



Office of Inspector General | United States Postal Service

## Audit Report

# Service Performance During the Fiscal Year 2022 Peak Mailing Season

Report Number 22-039-R22 | June 23, 2022



# Table of Contents

Cover		Mail Volume and Workhours.....	6
Highlights.....	1	Peak Season Processing and Logistics Annexes.....	7
Background.....	1	Operational Changes in Transportation.....	8
What We Did.....	1	Package Processing Machine Deployment.....	8
What We Found.....	1	Recommendation #1.....	9
Recommendation.....	1	Management's Comments.....	9
Transmittal Letter.....	2	Evaluation of Management's Comments.....	9
Results.....	3	Appendices.....	10
Introduction/Objective.....	3	Appendix A: Additional Information.....	11
Background.....	3	Scope and Methodology.....	11
Finding #1: FY 2022 Peak Season Preparedness Plan		Prior Audit Coverage.....	12
Implementation.....	3	Appendix B: Management's Comments.....	13
Service Performance.....	4	Contact Information.....	15
Employee Hiring.....	5		

# Highlights

## Background

During the fiscal year (FY) 2022 peak mailing season, U.S. Postal Service management implemented a new year-round strategy focused on a consistent build-up of employee complement, multi-year leases for facility space, and processing capacity to help ensure a successful peak mailing season.

## What We Did

Our objective was to evaluate the Postal Service's performance during the FY 2022 peak mailing season and implementation of its peak season preparedness plan. For this audit, we obtained supporting documentation, evaluated processing service performance, and interviewed Postal Service managers.

## What We Found

We found that the Postal Service successfully implemented initiatives from its FY 2022 peak mailing season preparedness plan and service performance increased between ■ and ■ percent for Priority Mail, First-Class Packages, First-Class Mail, Marketing Mail, and Periodicals over the FY 2021 peak mailing season (November 2020 – January 2021). The initiatives included (1) hiring over 51,000 additional temporary employees, (2) leasing 46 package support annexes, (3) leasing 51 temporary mail processing and logistics annexes, (4) adding six surface

transfer centers to help alleviate dock congestion, and (5) installing 89 package sorting machines in processing facilities. While the additional machines enabled the Postal Service to meet its goal for increasing daily package processing capacity, 51 of the 89 package sorting machines they installed between July and November of 2021, were used but showed no activity in a key reporting system.

Additionally, the Postal Service reduced the amount of overtime used this peak season compared to last year. Specifically, while workhours increased by 4.5 million hours, or 4 percent, overtime workhours decreased by 4.9 million hours, or 22 percent, compared to the FY 2021 peak season.

## Recommendation

We recommended management ensure processing activity data is captured and reported in all major reporting systems. After the issuance of our draft report, the Postal Service provided information that the 51 machines were in the reporting system but listed under a different machine name. As of June 17, 2022, Postal Service management has updated names for 44 of the 51 sorting machines. Therefore, we consider this recommendation closed with the issuance of this report.

# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

June 23, 2022

**MEMORANDUM FOR:** MICHAEL L. BARBER  
VICE PRESIDENT, PROCESSING AND MAINTENANCE  
OPERATIONS  
  
JEFFREY C. JOHNSON  
VICE PRESIDENT, ENTERPRISE ANALYTICS

*Mary K. Lloyd*

**FROM:** Mary K. Lloyd  
Acting Deputy Assistant Inspector General  
for Mission Operations

**SUBJECT:** Audit Report – Service Performance During the Fiscal Year  
2022 Peak Mailing Season (Report Number 22-039-R22)

This report presents the results of our audit of Service Performance During the Fiscal Year 2022 Peak Mailing Season.

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 Service Performance During the Fiscal Year (FY) 2022 Peak Mailing Season (Project Number 22-039). Our objective was to evaluate the U.S. Postal Service's performance during the FY 2022 peak mailing season and implementation of its peak season preparedness plan. See [Appendix A](#) for additional information about this audit.

## Background

Each year, increased mail volume during the Postal Service's peak mailing season — November through January — significantly strains its processing and distribution network. During the prior peak season (FY 2021), service performance for all mail classes declined with the biggest decrease occurring in December 2020, which saw only █ percent of Priority Mail and █ percent of First-Class Packages delivered on time.

