Hearing before the

Subcommittee on Financial Services and General Government

Committee on Appropriations

United States Senate

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A Hearing to Review the FY 2022 Budget Request for the USPS
Office of Inspector General and USPS Service Issues

July 13, 2021

Good afternoon Chairman Van Hollen, Ranking Member Hyde-Smith, and Members of the Subcommittee. Thank you for inviting me here today to discuss our budget and ongoing work to address the Postal Service's delivery and service performance issues.

Our mission, to ensure the efficiency, accountability, and integrity of our nation's Postal Service, is something we take very seriously. While we receive our appropriation from Congress, the annual funding that enables us to do our work comes from the Postal Service, not the U.S. Treasury. We are one of the leanest IG offices, with about one OIG employee for every 640 Postal Service employees. Even with those limited resources, in FY 2020 we returned nearly $30 in impact for every $1 invested in our budget.

Over the past ten years, our budget has not grown meaningfully and has not kept up with rising costs, including mandated increases to salary and FERS employer contributions. Without additional funding to support these increases, we have had to reduce the number of FTEs available to support our work by nearly 16 percent since 2012. Because of these steadily declining resources, we have had less capacity to focus even on the highest priority work.
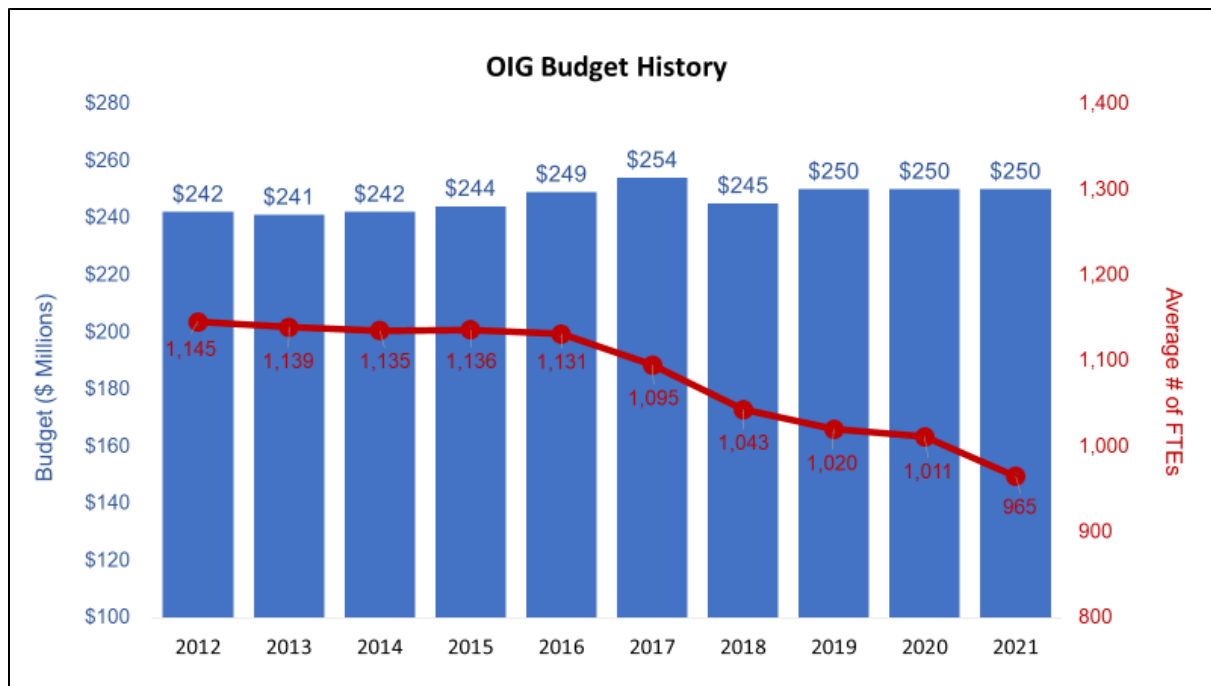

Our Work

Our oversight provides the Postal Service valuable insights into areas where it can save money, improve operations, and better serve postal customers. With USPS service issues foremost in the minds of customers and other stakeholders, we have significantly increased our focus in this area since early 2020. Our work has found that operational

changes implemented last summer, on top of employee absences, negatively impacted the quality and timeliness of mail delivery. We also identified areas where the Postal Service could improve communication and reporting, as well as cost saving opportunities such as reducing overtime and better management of late and extra trips. This work is vital to ensuring the American public has an efficient Postal Service. We have numerous ongoing projects related to service, discussed in more detail, below.

