

Service Performance During the Fiscal Year 2024 Peak Mailing Season

AUDIT REPORT

Report Number 24-050-R24 | August 26, 2024

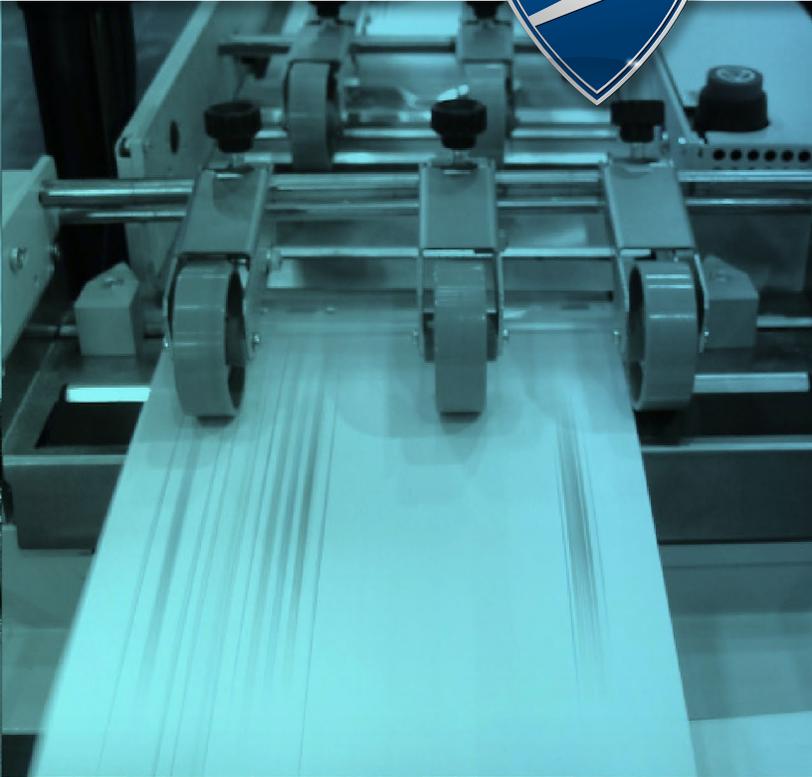


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Highlights

Background

Each year, increased mail volume and operational changes during the U.S. Postal Service's peak season — Thanksgiving through New Year's Eve — significantly strain the Postal Service's processing and distribution network. As noted in prior audit reports, Postal Service management continued to develop a year-round strategy in preparation for peak season by implementing permanent operational changes.

What We Did

Our objective was to evaluate the Postal Service's performance during the fiscal year (FY) 2024 peak season and the implementation of its peak season preparedness plan.

What We Found

The Postal Service was able to successfully implement most of its peak season initiatives. While First-Class Mail, Marketing Mail, and Periodical Mail volumes decreased by 12.1 percent and package volume increased by █ percent compared to last peak season, the Postal Service met some processing and distribution goals, all logistics goals, and most retail and delivery goals. Specifically, in processing and distribution operations, processing facilities hired above plan and successfully completed internal audits, but they did not meet their planned operational schedule goals. For logistics operations, management successfully forecasted mail volumes, assigned transportation, and decreased late and canceled trips, although there was an increase in extra trips. In retail and delivery operations, customer inquiries overall decreased and retail measurements were relatively flat compared to last year, but the Postal Service did not meet their peak season hiring goals.

Regardless of the successful implementation of most initiatives, service performance scores decreased for most products during the FY 2024 peak season. Specifically, service performance declined for most market dominant products and all competitive products, compared to the previous peak season. For example, First-Class Mail and Ground Advantage decreased by 5.4 percentage points and █ percentage points compared to last peak season, respectively.

Recommendations and Management's Comments

We made one recommendation to address the issues identified in the report. Postal Service management agreed with the recommendation, and the U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive, as corrective actions should resolve the issues in the report. Postal Service management's comments and our evaluation are at the end of each finding and recommendation. See [Appendix B](#) for management's comments in their entirety.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

August 26, 2024

MEMORANDUM FOR: DANE A. COLEMAN
VICE PRESIDENT, PROCESSING AND MAINTENANCE OPERATIONS

ANGELA H. CURTIS
VICE PRESIDENT, DELIVERY OPERATIONS

ROBERT CINTRON
VICE PRESIDENT, LOGISTICS

A handwritten signature in cursive script that reads "Kelly Thresher".

FROM: Kelly Thresher
Deputy Assistant Inspector General
for Field Operations

SUBJECT: Audit Report – Service Performance During the Fiscal Year 2024 Peak Mailing Season (Report Number 24-050-R24)

This report presents the results of our audit of Service Performance During the Fiscal Year 2024 Peak Mailing Season.

All recommendations require U.S. Postal Service Office of Inspector General (OIG) concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendation 1 should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact John Littlejohn, Director, Seasonal Performance and Postal Regulatory Commission, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of the Service Performance During the Fiscal Year (FY) 2024 Peak Mailing Season (Project Number 24-050). Our objective was to evaluate the U.S. Postal Service’s performance during the FY 2024 peak season and the implementation of its peak season preparedness plan. See [Appendix A](#) for additional information about this audit.

Background

Each year, increased mail volume and operational changes during the Postal Service’s peak season – Thanksgiving through New Year’s Eve¹ – significantly strain the Postal Service’s processing and distribution network. During the FY 2023 peak season, service performance improved for market dominant products and declined for competitive products when compared to the FY 2022 peak season.

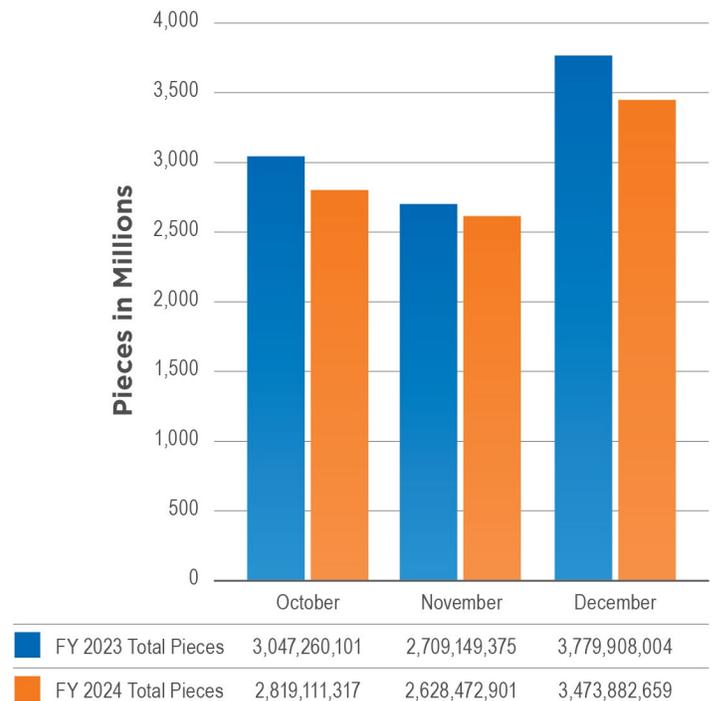
As noted in prior audit reports, Postal Service management continued to develop a year-round strategy in preparation for peak season by implementing permanent operational changes. These initiatives included increasing employee complement and package sorting machines. This approach, coupled with initiatives for the FY 2024 peak season, was intended to continue on-time delivery to recipients.

