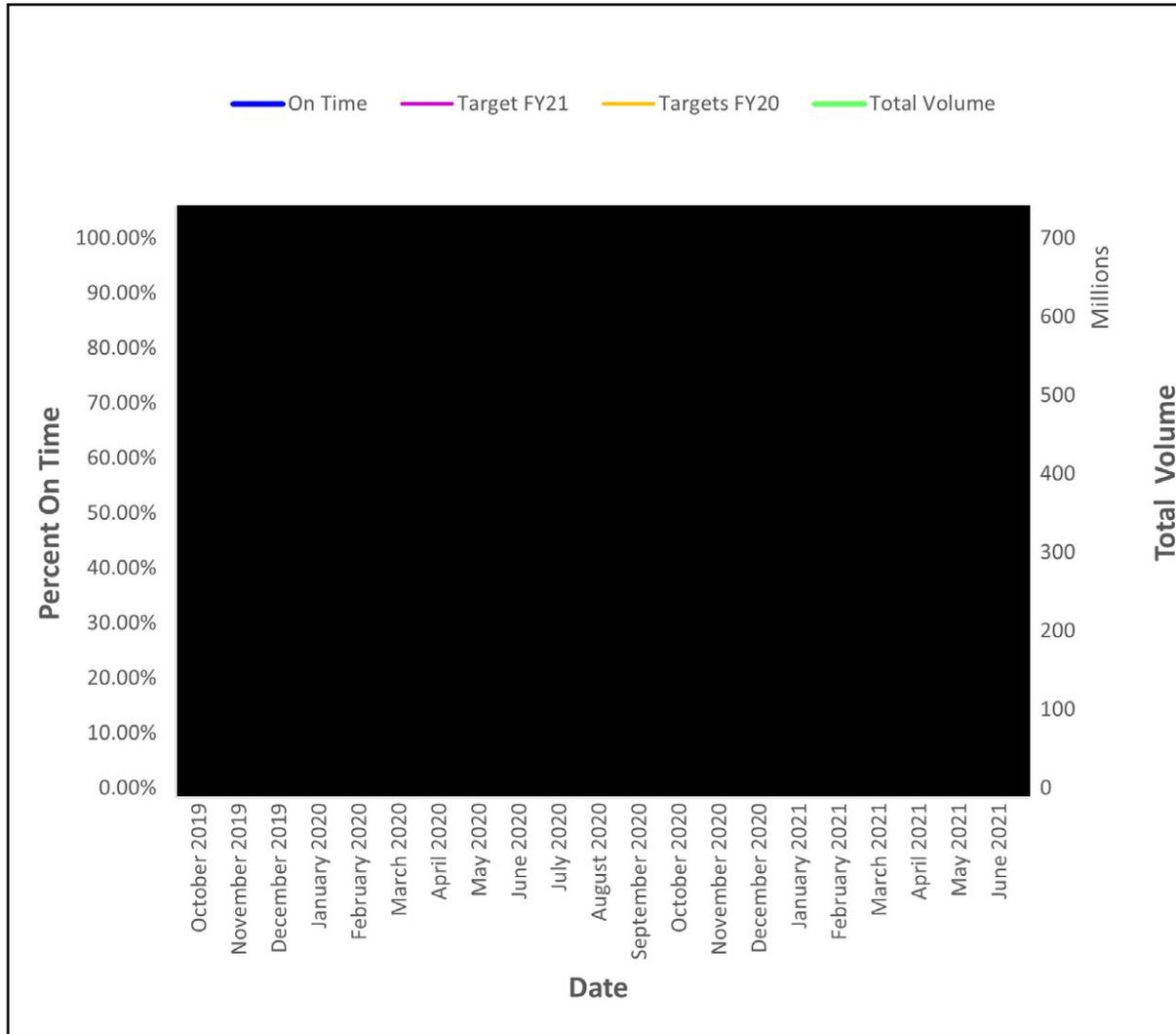
Figure 7. Service Performance of Market Dominant Composite



Source: IV Mail Product Trend Report.

The Competitive Composite targets in FY 2020 for Priority and First-Class parcels were both █████ percent. In FY 2021, the new target is █████ percent. Beginning in April 2021, the scores improved, and the volumes declined and have continued this trend to date (see Figure 8).