We also conduct critical investigations in a variety of areas, including mail theft by postal employees and postal contractors, as well as healthcare and contract fraud. Over the past three years, we have committed significant resources to combatting the nationwide opioid epidemic and the trafficking of narcotics through the mail. The chart below shows some of our progress. Between FYs 2017 and 2020, we have increased the number of open cases by 133 percent, the number of arrests by 82 percent, and the number of convictions by 78 percent. We strategically placed special agents trained in narcotics investigations throughout the country, and this resulted in 427 new cases being initiated in FY 2020 alone. In the first half of FY 2021, we have initiated over 300 cases, putting us on track to have an almost 50 percent increase compared to FY 2020.
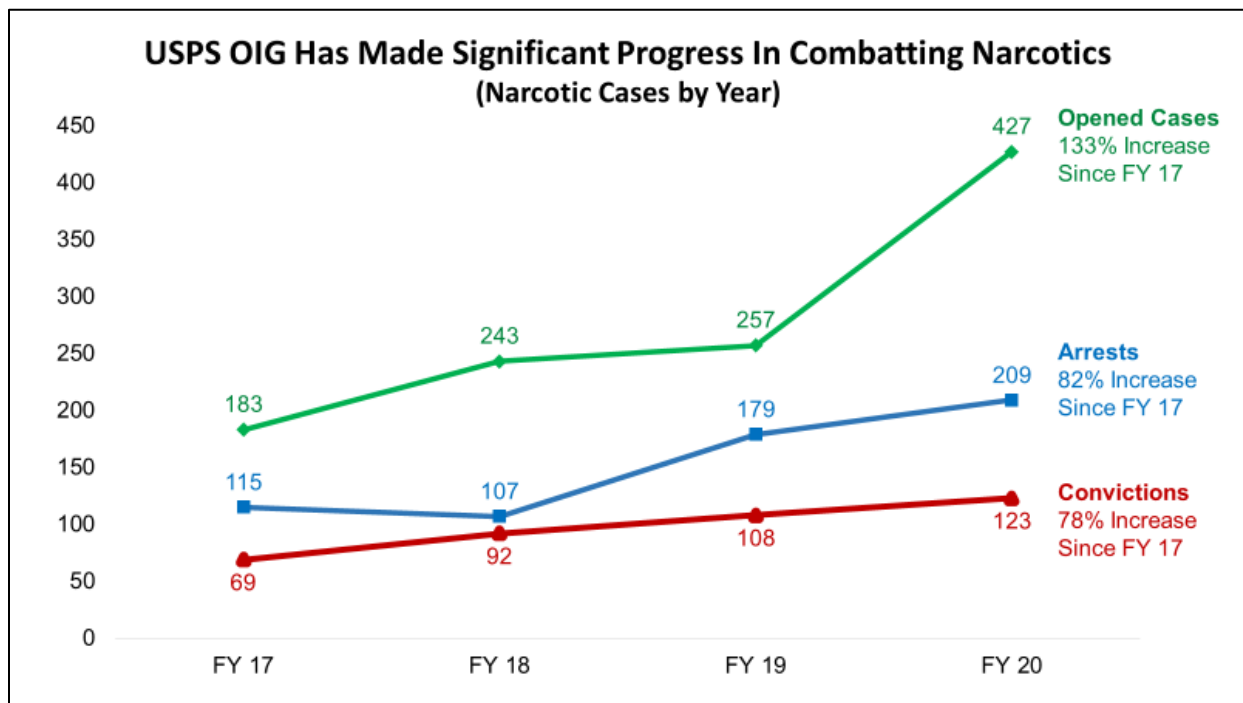
We continue to leverage data analytics to increase the transparency of postal data. We recently launched a webpage that features an interactive map displaying quarterly data on the Postal Service's performance around the country. Users can filter the information by geographic area, mail class, and fiscal quarter, as well as pivot between the Postal