According to the Postal Service’s *Delivering for America Second-Year Progress Report*,² which is its public reporting on the 10-year plan, the Postal Service continues to transform their ground transportation model. One change was to decrease reliance on air transportation and move more volume to surface transportation. To that end, a new product, Ground Advantage,³ was introduced in July 2023 as a competitively priced option for customers to ship packages.

Mail Volume

Market dominant⁴ volume processed through the network decreased by 2.7 billion (12.1 percent) during the FY 2024 peak season, compared to the FY 2023 peak season. Specifically, First-Class volume decreased from 9.5 billion to 8.9 billion, or by 6.5 percent (see Figure 1).

Figure 1. Peak Season First-Class Volume



Source: U.S. Postal Service Office of Inspector General (OIG) analysis of Informed Visibility data.

In addition, Marketing Mail decreased from 12.8 billion to 10.7 billion pieces, or by 16.2 percent (see [Figure 2](#)) and Periodicals volume decreased from 432 million to 364 million, or by 15.8 percent (see [Figure 3](#)).

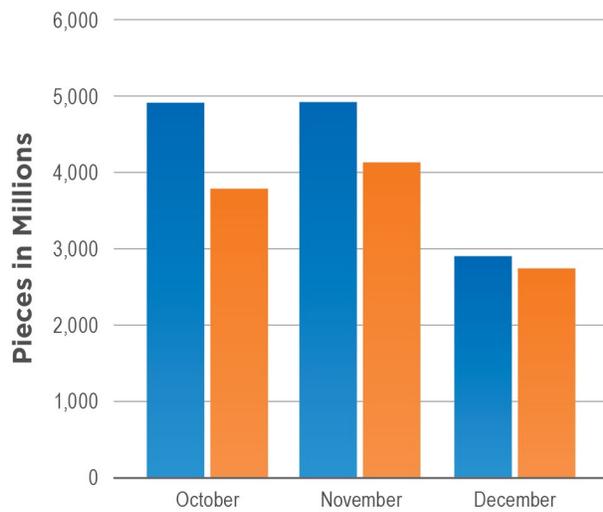
¹ For purposes of our audit, we will use the weeks of November 11, 2023 – January 5, 2024, unless otherwise stated.

² *USPS Delivering for America Second-Year Progress Report*, <https://about.usps.com/what/strategic-plans/delivering-for-america/assets/usps-dfa-two-year-report.pdf>.

³ USPS Ground Advantage combines USPS Retail Ground, Parcel Select Ground, and First-Class Package Service.

⁴ Market dominant products include First-Class Mail products, Periodicals, and Marketing Mail.

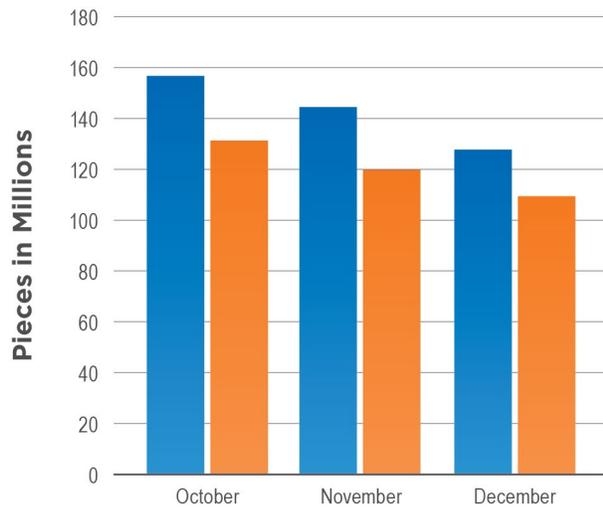
Figure 2. Peak Season Marketing Mail Volume



■ FY 2023 Total Pieces	4,920,998,136	4,906,526,416	2,937,646,502
■ FY 2024 Total Pieces	3,818,922,511	4,140,719,834	2,740,315,237

Source: OIG analysis of Informed Visibility data.

Figure 3. Peak Season Periodicals Volume



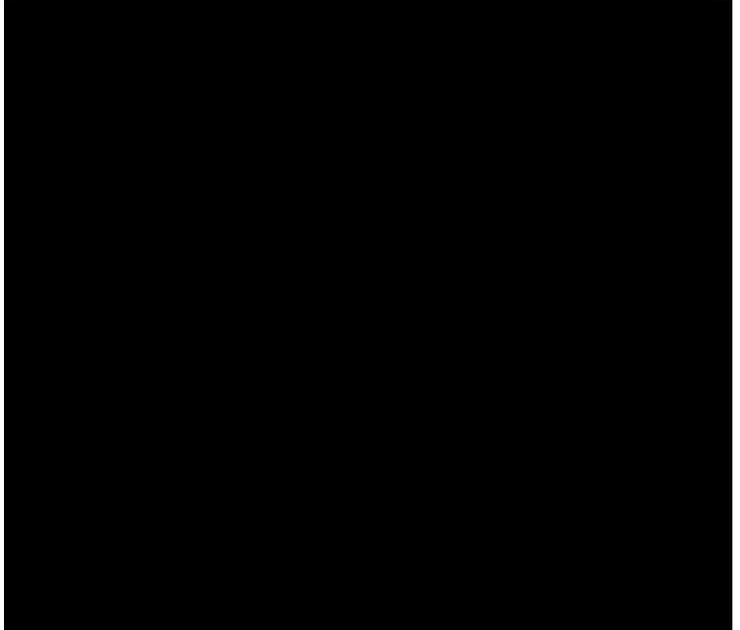
■ FY 2023 Total Pieces	157,820,818	145,526,075	128,698,172
■ FY 2024 Total Pieces	132,307,747	120,907,327	110,497,703

Source: OIG analysis of Informed Visibility data.

Competitive package volume increased by [REDACTED] pieces ([REDACTED] percent) over the FY 2023 peak

season. Package volume in FY 2024 was higher than the same period last year (SPLY) for each month during the peak season, with December having the highest increase of almost [REDACTED] packages, or by [REDACTED] percent (see Figure 4).

Figure 4. Peak Season Package Volume



Source: OIG analysis of Informed Visibility data.

Findings Summary

The Postal Service was able to successfully implement most of its peak season initiatives; it met some processing and distribution goals, all logistics goals, and most retail and delivery goals.

