The OIG's Oversight of the U.S. Postal Service's Delivering for America Plan

SEPTEMBER 30, 2024 | PROJECT NUMBER 24-102-R24

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Our Perspective

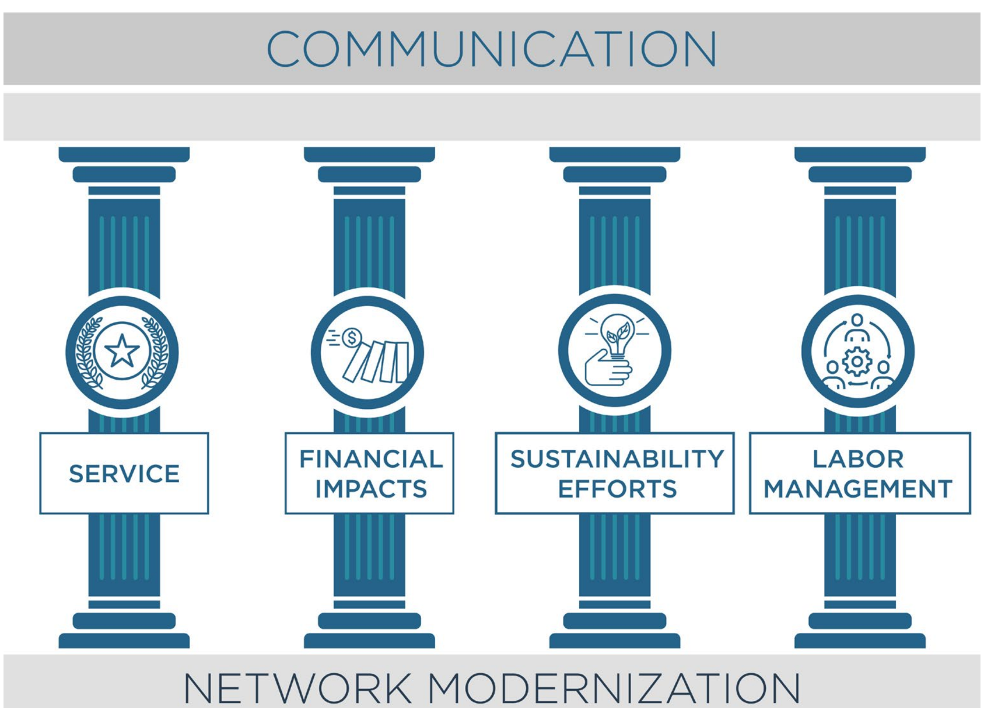
The U.S. Postal Service released a 10-year strategic plan, titled Delivering for America (DFA), in March 2021 to address continuing annual financial losses, unmet service performance goals, and diminishing market relevancy as consumer behaviors have changed. Through its DFA plan, the Postal Service intends to realize service excellence and financial sustainability.

While progress has been made, implementation of network changes, particularly the large facility modernization efforts, has been very challenging and have resulted in negative service impacts to communities. Communication, internally to employees and their leaders on expectations and workflow, and externally to customers and stakeholders on plan changes and potential impact, needs to be significantly strengthened for the Postal Service to achieve success with implementing these historic and complex changes to the logistics network.

DFA Plan Progress

- Passage of Postal Service Reform Act (PSRA) of 2022 to eliminate retiree healthcare prefunding mandate and to launch Medicare integration.
- Pricing flexibility instituted.
- Shipping offerings simplified and USPS Ground Advantage launched.
- Initial network changes implemented.

We, the U.S. Postal Service Office of Inspector General (OIG), have provided essential oversight of the Postal Service for over 25 years and since the release of the DFA plan, have worked to integrate an independent and objective review of the plan into our work. Key pillars of our oversight work of the DFA plan include how we assess its impact on Service, Financial Performance, Sustainability, and its Labor force. The Postal Service's Network Modernization plans touch all these pillars.



This is the first of a series of reports, which will be issued every six months. It will highlight our oversight work over the DFA plan and the Postal Service's progress towards meeting the essential goal of being a high performing organization through service excellence and financial stability.

Network Modernization

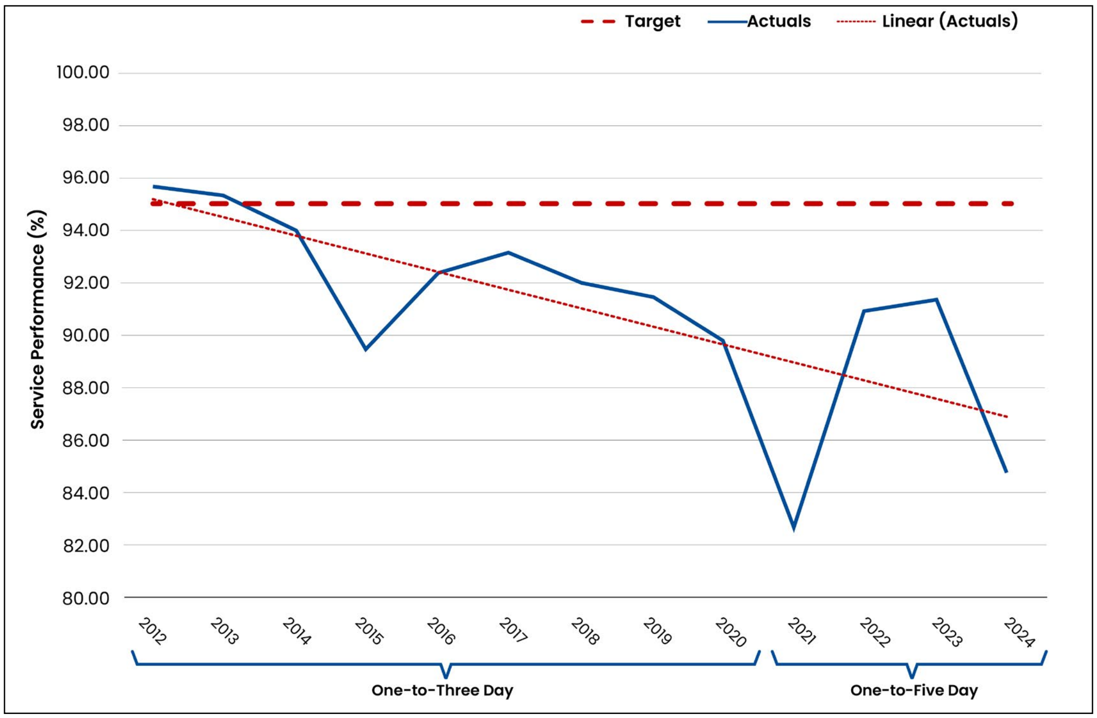
The Postal Service states that the overarching goal of the DFA plan is to operate as a high performing organization achieving both service excellence and financial sustainability. The key strategies in place include, amongst others, service standard changes to improve reliability, best-in-class mail and package processing, fully optimized surface and air transportation networks, best-in-class delivery operations and a modernized post office network. The Postal Service's current processing network consists of over 270 Processing and Distribution Centers and Network Distribution Centers. The DFA plan will invest $40 billion in capital investments, including creating a modernized and consolidated network based around Regional Processing and Distribution Centers (RPDC), Local Processing Centers (LPC), and Sorting and Delivery Centers (S&DC).