In response to the decrease of service performance that occurred during the FY 2021 peak season, Postal Service management executed a new year-round strategy in preparation for peak seasons by implementing permanent operational changes. These changes included increasing employee complement and facility space to support peak season. This approach, coupled with initiatives for the FY 2022 peak season, were intended to address the main causes of low performance from the 2021 peak mailing season.

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*“In response to the decrease of service performance that occurred during the FY 2021 peak season, Postal Service management executed a new year-round strategy in preparation for peak seasons by implementing permanent operational changes.”*

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Additionally, the Postal Service implemented the Industry Connect Dashboard, which allows mailers to see the status of mail processing operations, logistics, and yard conditions at processing facilities.

## Finding #1: FY 2022 Peak Season Preparedness Plan Implementation

During the FY 2022 peak season, management implemented initiatives developed to address the main causes of low performance from the FY 2021 peak mailing season. As a result, service performance increased between █ and █ percentage points for Priority Mail, First-Class Packages, First-Class Mail, Marketing Mail, and Periodicals over the FY 2021 peak mailing season (November 2020- January 2021). Those initiatives included:

- Hiring approximately 51,000 additional temporary employees (43,000 processing employees and 8,000 retail and delivery employees) to assist with the additional workload and operational needs.
- Leasing 46 package support annexes with two- to five-year lease terms for use beyond peak season to help maintain space in high demand areas.
- Leasing 51 temporary mail processing and logistics annexes to process packages during the FY 2022 peak mailing season.
- Adding six surface transfer centers (STC) to help alleviate dock congestion.
- Increasing package processing capacity by deploying and installing 89 package sorting machines in processing facilities.

Management stated that besides these initiatives, they did not have to implement their contingency processing plans but instead did revise some of their initiatives as the FY 2022 peak mailing season progressed. Specifically, management hired █ more processing employees and █ fewer delivery employees and acquired less leased space than initially planned.

In addition to improved service performance, the Postal Service reduced the amount of overtime used this peak season compared to last peak season. Specifically, while workhours increased by 4.5 million hours, or 4 percent, overtime workhours decreased by 4.9 million hours, or 22 percent, compared to FY 2021. Total mail processed volume increased by [REDACTED] during the FY 2022 peak season, but package volume [REDACTED] compared to the FY 2021 peak season. The following sections discuss the impacts of the Postal Service's implementation of its year-round strategy and initiatives in the areas of Service Performance, Employee Hiring, Mail Volume and Workhours, Peak Season Processing and Logistics Annexes, Operational Changes in Transportation, and Package Processing Machine Deployment.

### Service Performance

Service performance increased for all five major mail classes during the FY 2022 peak season compared to the FY 2021 peak season. Specifically, service performance increased [REDACTED] percentage points for Priority Mail, [REDACTED] percentage points for First-Class Packages, 12 percentage points for First-Class Mail, 10 percentage points for Marketing Mail, and 14 percentage points for Periodicals. Additionally, the Postal Service reduced the average number of days it took to deliver First-Class Packages and Priority Mail by approximately [REDACTED] while First-Class Mail stayed about the same compared to the FY 2021 peak season (see Table 1).

In December 2021, [REDACTED] percent of Priority Mail and [REDACTED] percent of First-Class Packages were delivered on time, an increase of [REDACTED] percentage points for Priority Mail and [REDACTED] percentage points for First-Class Packages when compared to December 2020. However, from November 2021 to December 2021, service performance scores for Priority Mail decreased by [REDACTED] percentage points and [REDACTED] percentage points for First-Class Packages (see Figure 1).