Service performance scores decreased for most products during the FY 2024 peak season. Service performance declined for most market dominant products and all competitive products, compared to the previous peak season. For example, First-Class Mail and Ground Advantage decreased by 5.4 percentage points and [REDACTED] percentage points, respectively, compared to last peak season. In addition, no product met their respective service performance target.

Finding #1: Fiscal Year 2024 Peak Season Preparedness Plan Implementation

The Postal Service's FY 2024 peak season initiatives spanned multiple functions, including processing and distribution, logistics, and retail and delivery operations. In addition, the Postal Service continued to implement permanent operational changes year-round — such as increasing employee complement and acquiring additional package sorting machines — to plan for the large increase in package volume that management anticipated during peak season.

The following sections discuss whether and how the Postal Service implemented or adjusted the initiatives to meet peak season objectives and responded to mail volume and other operational changes.

Processing and Distribution Operations

To prepare for and operate effectively during peak season, processing and distribution management focused on the following initiatives:

- Completing a staffing plan,
- Acquiring additional space to supplement processing operations,
- Focusing on processing facilities following their planned operational schedule, and
- Conducting internal audits of efficiency and effectiveness of mail processing.

The Postal Service was partially successful at meeting its processing and distribution goals.

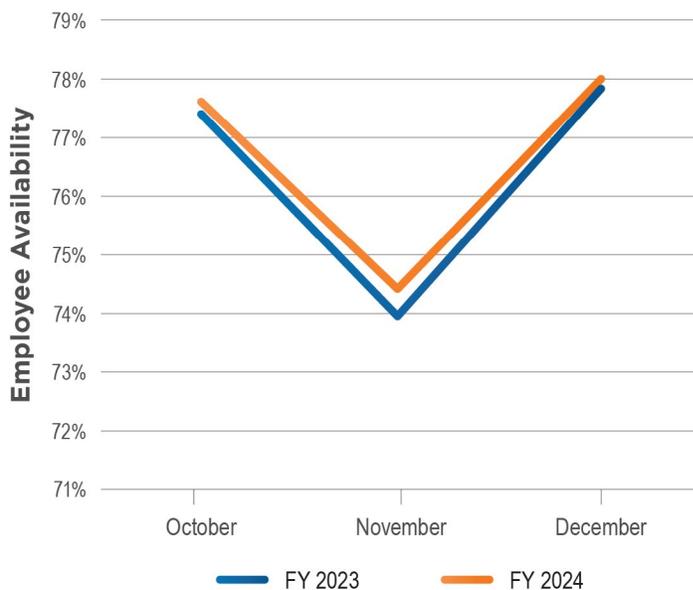
Peak Season Staffing

Postal Service management hired above their goals for processing and distribution operations. Specifically, they planned to hire 6,789 employees during the peak season and hired a total of 12,310⁵ employees during this time frame, 81 percent more than planned. The additional hiring was not an indication of poor planning; the number of employees hired during peak season included pre-career employees, which are not considered seasonal

hires. In addition, there was a need to hire additional employees at some facilities to perform work that was previously done by contract employees, resulting in an increased demand for pre-career hires.

The employee availability⁶ percentage improved slightly to 76.6 percent during the FY 2024 peak season, compared to 76.4 percent during the FY 2023 peak season (see Figure 5). Postal Service management stated that they did not have any major issues with staffing during peak season.

Figure 5. Comparison of FY 2023 and FY 2024 Employee Availability Percentages



Source: OIG analysis of Postal Service Time and Attendance Collection System data.

Facility Space

The Postal Service intended to lease nine temporary mail processing annexes; however, our review found that the Postal Service only leased seven. Postal Service management stated they modified the original plan due to the limited availability of spaces in two of the markets, and management stated they reassessed needs and determined they could operate without those additional spaces. In addition,

⁵ The 12,310 employees hired includes employees for peak season and for year-round operations.

⁶ Employee availability refers to the normally scheduled hours worked by employees compared to the hours planned to be worked. Unscheduled leave causes employee availability to decrease.

the Postal Service added an additional facility for peak season, the South Houston Local Processing Center, that was not listed as a planned peak season annex. In our alert, *Mail Conditions at South Houston Local Processing Center*,⁷ we reported about issues that affected the efficiency of operations at that location.

Mail Processing Audits

The Postal Service conducted internal audits of efficiency and effectiveness for mail processing facilities as part of their peak season preparation. Management completed 274 of 278 (98.6 percent) audits. The purpose of the audits was to ensure facilities were properly prepared to handle the mail flow for the increased peak season volume. For example, among other things, these audits looked at whether facilities refreshed mail staging areas, revised and validated platform signage for peak season transportation, and scheduled additional pick-ups of mail transport equipment. However, these audits did not include an assessment of how close to the operating plan plants were running or if the processing facilities met clearance times.⁸

Operating Plan Precision

During the FY 2024 peak season, the Postal Service was less successful at meeting their planned operational schedule than their targeted performance goal. Operating plan precision (OPP) measures daily how close each processing facility ran to plan, as well as whether the processing facility met the expected clearance times. Specifically, we found truck departures, outgoing packages, and Delivery Point Sequence⁹ percentages represented the lowest scores within the OPP during the FY 2024 peak season. Mail processing attained an OPP score of 74.7 percent, which is 6.8 percentage points below the FY 2024 target of 81.5 percent.

The Postal Service changed the way it measured OPP in October 2023, to integrate more components into the score. For example, Delivery Point Sequence percentage, which was not previously factored into

OPP. Delivery Point Sequence percentage includes metrics gathered by delivery operations, causing some metrics to be out of the direct control of processing facilities for the first time. In addition, we identified that a measurement for Ground Advantage was also included, as it was a new service introduced in July 2023. The inclusion of more products into this score gives the Postal Service a more accurate depiction of how close to plan processing facilities nationwide are running.

Postal Service management monitored OPP and had daily calls regarding performance. However, monitoring and communicating OPP performance did not effectively mitigate challenges faced during peak season, such as clearing outgoing packages on schedule. Additionally, while the Postal Service's internal peak season audits were successful in addressing certain issues, they did not include troubleshooting related to OPP metrics, such as Delivery Point Sequence percentage. These issues could affect service performance during peak season and may result in mail delays impacting the health of the Postal Service's brand. Implementing a more responsive plan to address OPP performance may help the Postal Service improve service performance.

Logistics Operations

Peak season initiatives for logistics operations centered around forecasting accurate mail volumes and assignment of adequate transportation to properly support peak season operations. The Postal Service was generally successful in meeting its logistics goals.