As of May 2024, there were eight fully or partially open RPDCs with five more planned for construction, 12 fully or partially open LPCs, and 55 active S&DCs with another 28 planned to be opened by the end of fiscal year (FY) 2024. The Postal Service plans to expand those numbers significantly in the coming years.

I. Service

The Postal Service determines service performance by measuring mail from collection to delivery, and the Postal Service's universal service obligation is designed to ensure that all Postal Service customers receive a minimum level of service at a reasonable price. The Postal Service has struggled to meet the service standards for First-Class Mail since FY 2013. Figure 1 shows the declining trend in service performance.

FIGURE 1. HISTORICAL PERFORMANCE OF FIRST-CLASS MAIL



Source: 2012-2020 metrics from DFA Plan, 2021-2024 metrics from USPS Service Performance Dashboard.

One of the goals of the DFA plan is to ultimately deliver 95 percent of all mail and shipping products on time. On October 1, 2021, the Postal Service modified its service standards for First-Class Mail Letters and Flats from one-to-three-day to one-to-five-day[1] to allow it to provide service more flexibly with less expensive ground transportation.

OIG REVIEW AND RESULTS

We have conducted audits related to the DFA plan's strategies to modernize the Postal Service's network while maintaining expected service levels and reducing costs in the transportation network.

1 For mail being delivered within the continental United States.

New Facilities for Processing and Delivery

While the Postal Service had successes when centralizing its delivery functions, updating operations at larger facilities including RPDCs and LPCs was significantly more challenging.

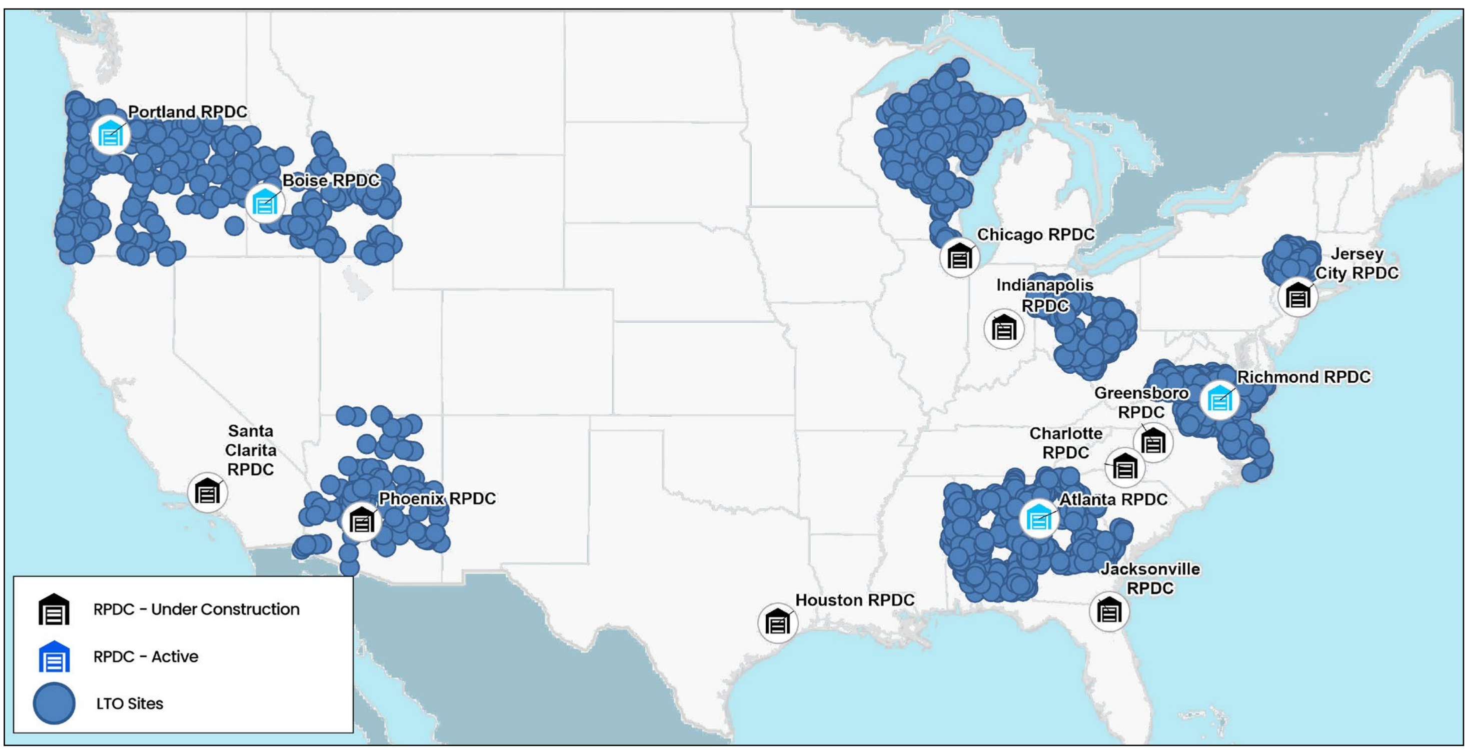
- At six S&DCs reviewed in FY 2023, sorting mail and retrieving packages and preparing items for delivery, went as planned, and dock space was sufficient to meet mail transport needs.[i] However, opportunities existed to improve post office box mail availability and small delivery unit sorter machine programs.
- At the Richmond, VA, RPDC, managers did not consistently adhere to the regionally integrated operating plan[2] to ensure mail was processed, transported, and delivered timely, which contributed to significant decreases in service performance for the Richmond region for four months after launch.[ii]
- At the South Houston LPC, we observed delayed mail awaiting processing and dispatch, and safety and security concerns.[iii]

Transportation Initiatives

The Postal Service has shifted a significant proportion of its mail and package volume from air transport to surface transportation, leading to cost savings. In our initial reviews, we found opportunities for the Postal Service to better manage its volume as it moves through its updated network.

In addition, the Postal Service developed the Local Transportation Optimization (LTO) initiative in parts of the country, including the Richmond, VA, RPDC area.[iv] Specifically, the Postal Service rolled out over 2,000 LTO sites shown in Figure 2 as of July 26, 2024.