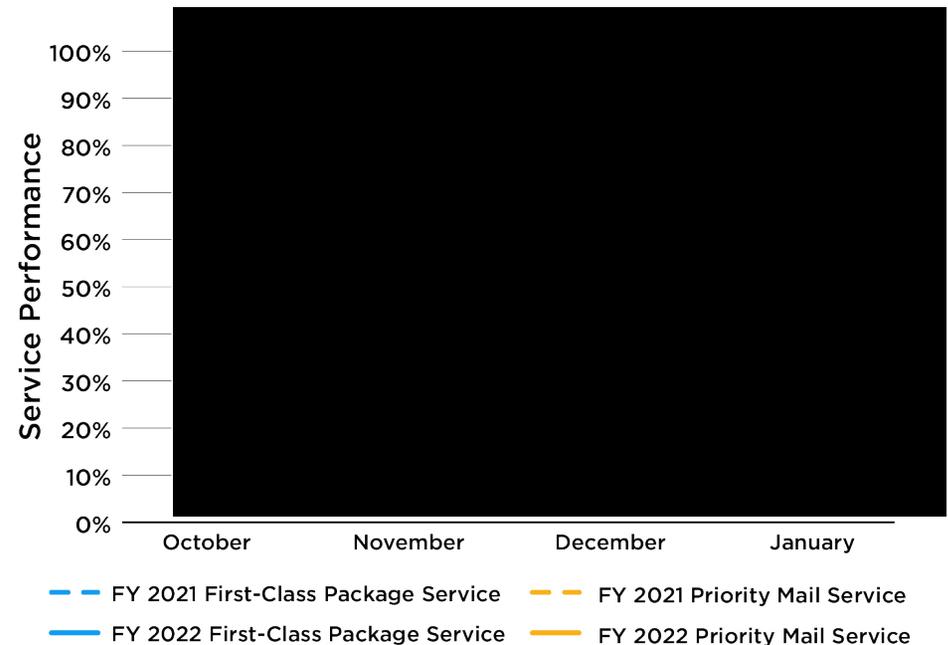
*“Service performance increased for all five major mail classes during the FY 2022 peak season compared to the FY 2021 peak season.”*

**Table 1. Average Number of Days to Deliver by Mail Product November to January**

FY	First-Class Mail	First-Class Packages	Priority Mail
2021	2.90	[REDACTED]	[REDACTED]
2022	2.66	[REDACTED]	[REDACTED]
<b>Difference</b>	<b>(0.24)</b>	[REDACTED]	[REDACTED]

Source: Postal Service IV and OIG analysis.

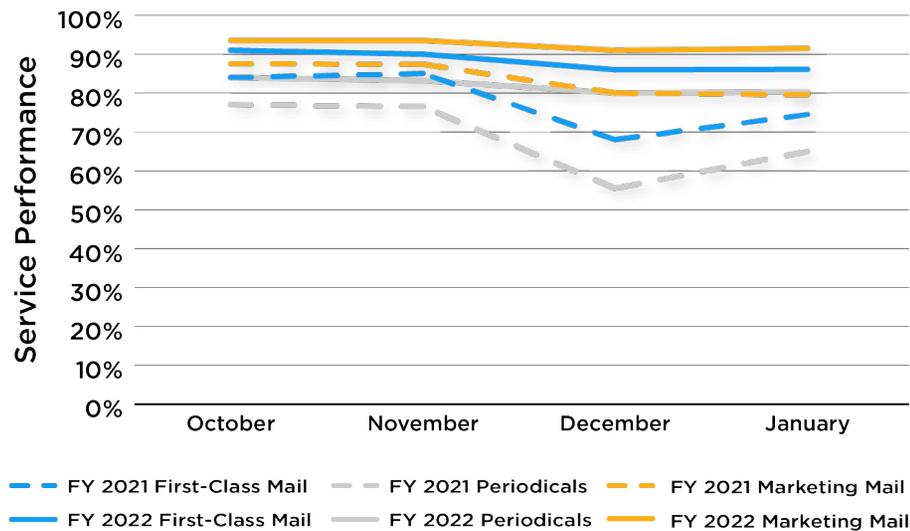
**Figure 1. Peak Season Service Performance Scores of Competitive Products**



Source: Postal Service IV and OIG analysis.

Before the start of the FY 2022 peak season in October 2021, service performance was 91 percent for First-Class Mail, 93 percent for Marketing Mail, and 84 percent for Periodicals, an improvement when compared to October 2020. The three market dominant products declined by no more than 4 percentage points from December 2021 to January 2022 (see Figure 2).

**Figure 2. Peak Season Service Performance Scores of Market Dominant Products**



Source: Postal Service IV and OIG analysis.

### Employee Hiring

The Postal Service initially planned to hire and train an additional [redacted] temporary employees [redacted] processing and [redacted] retail and

delivery) before the FY 2022 peak mailing season began. Postal Service management stated that because their predicted workload and operational needs changed in October 2021, they adjusted their FY 2022 peak season hiring targets to [redacted] additional temporary employees [redacted] processing employees and [redacted] retail and delivery employees) to start on or after October 9, 2021. However, the Postal Service hired 51,153 temporary employees (43,341 processing employees and 7,812 retail and delivery) or [redacted] more than the adjusted plan for the FY 2022 peak mailing season (see Table 2).