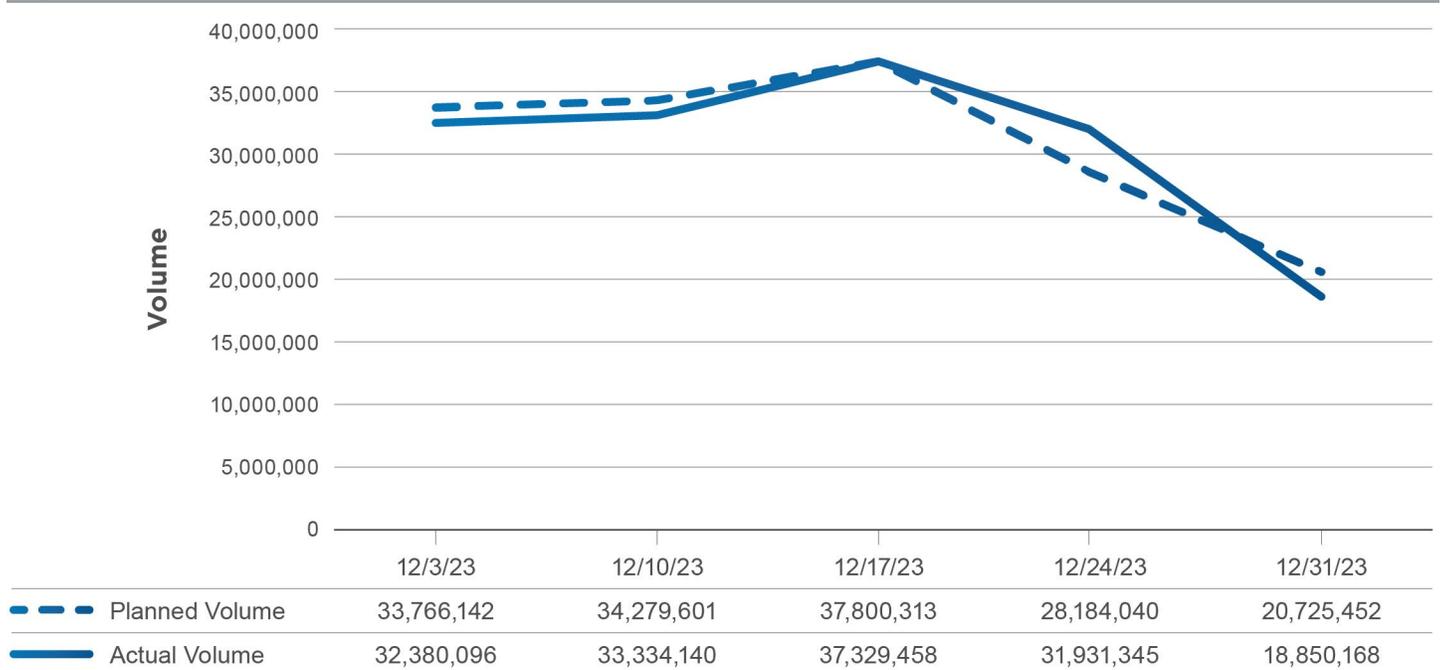
For the air network, accurate forecasting, which is generally planned about six months in advance, led to having adequate transportation available for four out of five weeks between the Thanksgiving and Christmas holidays. Management underestimated planned air transportation for one week – December 18 – 24, 2024 – by 3.7 million pounds (13.3 percent). However, for the peak season, there was an overall accuracy of 99.4 percent (see [Figure 6](#)).

⁷ *Mail Conditions at South Houston Local Processing Center* (Report Number 24-050-1-R24, dated April 10, 2024).

⁸ Clearance times are the latest time committed mail can clear an operation for proper dispatch or delivery.

⁹ Delivery Point Sequence is an automated process of sorting mail into delivery order by carrier routes.

Figure 6. Planned Vs. Actual Volume for the Air Network



Source: OIG analysis of Postal Service data.

The Postal Service decreased late and canceled trips in FY 2024 compared to the prior peak season, but extra trips increased (see Table 1). The Postal Service relied more heavily on freight auction¹⁰ this year, especially during peak operations. Freight auction service does not have a set schedule, and therefore provided flexibility to adjust for unanticipated volume and reduced over-planned transportation.

For the surface network, the Postal Service realized efficiencies by reducing the number of trips by 14.9 percent, resulting in a mileage reduction of

about 6 percent compared to the prior peak season. In addition, the Postal Service decreased surface transportation costs significantly. Specifically, during November 2023 through January 2024, surface transportation costs were reduced by over \$53 million (61.9 percent) compared to SPLY (see Figure 7). This could stem from a change in the way the Postal Service contracts for surface transportation and the closure of surface transfer centers, which were fully contracted service facilities that consolidated mail.

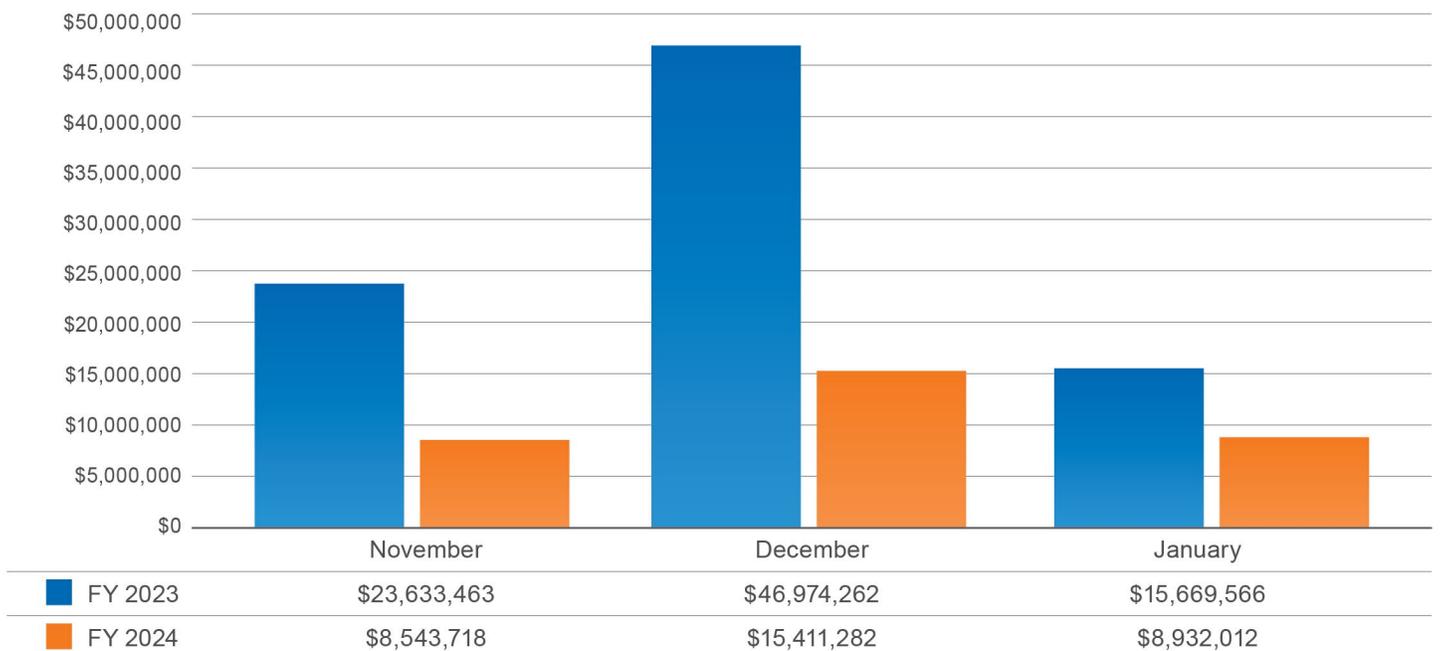
Table 1. Late, Extra, and Canceled Trips