Service's former and newly lowered service performance targets. Stakeholders have reacted positively to this website, and we continue to look for new ways to provide similar transparency. Below is a snapshot of our page.
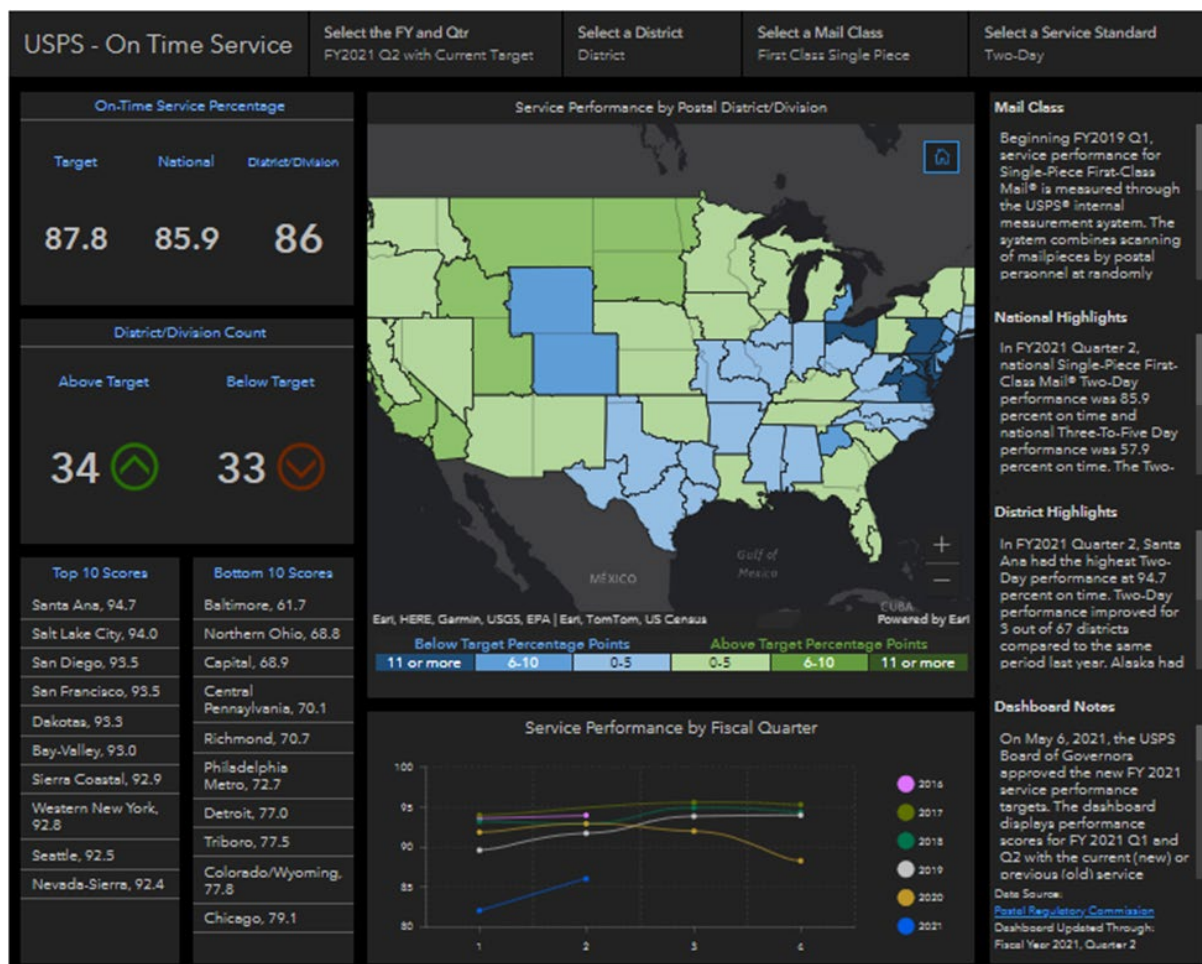
We also utilize analytics to identify areas of focus for both audit and investigations. For example, we have a dashboard that provides a consolidated, holistic view of customer complaints and allegations related to missing, delayed, or undelivered mail. It pulls information from three data sources: (1) the Postal Service's complaint system, (2) Informed Delivery, and (3) the OIG Hotline. This tool identifies trends in complaints from each system to identify areas of concern. Another analytics tool is our dashboard that utilizes specific delivery and route data to assess the probability that an entire route was not delivered. The tool provides insights to specific routes, facilities, districts, and areas where full routes may not be delivered for a single day or over a period of time, signifying an ongoing problem. We hope to use these types of analytics to identify hot spots and areas where service issues are occurring in almost real-time for both investigations and audits.