FIGURE 2. RPDC AND LTO LOCATIONS



Source: OIG analysis based on Postal Service LTO location data.

2 The integrated operating plan is an executive-sponsored initiative aimed at improving coordination and communication between Postal Service processing and delivery unit facilities.

Generally, the initiative reduces the number of transportation trips to and from select delivery units from two to three trips per day to one trip. Although there may be significant savings, the Postal Service and public do not fully know the operational, service, and customer impacts of the LTO initiative. In Richmond, significant service declines followed implementation of LTO, but it was impossible to determine whether the impacts were due solely to LTO implementation because other significant changes were ongoing simultaneously (e.g., implementation of the new RPDC).

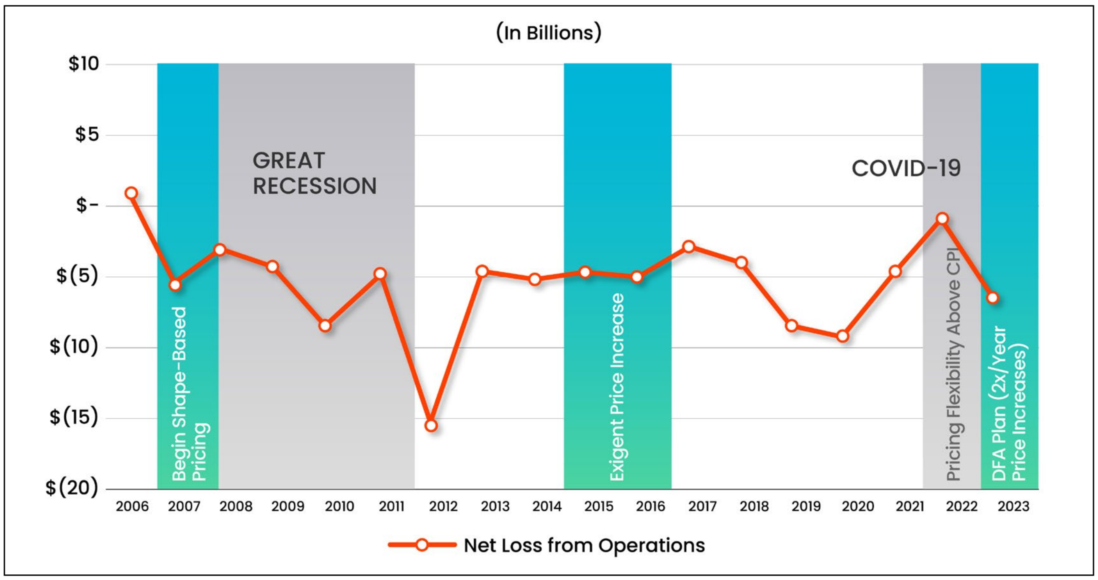
A pause is planned for further implementation of LTO from September 2024 to November 2024, and resumption of the implementation efforts is expected after peak season ends. We plan to start two audits to look at LTO, particularly its service impacts and cost savings broadly, and to evaluate specific impacts in a single geographic area.

These transportation initiatives are designed to reduce costs throughout the network. The Postal Service is beginning to see measurable declines in its transportation costs, and we will continue to evaluate its initiatives against planned cost savings and service impacts.

II. Financials

The Postal Service has a history of financial losses dating back to 2007, from the implementation of the Postal Accountability and Enhancement Act[3] through the Great Recession, COVID, and continuing today (Figure 3). The Postal Service sought to address these challenges through its DFA plan, which includes $24 billion in revenue improvements, $34 billion in management cost savings, $44 billion in regulatory changes, and $58 billion in legislative and administrative actions to improve financial performance.

FIGURE 3. NET INCOME (LOSS) FROM OPERATIONS BETWEEN FY 2006 THROUGH 2023



Source: FY 2006 through FY 2023 Postal Service Form 10-Ks.

The passage of the PSRA in April 2022, removed the requirement for the Postal Service to fully prefund its retiree health benefits costs, saving the Postal Service billions of dollars of prefunding payments each year.[v] This law requires new postal retirees and their dependents to participate in Medicare starting in 2025, which the Congressional Budget Office estimates will decrease spending on health premiums for Postal Service workers and retirees by $5.5 billion between 2025 and 2031.

Additionally, in the past four years, the Postal Service received $10 billion from the Coronavirus Aid, Relief, and Economic Security Act[4] to assist in covering costs due to the COVID-19 pandemic and $3 billion from the Inflation Reduction Act (IRA)[5] to help with implementation of electric vehicles (EV) and charging infrastructure.

3 Public Law No: 109-435, enacted December 20, 2006.
4 Enacted as Public Law 116-136 (the “CARES Act”) in response to the COVID-19 pandemic. (March 27, 2020).
5 Inflation Reduction Act of 2022, Pub. L. No. 117-169 (August 16, 2022).

The DFA plan promotes investment in the workforce and infrastructure with a capital investment plan of $40 billion over 10 years. As of the end of FY 2023, the Postal Service spent $6.7 billion and committed $12.4 billion out of the $40 billion in capital spending planned for in the DFA plan.