	FY 2023	FY 2024	Difference	Percent Difference
Late Trips	604,715	535,028	(69,687)	(11.5)
Extra Trips	95,320	99,750	4,430	4.7
Canceled Trips	299,893	229,348	(70,545)	(23.5)

Source: OIG analysis of Surface Visibility data.

¹⁰ Freight Auction enables the Postal Service to digitally solicit and select ad hoc transportation (extra trips) from existing Highway Contract Routes (HCR) suppliers, supplying significant cost savings of competitive trip auctions. Freight Auction trips are not included in the calculation of extra trips.

Figure 7. Comparison of FYs 2023 and 2024 Surface Transportation Costs



Source: OIG analysis of Financial Performance Report data.

Retail and Delivery Operations

To prepare for and operate effectively during peak season, retail and delivery operations management focused on the following initiatives:

- Completing a staffing plan,
- Assessing resource needs,
- Using monitoring and reporting tools, and
- Executing a customer experience strategy in retail units.

The Postal Service was partially successful at meeting its retail and delivery goals, and the customer inquiries decreased compared to SPLY.

Peak Season Staffing and Resource Needs

Postal Service management provided examples of real-time monitoring which enabled them to move people and equipment to facilities with higher need. They stated that they based their hiring and rental vehicles on expected demand, resulting in fewer vehicles and seasonal hires than the previous

year. They also had frequent conference calls, which allowed two-way communication between the field and higher levels of management. For example, management used this approach for retail operations to address locations having challenges with the time customers spent waiting in line or experiencing stamp stock shortages.

Retail and delivery operations management increased the workforce prior to peak season which reduced the reliance on peak hires. Peak season positions are difficult to fill due to contractual restrictions. Specifically, seasonal staff in the Holiday Clerk Assistant and Holiday City Carrier Assistant positions last for only three and two pay periods, respectively. Retail and delivery operations originally planned to hire 4,386 employees; however, management only hired 2,804 employees, 36.1 percent below their plan (see Table 2). Not hiring peak season employees negatively impacted delivery in specific markets, as reported in a previous audit.¹¹

¹¹ Delivery in Northern Minnesota (Report Number 24-048-R24, dated May 6, 2024).

Table 2. FY 2024 Peak Seasonal Hiring for Retail and Delivery Operations

Employee Type	FY24 Seasonal Hiring Target	FY24 Seasonal Hiring Actual	Difference	Percent Difference
Holiday Clerk Assistant	4,172	2,696	(1,476)	(35.4)
Holiday City Carrier Assistant	214	108	(106)	(49.5)
Total	4,386	2,804	(1,582)	(36.1)

Source: OIG analysis of Postal Service data.

Monitoring and Reporting Tools

Postal Service management used multiple monitoring and reporting tools during peak season. For example, management stated the Enhanced Backlog Report provided more complete data and enabled them to make better use of resources. Management’s use of this report improved visibility of truck arrival times and associated package volumes, and other key information, which enabled more informed operational decision making.

Customer Experience

Postal Service management aimed to execute a customer experience strategy in retail units that would meet the increased demands during the peak season.

During the FY 2024 peak season, the Postal Service received 2.4 percent fewer C360 customer inquiries compared to the prior peak season. Customer inquiries can be complaints, compliments, or questions related to Postal Service offerings. Package inquiries increased by 1.7 percent, but package volume increased by 7.4 percent. In addition, the resolution rate for C360 customer inquiries improved by 39.5 percent for FY 2024 peak season from SPLY.

The Retail Customer Experience scores were relatively flat compared to the prior peak season. For example, the overall Retail Customer Experience decreased by 1.1 percentage points compared to the previous peak season, and the average customer’s time spent waiting in line only increased by 6 seconds from 3 minutes and 8 seconds to 3 minutes and 14 seconds. In addition, through use of the Enhanced

Backlog Report, Postal Service management believes the oversight and increased data reduced backlogs resulting in fewer C360 inquiries than the previous peak season.

Recommendation #1

We recommend the **Vice President, Processing and Maintenance Operations**, evaluate the plan to effectively manage Operational Precision Performance during peak season.

Postal Service Response

Management disagreed with the finding but agreed with recommendation 1. Regarding the finding, management disagreed that the Postal Service was less successful at meeting its planned Operational Precision Performance (OPP), as they provided data demonstrating the OPP scores improved from FY 2023 to FY 2024. Regarding recommendation 1, management stated there are processes in place to identify and mitigate issues during peak season, including OPP. However, management stated they will evaluate the processes to identify opportunities for improvement with a target implementation date of November 30, 2024.

OIG Evaluation

Regarding the finding, the OIG maintains that the targeted performance goal for OPP was not met. Regarding recommendation 1, the OIG considers management’s comments responsive, and the corrective actions should resolve the issues identified in the report.

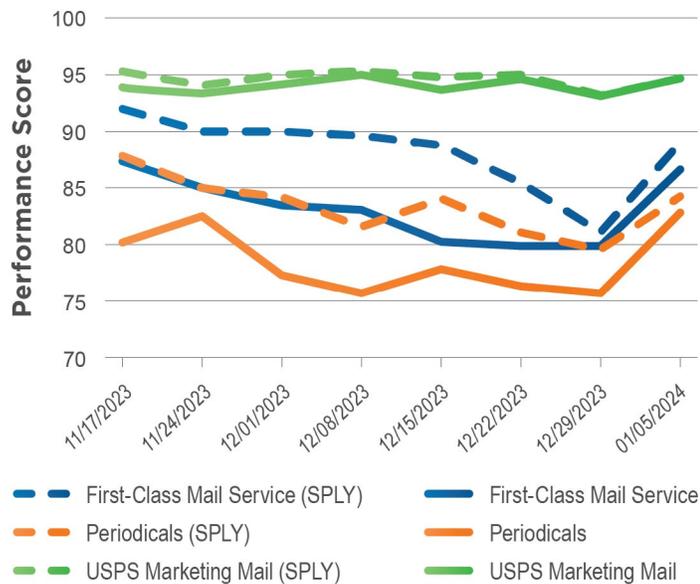
Finding #2: Peak Season Service Performance

Service performance declined for most market dominant products and all competitive products. However, the *Delivering for America* 10-year plan created operational changes that contributed to service impacts. Additionally, severe weather and unanticipated processing facility closures impacted delivery in parts of the country.