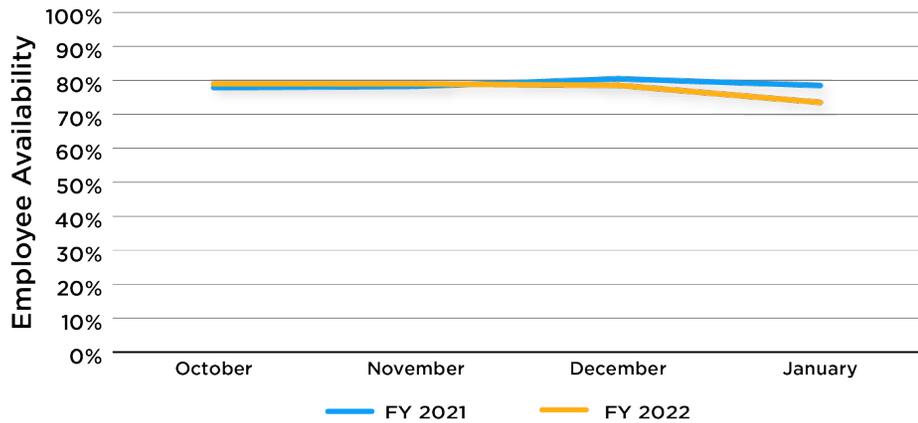
**Table 2. FY 2022 Peak Season Employee Hiring**

Function Area	Initial Target	Adjusted Target	Actual	Difference (Adjusted and Actual)	Percentage Difference
Mail Processing	[redacted]	[redacted]	43,341	10,768	33%
Retail and Delivery	[redacted]	[redacted]	7,812	(7,105)	(48%)
<b>Total</b>	[redacted]	[redacted]	<b>51,153</b>	<b>3,663</b>	[redacted]

Source: Postal Service data and OIG analysis.

During the FY 2022 peak mailing season, the Postal Service maintained relatively the same level of employee availability as it did during the FY 2021 peak mailing season at about 80 percent. However, in January 2022, management stated employee availability decreased due to the attrition of the peak season temporary employees (see Figure 3).

**Figure 3. Comparison of FY 2021 and FY 2022 Employee Availability Percentages**



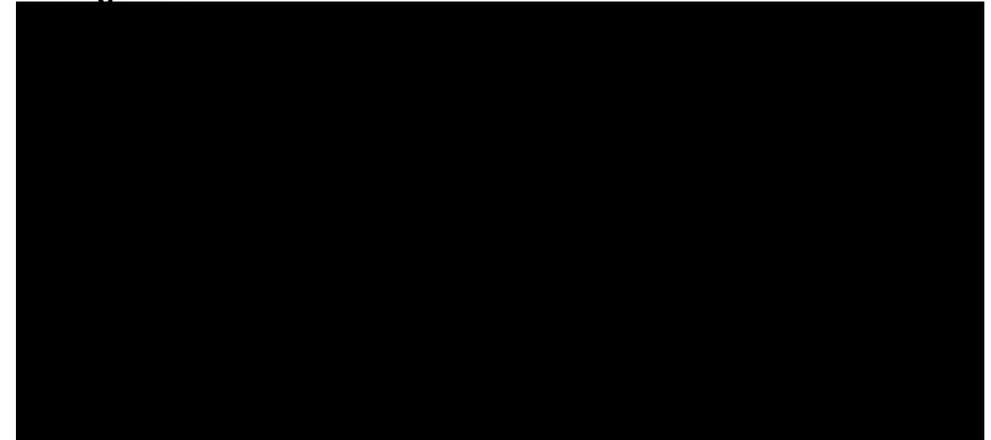
Source: Postal Service's Time and Attendance Collection System (TACS) and OIG analysis.

### Mail Volume and Workhours

During the FY 2022 peak mailing season, the Postal Service's total processed mail volume increased by █ million pieces, a less than 1 percent difference compared to FY 2021 peak season mail volume. However, package volume decreased by █ million pieces, or a 12 percent difference compared to FY 2021, as shown in Figure 4.