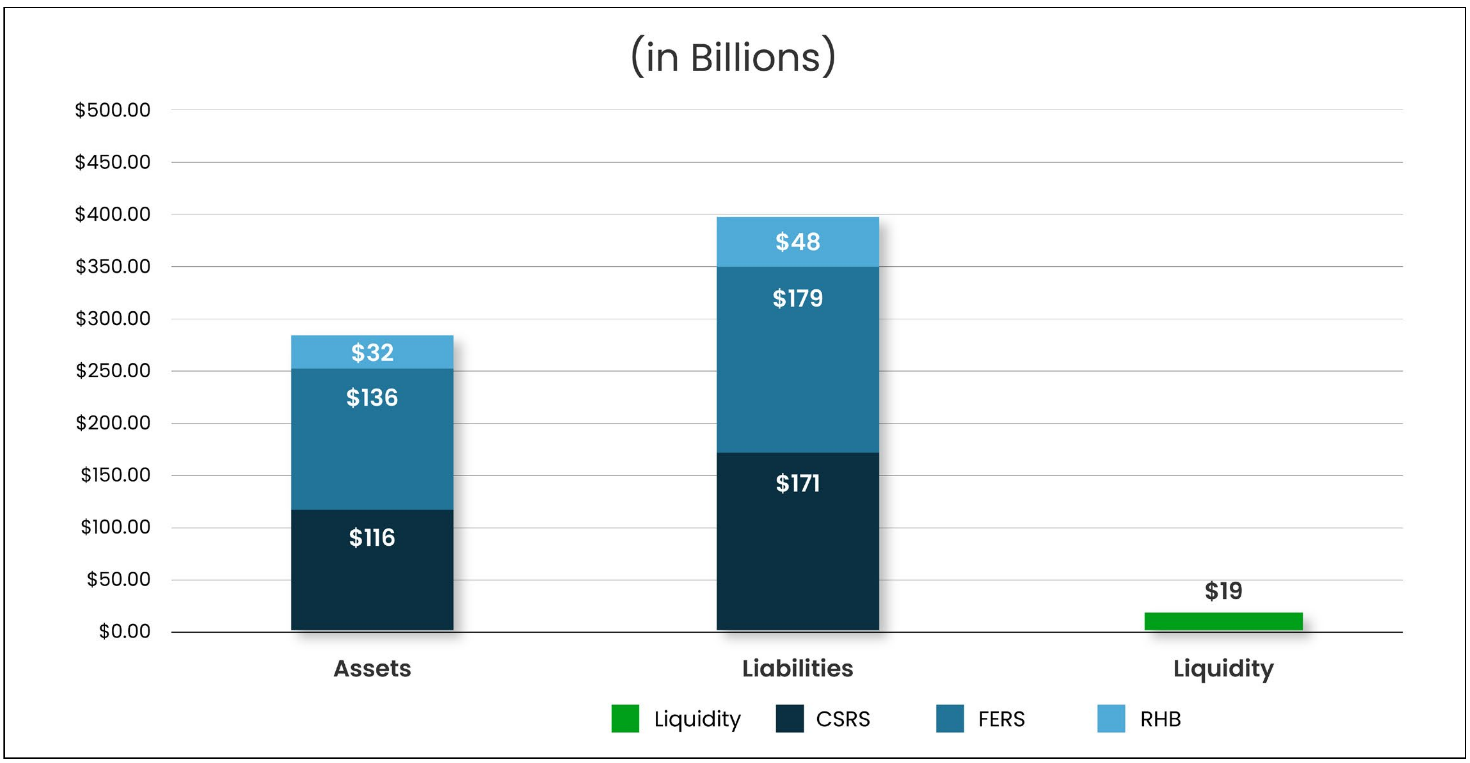
OIG REVIEW AND RESULTS

Even with the PSRA relief, long-term liabilities remain a problem for the Postal Service, and Net Losses from Operations have accumulated to over $98 billion since FY 2007. Our recent work in this area highlights challenges associated with rates of return on long-term investments, achieving relief related to the Civil Service Retirement System (CSRS) retirement allocation, inflation impacts, and reducing costs as volume declines. These challenges have inhibited the ability of the Postal Service to reach its original goal of break-even performance by 2023.

Retirement Assets and Liabilities

As of September 30, 2023, CSRS and Federal Employees Retirement System (FERS[6]) liabilities as well as Retiree Health Benefit (RHB[7]) liabilities exceeded assets by $113.8 billion, as seen in Figure 4.

FIGURE 4. LIQUIDITY AND RETIREMENT ASSETS AND LIABILITIES IN FY 2023



Source: OIG analysis of Postal Service Assets and Liabilities data.

6 Two of the U.S. government defined benefit pension programs, CSRS and FERS, provide retirement, death, and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods, and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

7 Eligible Postal Service retirees can retain Federal Employee Health Benefits (FEHB) enrollment into retirement. Currently, the government share of retiree health premiums for Postal Service retirees is paid from the Postal Service Retiree Health Benefits Fund.

These unfunded liabilities will continue to grow as the Postal Service contributes partial payments to FERS and annual retirement costs rise from $10 billion in FY 2023 to an estimated $18 billion in FY 2032.[vi]

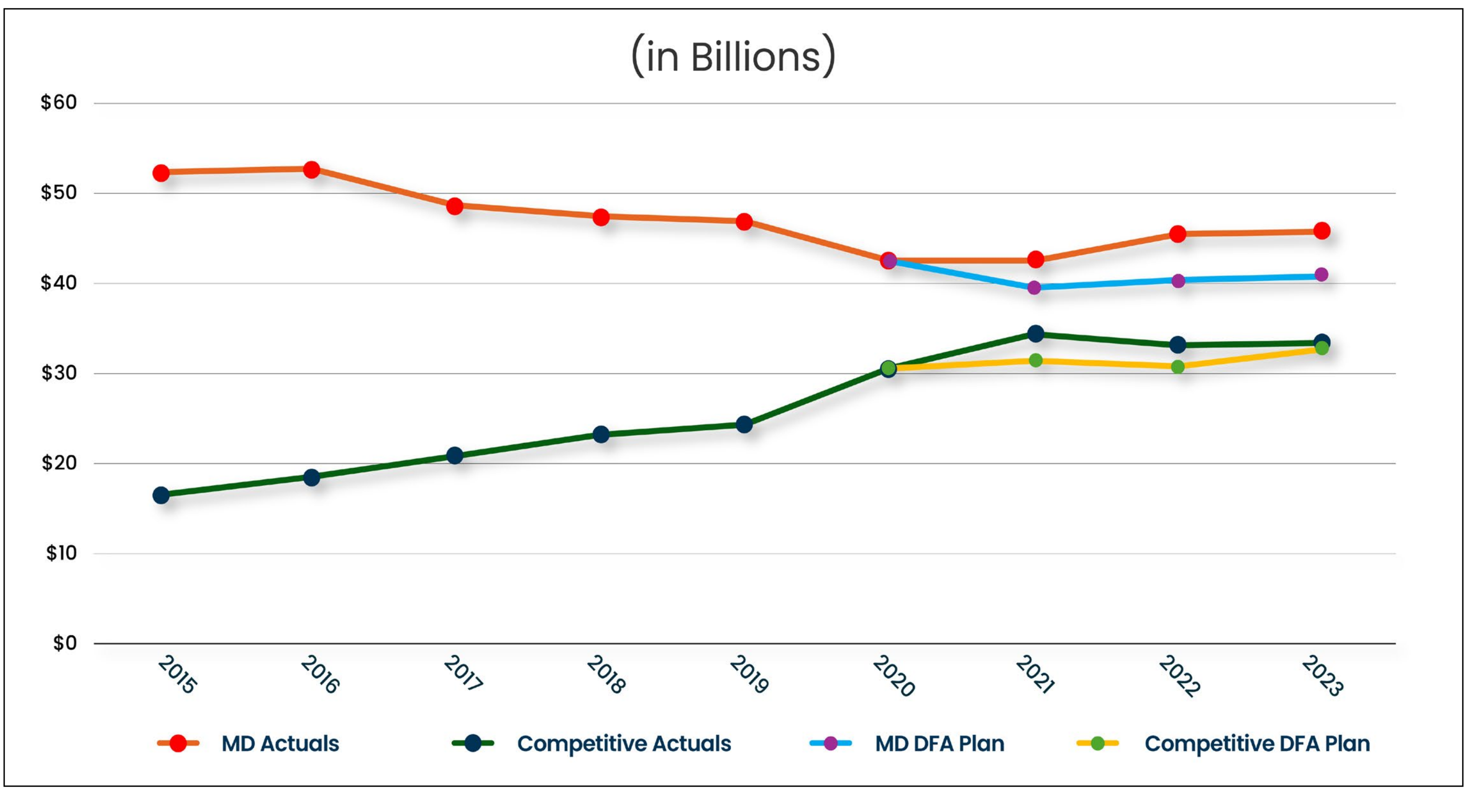
Though the Postal Service must pay these costs through revenue, it does not control the inputs into the funding requirements, such as annual cost of living adjustments, actuarial assumptions, contribution rates, or how the fund can be invested. The Postal Service is required by law to invest in Treasury securities, while comparable large companies and some government entities have many more investment options for similar funds. Our work evaluated the funding levels that could have been in place, had the Postal Service been able to invest differently from the start of each of these critical funds. If alternatively invested in a simple portfolio comprising of 60 percent stocks and 40 percent bonds, we estimated that CSRS, FERS, and RHB would have total retirement assets of $1.2 trillion, an increase of $900 billion. Greater returns in the future could help the Postal Service reduce its unfunded liability, increase the agency's ability to meet its future obligations to retirees.[vii]