FY 2024 Peak Season Performance

During the FY 2024 peak season, service performance for most¹² product lines decreased compared to the prior peak season and none met their service performance target. Specifically, 83 percent of First-Class Mail¹³ was delivered on time, which is 5.4 percentage points less than the previous peak season and 9.5 percentage points below the target of 92.5 percent. In addition, 78.6 percent of Periodicals and 94.1 percent of Marketing Mail were delivered on time, below the targets of 87.3 and 94.6, respectively. This represented a decrease in on-time delivery of 5.1 percentage points for Periodicals, and 0.5 percentage points for Marketing Mail compared to SPLY (see Figure 8).

Figure 8. Comparison of FYs 2023 and 2024 Market Dominant Product Performance



Source: OIG analysis of Informed Visibility data.

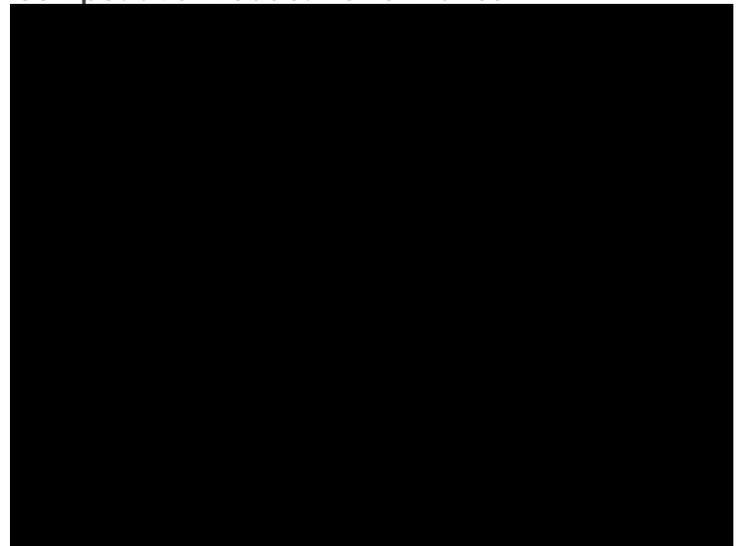
¹² Parcel Select had a service performance increase of █ percentage points during the Fiscal Year 2024 peak season.

¹³ First-Class Mail includes single-piece and presort letters and flats.

¹⁴ The Ground Advantage product did not exist in FY 2023. The Postal Service provided a composite score of other comparable products for comparison.

Competitive products also experienced a decline in service performance compared to the previous peak season. Specifically, the on-time score for Priority Mail was █ percent, which was █ percentage points below the prior peak season and █ percentage points below the target of █ percent. In addition, the on-time score for Ground Advantage¹⁴ was █ percent, which was █ percentage points below SPLY and █ percentage points below the target of █ percent (see Figure 9).

Figure 9. Comparison of FY 2023 and 2024 Competitive Product Performance



Legend for Figure 9:
 - Ground Advantage (SPLY) (Blue dashed line)
 - Ground Advantage (Blue solid line)
 - Priority Mail (SPLY) (Orange dashed line)
 - Priority Mail (Orange solid line)

Source: OIG analysis of Informed Visibility data.

Even though service largely declined, the Postal Service processed packages more efficiently in FY 2024 compared to SPLY. Specifically, they used fewer workhours to process package volume through mechanized operations. Additionally, they reduced the number of parcels handled through manual operations by approximately 25 million pieces (23.6 percent) and used 413,256 (16.9 percent) fewer workhours in these operations. However, even with these efficiencies, for the FY 2024 peak season we noted an overall increase of 23.3 percent of delayed

inventory¹⁵ in processing plants compared to the prior peak season. The largest category of increase was packages, with an increase from [REDACTED] during the prior peak season to [REDACTED] in the FY 2024 peak season. Delayed inventory indicates a processing plant failure but does not necessarily mean the piece will be delayed in arriving to the end customer.

As discussed in [Finding #1](#), the Postal Service missed its OPP target during peak season. The operations measured within OPP – such as truck departure times, outgoing packages, and Delivery Point Sequence targets likely contributed to increases in

delayed inventory, as some processing facilities were not clearing mail by the designated time for delivery on its anticipated day. Also, there were regional issues that impacted operations in pockets of the country, impacting the Postal Service’s ability to hit nationwide targets. Regional issues included poor performance at the South Houston Local Processing Center; poor performance in Richmond, Virginia stemming from opening the Richmond Regional Processing and Distribution Center (RPDC)¹⁶ and introduction of Local Transportation Optimization in that market;¹⁷ a mercury spill in St. Louis; and weather delays in multiple states (see Figure 10).

Figure 10. States with Weather Impacts During Peak Season FY 2024



Source: OIG analysis of USPS Industry Alert and National Weather Service data.

¹⁵ Delayed inventory includes pieces that remained on hand at a facility that have not received their next expected processing operation by 7 a.m. for destinating final processing operations and 6 a.m. for all other operations.

¹⁶ *Effectiveness of the New Regional Processing and Distribution Center in Richmond, VA* (Report Number 23-161-R24, dated March 28, 2024).

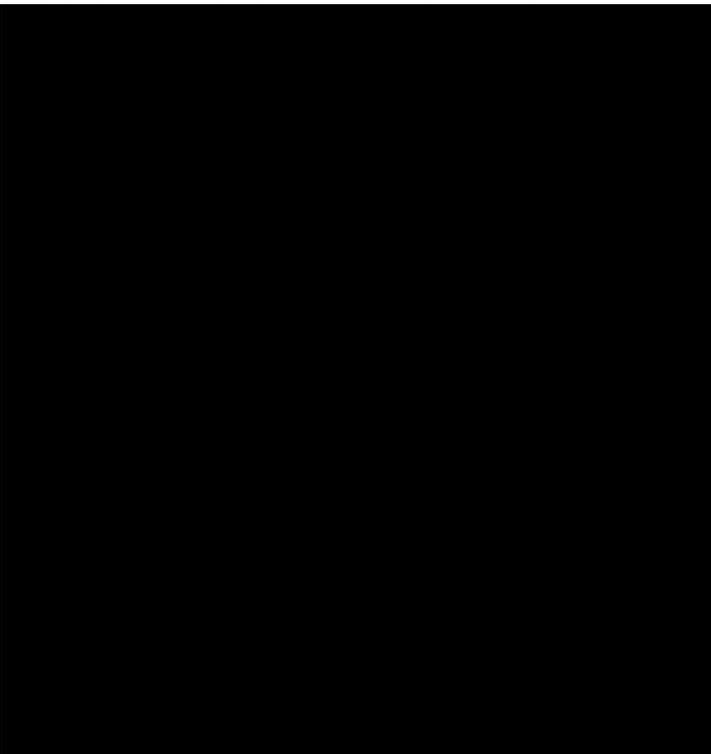
¹⁷ *Impacts Associated with Local Transportation Optimization in Richmond, Virginia* (Report Number 23-161-I-R24, dated April 12, 2024).