Our Budget

The $263 million included in the President's budget is based on our FY 2022 budget submission last fall. This was before the Postal Service announced its plans to make significant changes, including the following.

- The Postal Service is dramatically modifying its large and complex network by creating postal facilities dedicated to parcel sortation. Other mail — letters, flats, and containers — will be processed in separate facilities. This constitutes a dramatic change that will require realigning facilities' footprints around the country at the same time the Postal Service is processing the mail in its system.

- To increase its focus on handling growing parcel volume, the Postal Service is adding around 46 annexes and spending almost $9 billion on new equipment, including new parcel sorting machines. An investment by the Postal Service of this significance requires careful oversight.

- The Postal Service is moving a portion of its mail volume from air to surface transportation, including approximately 9 percent of First-Class Mail volume and 31 percent of First-Class Package Services volume. The goal of this change is to increase service reliability and save costs, but these changes can only be made in conjunction with a reduction in service standards. Postal customers are concerned the Postal Service will neither reap the financial benefits nor enhance service reliability.

These changes are complex and difficult, and there is a risk implementation could result in regional or widespread service issues. Our work has revealed that historically, when the Postal Service implements network changes, it has not always been able to improve service or realize the projected cost savings.[1] Continuous monitoring and oversight of the announced network changes will allow the Postal Service to quickly fix issues, protecting postal customers. As a result of these significant upcoming changes, we plan to request an additional $17 million in our FY 2023 budget to increase the amount and timeliness of our oversight. With these funds we can expand our capacity to quickly respond to ongoing service challenges.

These funds will partially restore our staffing by 83 employees and allow us to form an audit group dedicated to continuous monitoring of service across the country and providing quick, service-focused reports. We will build on the lessons learned last fall when we sent 500 OIG employees to over 2,000 postal facilities nationwide to monitor election mail. Using an OIG-created app, we were able to provide the Postal Service and Congress near real-time data on our daily observations. This allowed the Postal

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[1] USPS OIG, *Operational Window Change Savings,* Report No NO-AR-19-001, October 15, 2018, https://www.uspsoig.gov/sites/default/files/document-library-files/2018/NO-AR-19-001.pdf

Service to quickly resolve any issues we identified, such as ballots that had not been fully processed and cleared from the plant. While our effort was successful, it took significant resources and resulted in other investigative and audit projects being put on hold. Increased funding would allow us to provide this type of near real-time monitoring on a more frequent and national basis as the Postal Service implements network changes. This monitoring would enable increased transparency regarding service during the holiday mailing season and next year's mid-term elections.

Continuous near real-time monitoring and quick response reports allow the Postal Service to promptly fix the issues we identify, mitigating the negative impacts on postal customers. While the $17 million is requested for the FY 2023 budget, the sooner we get these additional funds, the sooner we can provide more effective and timely oversight. Because the Postal Service is moving quickly to implement some of the network changes, it is critical that our resources grow in tandem with these moves.

The recent changes announced by the Postal Service are likely just the beginning. As these changes progress, judicious oversight is essential to ensuring timely, efficient, and equitable mail service to all areas of the country.

Overview of Service Issues

The pandemic brought service issues to the forefront, but even before last spring, the Postal Service's processing network was not operating at optimal efficiency.[2] In an attempt to meet service standards, the Postal Service utilized overtime, held trucks past their departure times, or paid for additional "late" transportation, leading to increased costs as well as more service issues down the line.