Break-Even Operations

A primary goal of the DFA plan is to achieve break-even operations, generating enough revenue to cover operating costs and obligations.

In the first three years of the plan, the Postal Service has been unable to achieve this break-even goal.[viii] However, as shown in Figure 5, it has been able to achieve substantial revenue growth through price increases on stamps and growing package volume compared to DFA plan revenue projections.

FIGURE 5. HISTORICAL REVENUE OF MARKET DOMINANT (MD) AND COMPETITIVE PRODUCTS



Source: OIG analysis of Postal Service Revenue, Pieces, and Weight by Classes of Mail Report for FY 2023.

Even though revenue increased, mail volume continued to decline, and the Postal Service has not been able to obtain a comparable decrease in work hours, signaling a reduction in productivity. Specifically, between FYs 2022 and 2023, volume decreased at 8.9 percent and work hours decreased by 2.3 percent.

Further, when we evaluated FYs 2022 and 2023 actual results against DFA plan projections, we confirmed that severe inflation and slower than planned progress on DFA initiatives contributed to the Postal Service not achieving its projected results. For example, a fundamental DFA initiative relating to merging mail processing into the Richmond RPDC was to reduce overall transportation costs. However, as implementation began, the facility incurred additional labor and transportation costs, totaling over $8 million over the first four months of operations. It will be critical for the Postal Service to track, measure, and communicate the progress on its initiatives that result from the DFA plan to achieve its projected cost reductions.

Finally, the Postal Service requested an administrative change to receive relief for annual CSRS retirement payments related to legacy Post Office Department employees which had cost them over $3 billion in FY 2023. However, as determined by the Department of Justice[8] this allocation of retiree pension benefit amortization costs cannot be altered without legislative change.

8 The Office of Legal Counsel of the Department of Justice opined on March 26, 2024, that the Postal Service "is required to pay the full cost of CSRS benefits attributable to USPS's actions to increase its employees' pay since July 1, 1971, including with respect to increases in benefits accrued during those employees' years of service at Post Office Department."

III. Sustainability

The Postal Service set a DFA goal of environmental stewardship, which includes reducing greenhouse gas emissions, energy, fuel, and waste. The existing Postal Service delivery fleet is aging, unreliable, and unsuitable for accommodating growing package volume. The Postal Service plans to spend over $9.6 billion to electrify its delivery vehicles and procure and construct charging stations. The rolling out of EV and related infrastructure is still in its nascent state. As of February 2024, the Postal Service has spent $112 million and committed $1.1 billion of the $3 billion in funding provided by Congress to procure EVs and related infrastructure.

Learn more at https://about.usps.com/what/corporate-social-responsibility/sustainability/

The Postal Service began installing EV charging stations at its Athens, GA, S&DC in early 2024. As of March 2024, the installation of charging stations has been completed at six different sites and the Postal Service plans to install 130 more at S&DCs and other facilities by the end of calendar year 2024. The Postal Service has broader goals to equip an estimated 800 sites with charging infrastructure by the end of FY 2028.

OIG REVIEW AND RESULTS

In our initial work, we evaluated suitability and cost-effectiveness of EVs for the Postal Service and found incentives to address up-front investments in EVs could be key to achieving potential lower operating costs on certain delivery routes. As stated earlier, $3 billion in funding was subsequently provided by Congress to help the Postal Service with this investment.

Since then, our work has shown that taking advantage of various federal, state, and utility company incentive programs, carbon markets, rebates, and related revenue generation opportunities for its new EVs and electrical charging station sites could offset some costs as well.[ix] Finally, our work on the deployment of charging stations has shown that the Postal Service effectively managed the testing on the charging stations to ensure they conformed to requirements and short-term performance met standards.[x] We did raise concerns with secure storage of these chargers while they are awaiting installation to prevent further theft concerns.

Our work on reviewing the Postal Service's efforts to electrify its fleet is just beginning and we have outlined comprehensive audit plans to continue reviewing this significant investment.

IV. Labor Management

The Postal Service stated in its DFA plan it wants to be an "employer of choice" that hires, develops, and retains the most capable and diverse employees. Specific DFA plan strategies to create a stable and empowered workforce include, improving recruiting and expediting the hiring process, cutting non-career employee turnover by half, improving its retention strategies and its communication to employees and prospective employees.

Between FY 2021 and 2023, the Postal Service has converted 155,000 employees from pre-career to career positions. It also created a pilot project to improve the employee experience and address pre-career turnover for City Carrier Assistants (CCA).

OIG REVIEW AND RESULTS

As part of our oversight, we reviewed aspects of the Postal Service's efforts to provide an engaging workplace that supports employee development and retention through improving the hiring process and reducing turnover for its pre-career employees. However, challenges remain with filling those positions, high vacancies in certain locations around the country, and the overall retention of Postal Service's pre-career workforce.