Delivering for America Operational Changes and Regional Service Impacts

We reviewed overall performance by division and identified two divisions with lower performance compared to others. Specifically, the South Atlantic Division was negatively impacted by Delivering for America operational changes at the Richmond RPDC. The Midwest Division was impacted by the transition of mail volume from air to surface transportation.

Service performance of competitive volume in the South Atlantic Division declined during the FY 2024 peak season compared to the previous peak season. In this division, service performance was negatively impacted, in large part, due to the Richmond RPDC, which opened in July 2023. Specifically, Ground Advantage declined from ██████████ percent, which was █████ percentage points below the service goal of █████ percent (see Figure 11).

Figure 11. Service Performance of Competitive Products in the South Atlantic Division



Source: OIG analysis of Informed Visibility data.

The service challenges occurred, in part, because the Postal Service did not adequately plan and establish new transportation routes to support operations at the Richmond RPDC. In addition, they operated with planned reductions in resources and had changes in transportation operations that resulted in first mile failures.¹⁸ Further, management explained that they had more volume than they could handle at this facility, resulting in mail being diverted out of state¹⁹ to alleviate the problem.

At the same time, the Postal Service deployed a major change to operations within the Richmond, VA, area, when it implemented its Local Transportation Optimization initiative. The initiative is designed to reduce the overall number of transportation trips to and from select post offices and increase the amount of mail transported on each trip. In this new initiative, the Postal Service will no longer transport mail collected at select delivery units to the Richmond RPDC the same day it is collected. Rather, the mail will remain at the unit until the next day, delaying its entry into sorting operations. In our prior audit on this topic, the OIG was not able to isolate the service impact of Local Transportation Optimization; however, service performance decreased significantly in the weeks following implementation.

To keep external stakeholders aware of delays, there were multiple calls each week during peak season during which Postal Service representatives discussed various locations that were impacting their operational status, such as delays in processing or delivering mail. For example, during those calls the Richmond RPDC was cited as experiencing critical conditions resulting in mail processing being one to two days behind on six occasions between December 4th and December 22nd, 2023 (see [Figure 12](#)). The OIG completed an audit about the Richmond RPDC operations, and the Postal Service has begun implementing corrective actions.

¹⁸ First mile failures occur when a mail piece is collected and does not receive a processing scan at the processing plant on the day that it was intended.

¹⁹ According to Postal Service management, mail was diverted to New Jersey, Pennsylvania, Washington, D.C., and North Carolina.

Figure 12. Example of Richmond RPDC's Non-Machinable Parcel Area

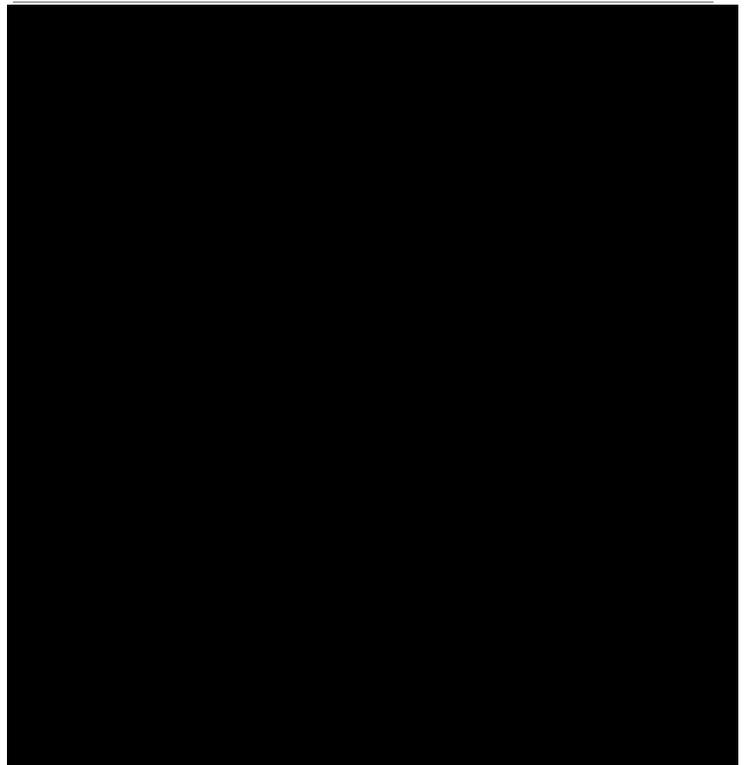


Source: USPS Business Intelligence Capacity Model Dashboard Webcam on December 5, 2023.

Weather and Facility Closures and Impacts to Peak Performance

Service performance of competitive volume in the Midwest Division declined during the FY 2024 peak season compared to the previous peak season. Specifically, Ground Advantage declined from [REDACTED] percent, which is [REDACTED] percentage points below the service goal of [REDACTED] percent (see Figure 13).

Figure 13. Service Performance of Competitive Products in the Midwest Division



Source: OIG analysis of Informed Visibility data.

Midwest Division management stated service performance declined due to a mercury spill at the St. Louis Processing and Distribution Center. The spill resulted in operations being halted, and operational changes related to a shift of volume from air to surface transportation. While the mercury spill temporarily halted operations prior to peak, the plant began running again prior to the beginning of peak season.

We also noted weather issues contributed to numerous facility closures the week before the Christmas holiday in Maine. In addition, the week after Christmas, there was a major ice storm in the North Dakota, South Dakota, and Minnesota region of the country.

We are not making a recommendation related to service performance because the Postal Service monitored and communicated operational status while making adjustments as the peak season evolved, and we have conducted other audit work examining regional performance.

Postal Service Response

Management agreed with the finding, stating there were operational changes, severe weather, and facility closures that impacted service performance. Management did not agree with the statement related to the impact of not meeting the OPP goal.

OIG Evaluation

Regarding the finding, the OIG maintains that the targeted performance goal for OPP was not met and could have negatively impacted overall service performance.