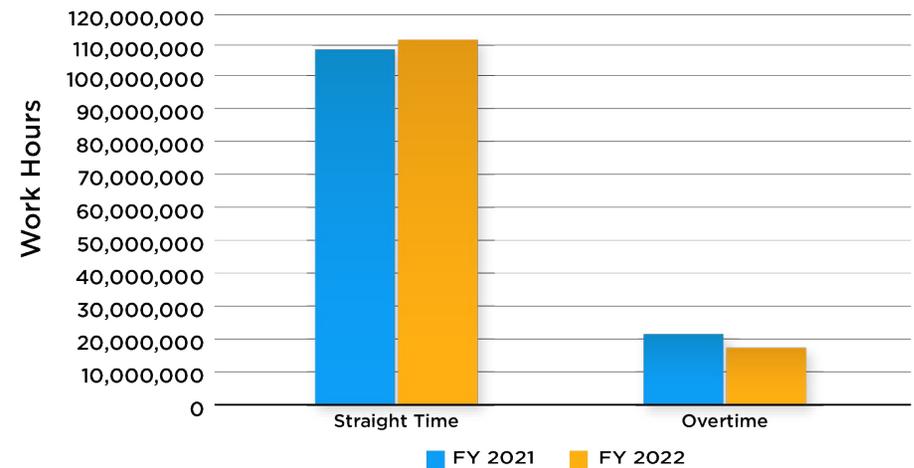
Postal Service management stated their year-round hiring strategy for peak season would allow them to ultimately improve overall service performance and reduce overtime.<sup>1</sup> While workhours increased by 4.5 million hours, or 4 percent, overtime decreased by 4.8 million hours, or 22 percent, when compared to FY 2021 peak season, as shown in Figure 5.

**Figure 4. Comparison of FYs 2020, 2021, and 2022 Peak Season Package Volume**



Source: Postal Service IV and OIG analysis.

**Figure 5. Comparison of FY 2021 and FY 2022 Peak Season Straight Time and Overtime Workhours**



Source: Postal Service's Labor Utilization Reporting System (LURS) and OIG analysis.

<sup>1</sup> Fiscal Year 2022 Peak Mailing Season Preparedness (Report Number 21-206-R22, dated November 19, 2021).

## Peak Season Processing and Logistics Annexes

During the FY 2022 peak season, the Postal Service added space via 46 package support annexes with two- to five-year leases. Management stated the additional space enabled the Postal Service to process the increased mail volume and avoid gridlock. As of the date of our prior report where we reviewed the Postal Service’s plan to prepare for the FY 2022 peak season,<sup>2</sup> all 46 package support annexes were operational.

Additionally, while Postal Service management originally planned to lease 70 temporary annexes, they modified their plan to only lease 50 annexes due to limited availability of spaces to lease. The Postal Service secured 51 leases with 4.1 million square feet of space for temporary annexes for the FY 2022 peak mailing season (see Table 3).

Overall, the Postal Service met its target for total combined planned square footage for the FY 2022 peak mailing season by acquiring ██████ square

feet, an increase of 38 percent, via package support and temporary annex space (see Table 4).

**Table 3. FY 2022 Peak Season Temporary Annexes**

Peak Season Annex Type	Number of Annexes (Planned)	Number of Annexes (Adjusted Target)	Number of Annexes (Actual)
Mail Processing	46	32	34
Logistics	20	15	15
Mail Processing and Logistics	4	3	2
<b>Total</b>	<b>70</b>	<b>50</b>	<b>51</b>

Source: Postal Service data and OIG analysis.

**Table 4. Peak Season Square Feet Comparison**

Annex Type	FY 2021 Actual	FY 2022 Targeted	Target Percentage Increase	FY 2022 Actual	Actual Percentage Increase
Temporary	██████	██████		██████	
Package Support		██████		██████	
<b>Total</b>	██████	██████	██████	██████	<b>38%</b>

Source: Postal Service data and OIG analysis.

<sup>2</sup> Report Number 21-206-R22, dated November 19, 2021.

## Operational Changes in Transportation

The Postal Service expanded six STCs within the surface network by moving them away from processing facilities where they were co-located to help alleviate dock congestion. The six STCs added 1.6 million square feet of space capacity and 315 additional dock doors and freed up 600,000 square feet of space and 207 dock doors in the formerly co-located Postal Service facilities.<sup>3</sup> All STCs were designed to divert mail volume from air to surface transportation in addition to serving as a consolidation point for mail volume from underutilized surface trips.