Hiring Timelines

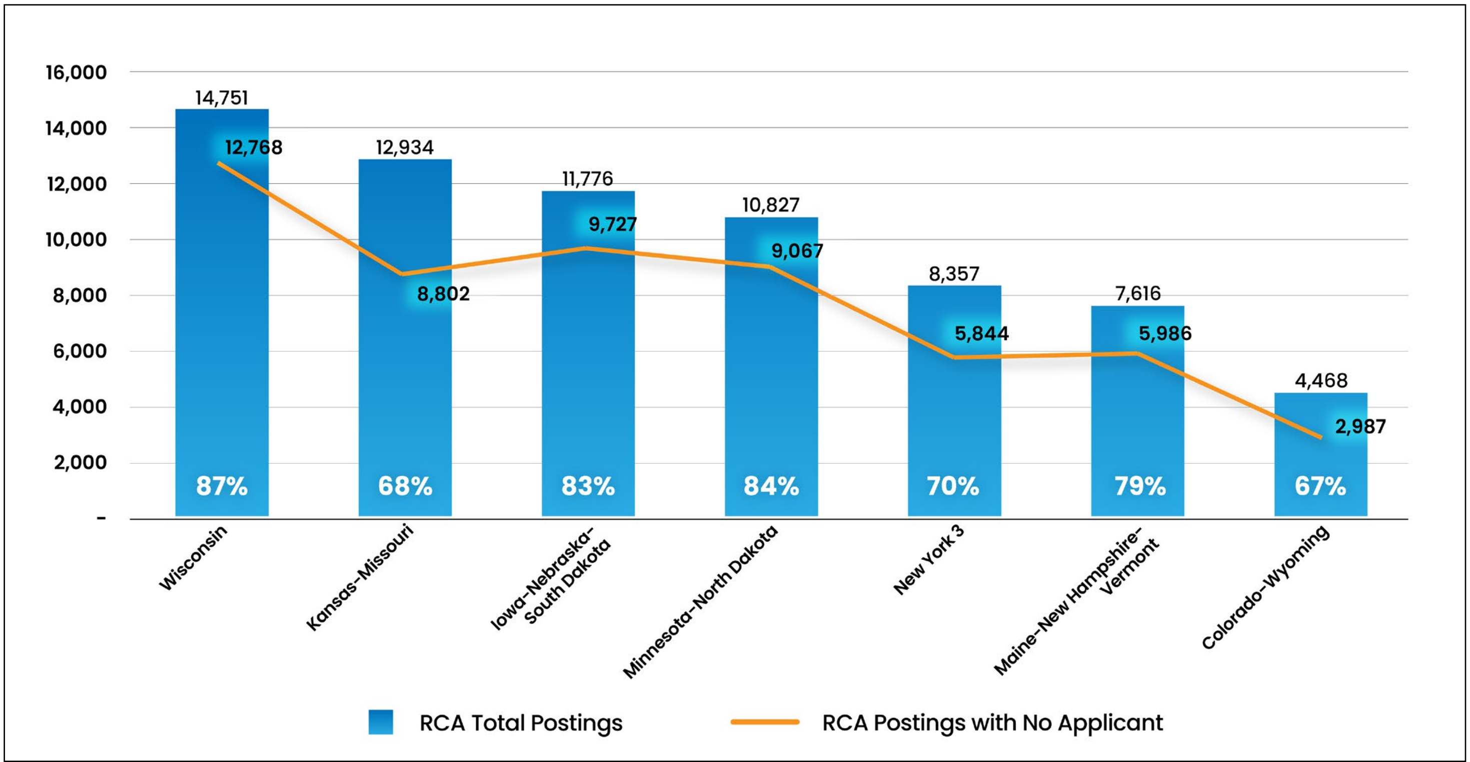
The Postal Service generally improved the amount of time it took to hire pre-career employees as well as first-level supervisors from FY 2021 and FY 2023. To accomplish this, the Postal Service experimented with new technology to make it easier for applicants to apply for pre-career positions using their mobile devices, eliminated interviews, and created a more centralized hiring process. The Postal Service reduced its average time to hire for these positions from 49 days in FY 2021 to 32 days in FY 2023.[xi]

Recruitment and Retention Challenges

To reduce turnover with its pre-career employees, the Postal Service began automatically converting pre-career employees to career status after 24 months of service and developed specific retention programs for one of its pre-career positions, CCA. The initiative was piloted at 40 sites and resulted in retention improvements, but the initiative was only applicable during a CCA's first 30 days of employment.[xii]

Hiring and retention in certain areas remain a challenge for the Postal Service. In FY 2023, the Postal Service hired nearly 130,000 pre-career applicants; however, 18 percent of new hires did not report for their first day of work, and 33 percent of those that did report were no longer working after 90 days. In addition, we found that from FY 2021 to FY 2023, the Postal Service posted over 700,000 pre-career positions, but more than half did not receive any applications. See Figure 6 for challenges related to Rural Carrier Associate (RCA) postings.[xi]

FIGURE 6. FY 2023 HIGHEST DISTRICT PERCENTAGES WITH NO EXTERNAL RCA APPLICATIONS



Source: OIG analysis of Postal Service applicant and posting data.

The Postal Service's success hinges on the effectiveness of its workforce. It is critical for the Postal Service to engage with its employees during the network changes and take steps to address its longstanding recruitment and retention challenges.

V. Improving Internal and External Communication

Timely and adequate communication to internal and external stakeholders of changes to the DFA plan enables transparency and stakeholders' confidence in the DFA's potential successes. The DFA plan identified 13 strategic focus areas, which are supported by initiatives across the organization. The Postal Service has provided public-facing status updates each year and stated it will release an update to the DFA plan in September 2024, in compliance with the Government Performance and Results Act of 1993. Throughout our work, we found various opportunities for the Postal Service to improve communication to employees who are implementing this plan and stakeholders that are impacted by it.

INTERNAL COMMUNICATION

Opportunities exist for the Postal Service to better communicate plans with its workforce. Specifically, at the Richmond RPDC, we found local managers needed training to better engage team members and provide adequate supervision of the new operations.[ii] Further, we observed that the new facility had three different plant managers within four months of opening. At the Houston LPC, we reported that the Postal Service should develop a process to communicate with and solicit feedback from local managers as the facility transformed from a peak annex to an LPC.[iii] We also found that the Postal Service's strategy for managing the changing role of postmasters with the opening of S&DCs was inadequate and more could be done to communicate expectations and address concerns about the changing role.[xiii]