Figure 8. Service Performance of Competitive Composite



Source: IV Mail Product Trend Report.

Appendix C: Failure Points at Selected Sites

We reviewed the Postal Service’s IV application for the root cause failures at the facilities selected for parcel observations (see Table 13). The lower performing facilities—[REDACTED]—struggled with processing the mail and dispatching to the delivery units before clearance time. At the [REDACTED], a better performing site, two of the top three failures involved a late first origin processing facility scan.

Table 13. Parcel Failure Points at Selected Facilities

Failure Points	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<u>ADCOntimeAAUFailure</u> Destinating processing facility scan on time but delayed scan at local post office.			X	X
<u>ADCProcessingFailure</u> Delayed at the destinating processing facility.	X		X	X
<u>ADCOntimeAAUFailureNoSCFScan</u> Destinating processing facility scan on time with no scan at last processing facility but delayed at local post office.			X	
<u>Missent</u> Mailpiece sent to the wrong location.	X			
<u>ADCMissent</u> Destinating processing facility scan on time with unexpected enroute scan but delayed scan at local post office.				X
<u>AcceptToOPDCNextDayAfterNoon</u> Mailpiece accepted and did not receive a processing scan until following day after noon.	X			X
<u>AcceptToOPDCFailure</u> Mailpiece accepted and did not receive a scan on the same processing day.				X
<u>OPDCProcessingFailure</u> Delayed at the originating processing facility.				X

Source: The Package Processing Performance Report in IV.

We also reviewed the Postal Service’s IV application for the root cause failures at the facilities selected for letters and flats observations (see Table 14). The lower performing sites — the [REDACTED] — struggled with processing and sorting the destinating mail timely for local customers. Conversely, the [REDACTED] a better performing site, strove to process mail originating in the local area and address both originating and destinating missent mail.

Table 14. Letter and Flat Failure Points at Selected Facilities

Failure Points	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<u>Originating: OG Primary OP Plan Compliance</u> Latest outgoing primary scan at the origin facility with a scan datetime > STC at 23:59				X
<u>Originating: Missent</u> Any scan not at the origin or expected destination facility after any earlier scan at the origin facility				X
<u>Destinating: 1st Secondary Scan OP Plan Compliance</u> First secondary scan at the expected delivery destination facility with a scan datetime > EDD at 10:00	X	X		X
<u>Destinating: last secondary scan OP plan compliance</u> Latest secondary scan at the expected delivery destination facility with a scan datetime > EDD at 10:00	X	X		X
<u>Destinating: 1st incoming primary scan OP plan compliance</u> First incoming primary scan at expected destination facility with a scan datetime > EDD-1 at 15:00	X	X		X
<u>Destinating: Missent</u> Any scan not at the origin or expected destination facility after any earlier scan at the expected destination facility				X

Source: IV Service Performance Root Cause Report.

Appendix D: Management's Comments



September 9, 2021

JOSEPH WOLSKI
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Management Response: Nationwide Service Performance
(Report Number 21-120-DRAFT)

This memo is in response to the subject audit conducted by the Office of Inspector General (OIG).

The United States Postal Service (USPS) partially disagrees with the findings of this audit. The unprecedented impacts of the Coronavirus disease (COVID) pandemic was understated in the findings. Recommendation number four, for example, reflects conditions directly related to COVID impacts. The findings in the audit do not demonstrate a failure to communicate projected volumes and previous day's issues. Management therefore disagrees with Recommendation number one.

Management partially disagrees with the findings generating recommendation number three. The gridlock conditions reported were created by lack of transportation capacity and decreased employee availability. We agree that periodic training is beneficial, so USPS will review the training and reissue as necessary. Management disagrees with the findings and recommendation to set a target for "Unable to Assign" failures as described in recommendation number two.

The USPS reported an error in the data on Table 11 to the OIG, but the correction is not reflected in the audit draft which we responded to. The Overnight Presort score for fiscal year 2021 through quarter three service performance was 93.14%

Recommendation #1:

We recommend the **Chief Logistics & Processing Operations Officer & Executive Vice President** and the **Chief Retail & Delivery Officer & Executive Vice President**, reemphasize the need for discussions among local processing,

transportation, and delivery management components to communicate projected volumes and previous day's issues to proactively manage mail flow operations.