At the beginning of the FY 2022 peak mailing season, the Capital Metro, MD,<sup>4</sup> Indianapolis, IN, and Chicago, IL, STCs experienced some dock congestion and back-logged trucks. Postal Service management stated this occurred because more mail volume was received through the STCs than initially expected. Additionally, management stated that they had issues with contract employee availability; specifically, with hiring contract drivers and drivers not reporting for their assigned routes. Management stated that they resolved the congestion issues at these three STCs in 5 to 10 days.

## Package Processing Machine Deployment

The Postal Service deployed and installed the planned 89 package sorting machines within processing facilities for the FY 2022 peak mailing season by December 2021. Specifically, 25 Automated Delivery Unit Sorter (ADUS) machines, 13 Small Package Sorting System machines (SPSS), and 51 Single Induction Parcel Sorter (SIPS) machines were installed at processing facilities. The additional machines enabled the Postal Service to meet its goal for increasing the daily package processing capacity with daily capacity going from [REDACTED] packages, or [REDACTED] over last peak season (see Table 5).

**Table 5. Peak Season Daily Package Processing Machine Capacity**

FY 2021	FY 2022 Peak Season Target	FY 2022 Peak Season Actual	Percentage Increase
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: Postal Service data and OIG analysis.

Although the Postal Service installed 89 package processing machines, the 51 SIPS machines they installed between July and November of 2021, were used but showed no activity in the Mail Image Reporting System (MIRS), which provides reports about machine utilization and processing nationwide. Postal Service management said the machines were identified in the Web End of Run system<sup>5</sup> and data for the machines was available in that system. However, there was no standard procedure to ensure data was flowing to all major reporting systems including MIRS. When new sorting machines are not added to reporting systems, there is an increased risk that data used to make management decisions is missing or incomplete. Management stated this oversight did not affect their ability to monitor performance in key operating systems.

After the issuance of our draft report, Postal Service management provided information that the 51 machines were in MIRS but listed as Small Delivery Unit Sorters (SDUS) rather than as SIPS machines. As of June 17, 2022, Postal Service management had updated 44 of the 51 sorting machines from SDUS to SIPS in MIRS.

<sup>3</sup> STCs receive mail from processing and distribution centers, international service centers, network distribution centers, and from other STCs.

<sup>4</sup> The Capital Metro, MD STC is in Brandywine, MD.

<sup>5</sup> The Postal Service uses Web End of Run to collect, store, and report mail volume data directly from mail processing equipment.

## Recommendation #1

We recommend the **Vice President, Processing and Maintenance Operations**, in coordination with the **Vice President, Enterprise Analytics**, ensure processing activity data is captured and reported in all major reporting systems when new mail processing equipment is installed and operational.

The Postal Service implemented the planned initiatives to address the causes of low performance during the FY 2021 peak season and realized an improvement in service performance during the FY 2022 peak season. We encourage the Postal Service to continue to be proactive in planning and providing transparency of performance for future peak seasons. We plan to evaluate processing efficiencies during upcoming audits and report any challenges identified.

## Management's Comments

Management mostly agreed with the finding but disagreed with recommendation 1. See [Appendix B](#) for management's comments in their entirety.

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*“We encourage the Postal Service to continue to be proactive in planning and providing transparency of performance for future peak seasons.”*

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Regarding recommendation 1, management stated they did not agree that there were any reporting limitations impacting their ability to make operational decisions. Management stated that they had not designated the new term “SIPS” in their reporting systems yet, the SIPS machine is the same as the SDUS, and that they redirected the 51 SIPS machines from Delivery to Mail Processing operations. Management added that all machines deployed last year currently have been mapped in the Web End of Run system with all data flowing to subsequent systems accurately.

## Evaluation of Management's Comments

The OIG considers management's comments responsive to recommendation 1.

Regarding recommendation 1, after issuing our draft report, Postal Service management provided information that the 51 machines were in the MIRS but listed as SDUS rather than as SIPS machines. As of June 17, 2022, Postal Service management had updated 44 of the 51 sorting machines from SDUS to SIPS in MIRS, and are working to finish converting the remaining seven by July 31, 2022. Therefore, we consider recommendation 1 closed with the issuance of this report.

Further, we did not state in our report that the Postal Service's ability to make operational decisions is limited; rather we stated that there is an increased risk that data used to make management decisions will be missing or incomplete when sorting machines are not added to reporting systems.

# Appendices

Click on the appendix title below to navigate to the section content.