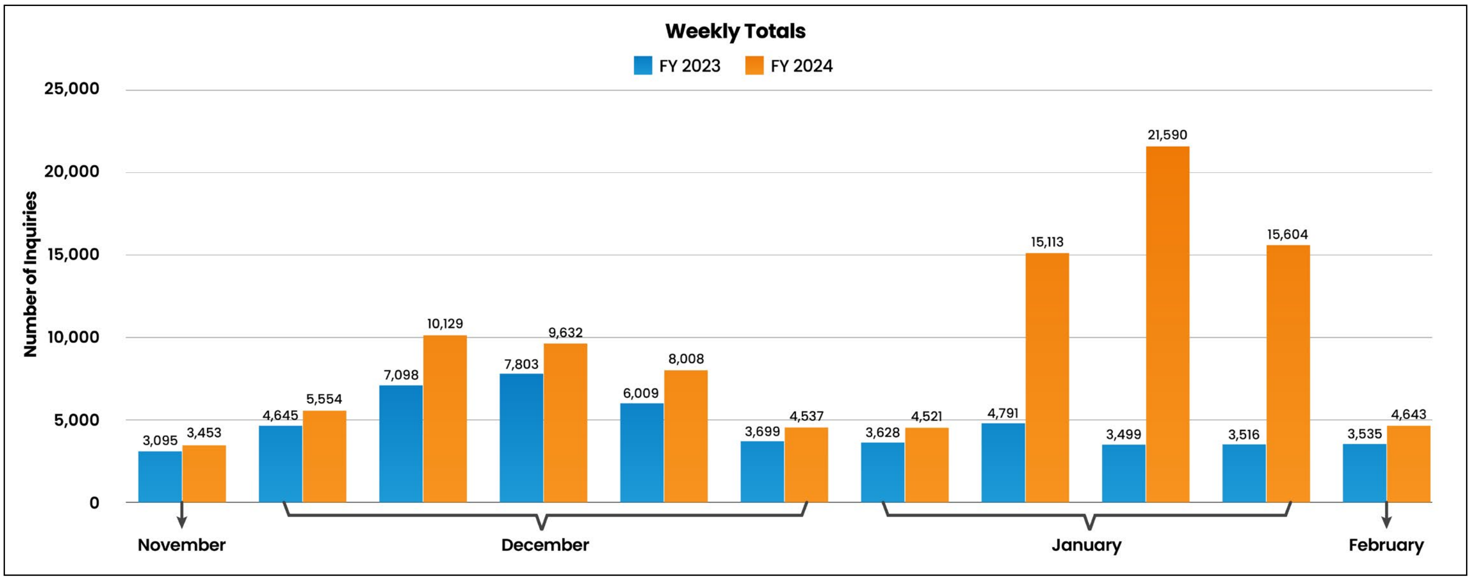
In addition, as the Postal Service seeks to bring in new business, it should take steps to ensure timely notification is made to local managers if major changes in volume are expected so that any pre-existing challenges can be addressed. For example, we found delayed mail and service issues in Bemidji, MN, after headquarters notified local management that a large shipper would begin using the Postal Service for package drop shipments eight days later. At that time, the unit was understaffed to handle the large increase in package volume, which increased by approximately 131 percent compared to the same period last year.[xiv]

EXTERNAL COMMUNICATION

A common issue related to external stakeholders was that communication did not include sufficient details on the consolidations and timelines to prepare them for the significant changes in processing mail. In our first S&DC review, we found communication efforts with external stakeholders did not include sufficient details such as timelines or locations and was sometimes provided late. Also, during our audit of the Richmond RPDC, we found opportunities for the Postal Service to update its policies related to its Mail Processing Facility Review process—a key step in engaging with the public on the impacts they may experience to their service as a result of proposed processing changes.

As changes continue under the DFA plan, communication regarding updates that impact customers will be crucial. At the South Houston LPC, changes resulted in delayed mail and a high number of customer complaints, as shown in Figure 7.

FIGURE 7. TEXAS 2 DISTRICT CUSTOMER 360 INQUIRIES



Source: OIG analysis of Customer 360 data.

Finally, conditions have evolved significantly since the initial DFA plan was published in 2021 and opportunities exist for management to improve transparency. Updates to the DFA plan could provide an opportunity for needed changes to financial projections and progress reports of initiatives and their impact on DFA strategies and goals. The Postal Service does communicate with its stakeholders in numerous forums and reports; however, as this is a historic investment, it is crucial that communication is timely and clear on changes to the DFA plan and initiatives' outcomes, to enable transparency and engender confidence in the plan's potential success.

Concluding Observations

The Postal Service has made progress in the execution of the DFA plan through, among other initiatives, the initiation of the rollout of its modernized and consolidated network processing centers, introduction of the new USPS Ground Advantage product, beginning the implementation and deployment of EV charging infrastructure, and conversion of pre-career to career employees. However, these changes have not been without challenges and service impacts.

The DFA plan is ambitious in its aim to modernize and transform the Postal Service. Customers have felt the changes in their daily lives, in part, due to the rate of price increases and network consolidation efforts. In our work, we have found the need to improve execution of and communication about the plan and its progress so that the workforce can engage more effectively towards success and so stakeholders can trust that this plan will meet its objectives.

We will continue our oversight work over the DFA plan in the key areas of Service, Financial Performance, Sustainability, and Labor Management to assess Postal Service progress in implementing its strategic initiatives and identifying opportunities for continuous improvement. We plan to issue this oversight report every six months as another source for readers to understand the evolution of the DFA plan and the Postal Service in this critical time in its history.

Postal Service Response

Management provided comments to the report which can be reviewed in their entirety in Appendix B. In summary, management stated that the report fails to catalogue the significant progress made in implementing the plan to date and that the report does not include management's responses and actions taken from prior OIG work. Further, management provided many notable achievements since implementation of the DFA plan.

OIG Evaluation

In the report, the OIG recognized achievements in the execution of the DFA plan, including the rollout of its modernized and consolidated network, introducing USPS Ground Advantage, implementing EV charging infrastructure, and converting pre-career to career employees. However, we also noted that these changes have not been without challenges and service impacts. Further, as changes continue under the DFA plan, communication both internally and externally will be essential to its potential success.

We also recognize that the Postal Service is in the early stages of its 10-year DFA plan, and we expect lessons learned will be applied to future implementation efforts. We will continue our oversight on DFA plan progress and will highlight future successes and challenges as the rollout continues.

Appendix A. Additional Information

SCOPE AND METHODOLOGY

Our scope covers our audit reports and white papers related to the DFA plan issued from March 31, 2021, to June 30, 2024. Our objective was to evaluate the extent to which the U.S. Postal Service's Delivering for America Plan changes impact service, financial conditions, sustainability, and labor management. To achieve our objective, we completed the following:

- Identified and reviewed DFA plan reports, white papers, and other noteworthy reports related to our objective.
- Analyzed trends and observations in reports and white papers with an impact on Postal Service's service, financial impacts, sustainability efforts, and labor management, including observations around internal and external communications.
- Reviewed the DFA plan initiatives as they relate to the Postal Service's service, financial impacts, sustainability efforts, labor management, and network modernization goals.