Management Response/Action Plan:

Management disagrees with this recommendation. Cross-functional communication occurs at multiple levels of the organization on a daily basis. The audit did not demonstrate a failure to communicate or any subsequent impact on service performance.

Target Implementation Date: n/a

Responsible Official: n/a

Recommendation #2:

We recommend the **Vice President, Processing & Maintenance Operations**, and the **Vice President, Enterprise Analytics**, investigate and understand root causes for failed mail pieces in "Unable to Assign" category, and work to decrease and maintain the total number of mail pieces in this category to under 10 percent of total failures.

Management Response/Action Plan:

Management disagrees with the recommendation. The process of using data to assign a root cause was not in the scope of the audit, nor are there any findings to indicate that "Unable to Assign" results in nonperformance. The Postal Service continues to iteratively work to reduce circumstances that result in insufficient data to assign service failure to a segment of the mail flow as we did prior to the release of the draft audit. While we expect continuing efforts to reduce the volume of failures in "Unable to Assign", the Postal Service must also give consideration to cost, priorities, and potential impacts to projects and timelines. The Postal Service cannot guarantee that the percentage of failures assigned to any specific root cause category will be less than any arbitrary target.

Target Implementation Date: n/a

Responsible Official: n/a

Recommendation #3:

We recommend the **Vice President, Processing and Maintenance Operations**, reemphasize, and implement as appropriate at facilities nationwide best practices related to programs aimed at increasing employee engagement and training on the proper staging and sequential processing of mail to improve service performance.

Management Response/Action Plan:

Management partially disagrees with this recommendation. USPS maintains that the most significant cause of failure to process mail in First In First Out (FIFO) order relates to a combination of decreased employee availability due to COVID and increases in package volumes to a level which could not have been anticipated. We have taken steps to mitigate both causes in both the short term, by significant increases in hiring, and the long term, by purchasing more package sorters and adding facilities. These actions are designed to avoid the gridlock that prevented FIFO processing during the audit time frame. Management will review the current training on proper staging and sequential processing of mail, reissuing the training documents as appropriate.

Target Implementation Date: 11/30/2021

Responsible Official:

Senior Director Strategic Planning & Implementation

Recommendation #4:

We recommend the **Vice President, Processing and Maintenance Operations**, when local employee availability and transportation allow, direct local processing management to retain only the quantity of mail transport equipment that their facilities and customers need for one week of mail processing operations in accordance with Handbook PO-502, Mail Transport Equipment, Policy 2- 8, Excess Mail Transport Equipment (Hoarding).

Management Response/Action Plan:

Management disagrees with this finding. As stated in the recommendation, a policy is in place. The policy is reinforced with regular messaging. During the audit, the inability to move Mail Transport Equipment (MTE) was caused by reduced transportation opportunity and, in some cases, weather events. Driver shortages due to COVID also contributed.

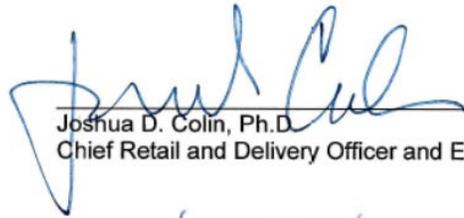
Target Implementation Date: n/a

Responsible Official: n/a

E-SIGNED by Isaac.S Cronkhite
on 2021-09-09 15:28:54 CDT

Isaac Cronkhite

Chief Logistics and Processing Operations Officer and Executive Vice President



Joshua D. Colin, Ph.D.
Chief Retail and Delivery Officer and Executive Vice President



Mike L. Barber
Vice President, Processing and Maintenance Operations

E-SIGNED by Jeffrey.C Johnson
on 2021-09-09 15:07:20 CDT

Jeffrey Johnson
Vice President, Enterprise Analytics

cc: Manager, Corporate Audit Response Management

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GENERAL**
UNITED STATES POSTAL SERVICE

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