- Appendix A: Additional Information..... 11
  - Scope and Methodology ..... 11
  - Prior Audit Coverage ..... 12
- Appendix B: Management’s Comments..... 13

# Appendix A: Additional Information

## Scope and Methodology

The scope of this audit included the Postal Service's implementation of its FY 2022 peak mailing season (November 2021 through January 2022) preparedness plan. Our objective was to evaluate the Postal Service's performance during the FY 2022 peak mailing season and implementation of its peak season preparedness plan.

To accomplish our objective, we:

- Interviewed Postal Service Headquarters, regional, and divisional management to determine if implementing the peak season preparedness plan succeeded.
- Compared peak season package volume data for FYs 2020, 2021, and 2022 to identify trends in actual package volume during peak season.
- Analyzed service performance scores during the FY 2022 peak season to identify trends in service performance related to package volume.
- Reviewed hiring and employee availability data for mail processing, transportation, retail, and delivery during the FY 2022 peak mailing season to determine if planned goals were met.
- Obtained facility space/capacity data to identify the annexes the Postal Service acquired to process the planned package volume during the FY 2022 peak mailing season.

- Evaluated data related to STCs during the FY 2022 peak mailing season to determine if there were issues with the surface network.
- Analyzed package processing deployment machine data to determine if planned machines were installed and operational during the FY 2022 peak mailing season.

We conducted this performance audit from December 2021 through June 2022 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 finding and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective. We discussed our observations and conclusions with management on May 25, 2022 and included their comments where appropriate.

We assessed the reliability of the Postal Service's IV, LURS and TACS data 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
<i>Embargoes and Redirections at U.S. Postal Service Processing Facilities</i>	Evaluate operational impacts experienced by the Postal Service before and after embargoes and redirections at mail processing facilities during the FY 2021 peak mailing season.	21-112-R21	8/13/2021
<i>Nationwide Service Performance</i>	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.	21-120-R21	9/20/2021
<i>Peak Season Hiring</i>	Assess whether the Postal Service effectively hired bargaining employees for the peak season periods of 2019 through 2021.	20-316-R21	9/23/2021
<i>Fiscal Year 2022 Peak Mailing Season Preparedness</i>	Evaluate the Postal Service's preparedness for the FY 2022 peak mailing season.	21-206-R22	11/19/2021

# Appendix B: Management's Comments



June 13, 2022

JOHN CIHOTA  
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Service Performance During the Fiscal Year 2022  
Peak Mailing Season (Report Number 22-039-DRAFT)

Thank you for providing the Postal Service an opportunity to review and comment on the findings and recommendations contained in the draft audit report, *Service Performance During the Fiscal Year 2022 Peak Mailing Season*.

Management agrees with most of the findings but does not agree that there were any reporting limitations which impacted management's ability to make operational decisions. The statement that the machine data was not reported in Mail and Image Reporting System (MIRS) was not portrayed accurately. All machines that were deployed last year and currently have been mapped in the Web End of Run (WebEOR) system with all data flowing to subsequent systems accurately. However, during the last year activation of new machine Single Induction Package Sorter ("SIPS"), we had not officially designated the term "SIPS" for our reporting systems. It should be noted that the "SIPS" is exactly the same machine as Small Delivery Unit Sorter ("SDUS") and we redirected these 51 machines from SDUS allocation in Delivery Operations to Mail Processing Operations. It was decided organizationally at that time that the machine name will remain "SDUS" name in the reporting systems until we complete the deployment and change the name thereafter. When Office of Inspector General (OIG) pulled the data using "SIPS" term for the timeline prior to the name change, the data did not show up. The data will have to be pulled using the proper name designated for these machines during that time-period.

**Recommendation [1]:**

We recommend the **Vice President, Processing and Maintenance Operations**, in coordination with the **Vice President, Enterprise Analytics**, ensure processing activity data is captured and reported in all major reporting systems when new mail processing equipment is installed and operational.

**Management Response/Action Plan:**

For the same reasons described above, management does not agree with Recommendation #1. Processing data is captured and reported on all major reporting

systems when new mail processing equipment is installed and operational. There was no failure during this audit, and none are anticipated in the future.

Target Implementation Date: N/A

Responsible Official: N/A



Mike L. Barber  
Vice President, Processing and Maintenance Operations

 E-SIGNED by Jeffrey C Johnson  
on 2022-06-13 14:37:01 CDT

Jeffrey C. Johnson  
Vice President, Enterprise Analytics

cc: *Manager, Corporate Audit Response Management*

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