Looking Forward

The Postal Service generally met its peak season initiatives, even though it did not meet service performance targets. In addition, peak season volumes changed compared to the previous peak season with First-Class Mail, Marketing Mail, and Periodical Mail volumes decreasing by 12.1 percent and package volume increasing by [REDACTED] percent. Implementation of several Delivering for America network changes, like the launch of the first RPDC in Richmond, VA, and the unexpected use of the South Houston Local Processing Center during the peak season contributed to service performance challenges. Additional changes could impact the Postal Service's performance during the upcoming peak season in FY 2025. Specifically, the Postal Service's primary air network supplier is changing for the first time since 2001. The new supplier [REDACTED], which will increase pressure on the Postal Service's ground transportation network. In addition, the Postal Service is scheduled to have opened or partially opened 10 RPDCs, 16 LPCs, and 83 Sorting and Delivery Centers²⁰ by the beginning of the next peak season. Working early and often with the new air network supplier and ground transportation suppliers to plan volumes and routes, and monitoring the performance of these new sites will be critical to avoid potential challenges with the upcoming peak season deliveries.

²⁰ A facility which consolidates multiple delivery units and package sortation operations into one centrally located facility.

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Appendix A: Additional Information

Scope and Methodology

To accomplish our objective, we:

- Interviewed Postal Service Headquarters and regional management to determine if implementing the peak season preparedness plan succeeded.
- Compared peak season package volume data for FYs 2023 and 2024 to identify trends in mail volume during the peak season.
- Analyzed service performance scores during the FYs 2023 and 2024 peak seasons to identify trends.
- Obtained and analyzed processing productivity data to assess rate of efficiency of processing packages.
- Reviewed hiring and employee availability data during the FY 2024 peak season to determine if planned goals were met.
- Obtained and reviewed data related to the completion of processing facility internal audits to identify completion rates.
- Obtained facility space/capacity data to identify the annexes the Postal Service acquired to process the planned package volume during the FY 2024 peak season.
- Reviewed air and surface transportation data to identify efficiency and effectiveness of forecasting volume and planning adequate transportation.
- Reviewed air and surface transportation expense data to identify financial impacts of network changes.
- Obtained and reviewed C360 and Retail Customer Experience data for peak season FY 2024 and SPLY to compare results.

We conducted this performance audit from January through August 2024 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 objective. 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 July 31, 2024, and included their comments where appropriate.

In planning and conducting the audit, we obtained an understanding of Processing and Distribution, Logistics, and Retail and Delivery Operations internal control structures to help determine the nature, timing, and extent of our audit procedures. We reviewed the management controls for overseeing the program and mitigating associated risks. Additionally, we assessed the internal control components and underlying principles, and we determined that the following four components were significant to our audit objective:

- Control Environment,
- Risk Assessment,
- Information and Communication, and
- Monitoring.

We developed audit work to ensure that we assessed these controls. Based on the work performed, we identified internal control deficiencies related to the risk assessment of processing operations that were significant within the context of our objectives. Our recommendation, if implemented, should correct the weaknesses we identified.

We assessed the reliability of Surface Visibility, Enterprise Data Warehouse, WebMODS, C360, and Informed Visibility data by performing electronic testing of required data elements. We determined that the data were reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Effectiveness of the New Regional Processing and Distribution Center in Richmond, VA</i>	To assess the operational impacts related to the launch of the RP&DC and identify successes, lessons learned, and opportunities.	23-161-R24	March 28, 2024	\$8,084,775
<i>Impacts Associated with Local Transportation Optimization in Richmond, Virginia</i>	To determine impacts associated with the Postal Service's new Local Transportation Optimization initiative in Richmond, VA.	23-161-1-R24	April 12, 2024	None
<i>Mail Conditions at South Houston Local Processing Center</i>	To determine facility opening procedures and mail conditions at the South Houston Local Processing Center.	24-050-1-R24	April 10, 2024	None
<i>Fiscal Year 2024 Peak Mailing Season Preparedness</i>	To evaluate the U.S. Postal Service's preparedness for the FY 2024 peak mailing season.	23-121-R24	November 15, 2023	None
<i>Service Performance During the Fiscal Year 2023 Peak Mailing Season</i>	To evaluate the Postal Service's performance during the FY 2023 peak mailing season and the implementation of its peak season preparedness plan.	23-025-R23	July 13, 2023	None
<i>Service Performance During the Fiscal Year 2022 Peak Mailing Season</i>	To evaluate the Postal Service's performance during the FY 2022 peak mailing season and implementation of its peak season preparedness plan.	22-039-R22	June 23, 2022	None
<i>FY 2022 Peak Mailing Season Preparedness</i>	To evaluate the U.S. Postal Service's preparedness for the fiscal year (FY) 2022 peak mailing season.	21-206-R22	November 19, 2021	None

Appendix B: Management's Comments

DANE A. COLEMAN
VICE PRESIDENT
PROCESSING AND MAINTENANCE OPERATIONS



August 16, 2024

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Service Performance During the Fiscal Year 2024 Peak Mailing Season (24-050-DRAFT)

Thank you for providing the Postal Service with an opportunity to review and comment on the findings and recommendations contained in the draft audit report, *Service Performance During the Fiscal Year 2024 Peak Mailing Season*.

The Postal Service appreciates the acknowledgement of the successful implementation of most of the Peak Season initiatives.

Finding #1 - Management disagrees with the statement that the Postal Service was less successful at meeting their planned Operating Plan Precision (OPP) during the FY 2024 peak season, as described in the report, the metrics used to calculate the scores changed. At the request of the OIG, the Postal Service provided documentation that the Precision Scores improved in FY 2024 over FY 2023 when compared using either set of the same metrics in both years.

Finding #2 - The Postal Service agrees that there were operational changes, severe weather, and unanticipated facility closures that impacted service performance during FY 2024 Peak.

There were also variances between the service calculations in FY 2023 Peak versus the FY 2024 Peak. The phrase "even though service largely declined" disregards the changes to the way service scores were calculated. Lower service scores did not directly correlate to a decline in service to the customer.

Based on the explanation for Finding #1 regarding the updated comparison of OPP performance improvement from FY 2023 to FY 2024 Peak, management does not agree with the statement "OPP goal, as discussed in Finding #1; likely contributed to increases in delayed inventory, as some processing facilities were not clearing mail by the designated time for delivery on its anticipated day."

Following is our comments on the one recommendation.

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Recommendation 1:

We recommend the **Vice President, Processing and Maintenance Operations**, evaluate the plan to effectively manage Operational Precision Performance during peak season.

Management Response/Action Plan:

Management agrees with this recommendation.

There are processes in place to identify and mitigate issues during peak season. OPP is similarly reviewed and incorporated within daily peak calls with Division Directors and Regional Vice Presidents where identified issues are discussed and necessary mitigation is enacted.

Management will evaluate the processes to identify opportunities for improvement.

Target Implementation Date: 11/30/24

Responsible Official: Sr Director Strategic Planning and Implementation

E-SIGNED by DANE.A COLEMAN
on 2024-08-16 12:31:27 EDT

Dane A. Coleman
Vice President, Processing and Maintenance Operations

cc: *Corporate Audit*

OFFICE OF INSPECTOR GENERAL

UNITED STATES



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