In the beginning of the pandemic, the Postal Service began to face uncontrollable challenges, including employee absenteeism and significantly higher package volume. Early on, it was able to lessen the impact on service performance by using extraordinary measures, but these were unsustainable.[3] Last summer, the Postal Service also introduced various operational and organizational changes. When deployed on top of employee absences, these changes negatively impacted the quality and timeliness of mail delivery.[4]

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[2] USPS OIG, *U.S. Postal Service's Processing Network Optimization and Service Impacts,* Report No. 19XG013NO000-R20, June 16, 2020, https://www.uspsoig.gov/sites/default/files/document-library-files/2020/19XG013NO000-R20.pdf.
[3] USPS OIG, *Mail Service During the Early Stages of the COVID-19 Pandemic*, Report No. 20-275-R21, January 4, 2021, https://www.uspsoig.gov/sites/default/files/document-library-files/2021/20-275-R21.pdf.
[4] USPS OIG, *Operational Changes to Mail Delivery,* Report No. 20-292-R21, October 19, 2020, https://www.uspsoig.gov/sites/default/files/document-library-files/2020/20-292-R21.pdf.

During the 2020 general election and subsequent run-offs, the Postal Service was able to prioritize the processing of Election Mail and provide timely delivery. However, during the holiday season, service worsened significantly. The combination of a lack of employee availability, a significant increase in parcels, and poor communication between the field and postal headquarters resulted in gridlock at several processing plants around the country. The Postal Service was unable to effectively process mail as it arrived, resulting in long wait times for truck drivers and protracted delays of mail and packages.

Ongoing OIG Service-Related Work

While recently there have been some signs of improvement, concerns about service in various parts of the country remain. As a result, we have numerous projects related to broad service issues as well as in specific locations where we have received complaints. We have an entire team dedicated to examining delivery delays around the country, including in Chicago, Kansas City, and Baltimore. Another team is focusing on delayed mail at postal processing centers, and it has uncovered issues with how delayed mail is reported, adding to the difficulty in determining the causes.

We have numerous other projects in progress related to service, including looking at performance in a number of low-performing districts across the country. We are evaluating the operational impacts of embargoes, where the Postal Service stopped accepting mail at certain overwhelmed facilities during the past holiday mailing season. The OIG will soon release a report that analyzes whether postal changes to collection box removals and temporary closures of post offices inadvertently impacted certain demographic groups disproportionately.

We are analyzing service performance along the entire mail flow — processing, transportation, and delivery — to identify where failures commonly occur. In addition, we are evaluating the Postal Service's preparedness for the upcoming holiday season, looking at whether it is acquiring enough facilities and deploying necessary equipment in response to anticipated volumes.

Electric Vehicles

The Postal Service has entered into a contract to purchase up to 165,000 next-generation delivery vehicles over 10 years. The contract allows the Postal Service to choose the number of vehicles that will be electric. The Postal Service has said it can only commit to a small portion, perhaps as low as 10 percent, under its current budget. However, it has said it could electrify more of its fleet if it receives additional funds from Congress.

We support the Postal Service's efforts to add electric vehicles to its fleet. In 2009, we found the use of electric vehicles for Postal Service deliveries was operationally feasible and could provide a valuable opportunity for the nation to test electric vehicles nationwide. Even at that time, we found the Postal Service would likely need government funds to purchase electric vehicles.[5] We recently started a new project to identify the opportunities and challenges of the Postal Service's transition to electric vehicles.

We are proud of the work we have done to protect postal customers and help improve the efficiency and effectiveness of the Postal Service. Additional funds will allow us to expand our oversight role in alignment with upcoming and ongoing postal changes.

Thank you for the opportunity to testify and discuss our budget and our work. I am happy to answer any questions.

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[5] USPS OIG, *U.S. Postal Service Electrification of Delivery Vehicles,* Report No. DA-WP-09-001, August 28, 2009, https://www.uspsoig.gov/sites/default/files/document-library-files/2015/da-wp-09-001_0_0.pdf