We conducted this evaluation from May 2024 through September 2024 in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation. Those standards require that we collect and analyze evidence consistent with objectives related to the program, policy, or entity being evaluated. It also requires evidence to sufficiently and appropriately support evaluation findings and provide a reasonable basis for conclusions. We believe that the evidence obtained sufficiently and appropriately supports our conclusions based on our objective. We discussed our observations and conclusions with management on September 4, 2024, and included their comments where appropriate.

We did not assess the reliability of any computer-generated data for the purposes of this report.

RELATED OIG PRODUCTS

i Review of USPS Sorting and Delivery Centers Opened in Quarters 1 and 2 of FY 2023 (23-062-R23) September 12, 2023.

ii "Effectiveness of the New Regional Processing and Distribution Center in Richmond, VA" (23-161-R24), March 28, 2024.

iii Mail Conditions at the South Houston Local Processing Center (24-050-1-R24) April 10, 2024.

iv Impacts Associated with Local Transportation Optimization in Richmond, Virginia (23-161-1-R24), April 12, 2024.

v Primer on Postal Reform (RISC-WP-23-002), December 20, 2022.

vi Postal Retirement Funds is Perspective: Historical Evolution and Ongoing Challenges (RISC-WP-24-002), January 08, 2024.

vii Historical Analysis of USPS Retirement Fund Returns (RISC-WP-23-005), April 26, 2023.

viii State of the U.S. Postal Service's Financial Condition (23-167-R24), June 21, 2024.

ix Fleet Modernization – Electric Vehicle Charging Infrastructure Incentives (24-038-R24), June 27, 2024.

x Fleet Modernization – Electric Vehicle Charging Stations Acquisition (23-059-R24), December 29, 2023.

xi Postal Service Hiring Practices (23-145-R24), April 24, 2024.

xii Postal Service's Non-Career Turnover Follow-Up (22-180-R23), April 18, 2023.

xiii Network Modernization: The Changing Role of Postmasters (24-025-R24), May 22, 2024.

xiv Delivery in Northern Minnesota (24-048-R24), May 6, 2024.

Appendix B. Management Comments

UNITED STATES
POSTAL SERVICE

September 23, 2024

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: The OIG's Oversight of the U.S. Postal Service's Delivering for America Plan (24-102)

Thank you for providing the Postal Service an opportunity to review and comment on the Office of Inspector General's (OIG's) draft audit report: *The OIG's Oversight of the U.S. Postal Service's Delivering for America Plan.*

Since the implementation of the Delivering for America Plan in March 2021, we have begun the process of reversing years of financial and operational deterioration by comprehensively and systematically transforming the Postal Service into a modern, high-performing organization. The OIG has examined certain discrete aspects of our various initiatives through audits and white papers. While the expressed purpose of this report is to discuss the Postal Service's progress in implementing the Plan to date, as well as the OIG's oversight work, the report does not effectively achieve this purpose.

First, the report fails to catalogue the significant progress made in implementing the Plan to date. Second, the report does not include management's responses or describe how the Postal Service has addressed prior OIG recommendations to correct or mitigate any execution issues that the OIG identified. In numerous instances those prior recommendations were quickly acted upon and fully resolved, although you would not know that from this report.

Moreover, the report does a disservice to those who may be attempting to evaluate the Plan by failing to acknowledge or recognize that the operational elements of the Plan are not only comprehensive, but also holistic in nature. In that regard, the Delivering for America Plan is much more than the sum of its parts, and by simply regurgitating prior OIG audit conclusions and repackaging them as an interim evaluation of the Plan successes, the report is misleading and potentially harmful. The ultimate success of the Plan will largely be determined by the effectiveness of the complete systems within each operational initiative, and with the effective integration of the totality of the operational initiatives embedded in our business strategy. Isolating and dissecting certain discrete component parts of the individual initiatives at the early stages of implementation (and even then, incompletely), and cobbling them together into a purported compendium report does not fairly portray the success of the Plan even to date, let alone over the longer term. Instead, this Report lacks a targeted scope and purpose, cherry picking data from across the past three fiscal years without a uniform timeline, and ultimately providing a narrow, conflicting, and outdated perspective on how the Postal Service is currently performing against the Plan.

Delivering for America recognizes and reinforces the importance that the Postal Service plays in American life today and in the future. It is the best path towards achieving service excellence and financial stability, thereby enabling us to achieve our statutory mandate. Prior to the implementation of our Plan, we were an inefficient organization without a clear long-term vision, effective leadership, or operational efficiency. We recognized the need to transform into a modern organization capable of meeting our universal service obligation in a financially sustainable manner. Delivering for America called for a change of approach to our outmoded and inefficient operational methods for processing, transporting, and delivering the nation's mail and packages into a network founded on precise operational processes and practices.

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We are a very different Postal Service from where we were three and a half years ago. We now have a unified vision for our operations, are developing a streamlined, modern network, and have developed clear targets for success. While this Report claims to discuss the evolution of the Delivering for America Plan, that cannot be done without also accounting for the remarkable achievements we have had since its implementation, including:

- The installation of new processing machines to increase the package processing capacity to 60,000 an hour;
- The conversion of 190,000 pre-career employees to career status, an investment of $3.1 billion in our workforce;
- A reduction in work hours by 44 million, accounting for approximately $2.3 billion in annual savings;
- Aligning our organizational structure to drive operational precision and increase accountability;
- $9.9 billion package revenue over the Delivering for America base plan;
- A reduction in transportation costs of $1.2 billion annually by shifting volume to our more efficient surface network;
- A reduction in the supervisor vacancy rate from 15 percent to 6.4 percent;
- Quadrupling the volume of USPS Ground Advantage packages over 1 pound since its launch in July 2023; and
- The packaging and delivery of 885 million COVID-19 test kits to over 90 million households, achieving an average of 1.2 days from shipment to delivery.

Excluding these accomplishments fails to recognize the overall impact of the Delivering for America Plan on the Postal Service's operations, painting an incomplete picture of the monumental change we are undertaking.

That said, the transformation of the Postal Service will take time by necessity, and in any endeavor of this magnitude, execution challenges will arise. The OIG has identified certain such issues through its reports. The Postal Service is committed to addressing issues that arise as appropriate, and adapting our processes to ensure that our Plan initiatives are implemented in a successful manner.

Ultimately, the Postal Service believes this Report misrepresents the implementation of the Delivering for America Plan's strategies, as it fails to provide the full context as discussed above. In the future, the Postal Service hopes that these Reports will provide a more holistic approach to describing Delivering for America's initiatives rather than citing closed recommendations and omitting the Postal Service's successes.

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