



Office of Inspector General | United States Postal Service

Audit Report

Fiscal Year 2022 Peak Mailing Season Preparedness

Report Number 21-206-R22 | November 19, 2021

2022



2021

Table of Contents

Cover	
Highlights.....	1
Objective	1
Findings.....	1
Transmittal Letter	3
Results.....	4
Introduction/Objective	4
Background.....	4
Finding #1: FY 2022 Peak Season Preparedness.....	6
Employee Hiring	7
Peak Season Processing and Logistics Annexes.....	8
Package Processing Machine Deployment.....	9
Operational Changes in Transportation	9
Survey Results.....	10
Management's Comments.....	10
Evaluation of Management's Comments	11
Appendices	12
Appendix A: Additional Information.....	13
Scope and Methodology.....	13
Prior Audit Coverage	13
Appendix B: Management's Comments.....	14
Contact Information	17

Highlights

Objective

Our objective was to evaluate the U.S. Postal Service's preparedness for the fiscal year (FY) 2022 peak mailing season.

Each year, increased mail volume during the Postal Service's peak mailing season —November through January — significantly strains the Postal Service's processing and distribution network.

During the peak mailing season of FY 2021, package volume increased by about ■ million pieces, or 37 percent, compared to package volume during the prior peak mailing season. This increase in packages was largely due to the impact of the COVID-19 pandemic. Service performance for all mail classes declined by 13 percent during the FY 2021 peak season, including a nearly ■ percent decline in service performance for packages.

In our prior audit, Nationwide Service Performance (Report Number 21-120-R21, September 20, 2021), we found that reduced employee availability and transportation challenges that occurred during the COVID-19 pandemic, coupled with increased parcel volume, added even more strain on the distribution network during the FY 2021 peak mailing season. This led to a national decline in service performance scores.

Typically, the Postal Service increases staffing and facility space right before peak season in anticipation of increased mail and package volume. However, Postal Service management stated that approach no longer provides the needed staff and facility space for peak season, especially in high demand areas of the country. Therefore, management implemented a new year-round strategy focused on a consistent build-up of employee complement, multi-year leases for facility space, and processing capacity to help ensure it would be sufficient for the FY 2022 peak season.

The Postal Service also developed several other initiatives and tasks to prepare for the FY 2022 peak mailing season. To help track those critical tasks and initiatives, the Postal Service developed the Peak Season Readiness Tracking

Tool. The tool allows management to see what tasks have been completed, those that still need to be completed, and any tasks that are past due.

Findings

Postal Service management implemented a new year-round strategy in preparation for the FY 2022 peak season by implementing permanent operational changes, including increasing employee complement and facility space to help meet the needs of peak season. The Postal Service's year-round approach coupled with initiatives for the FY 2022 peak season are intended to address the main causes of low performance from the last peak mailing season. Management stated that they feel confident the Postal Service is prepared to process, transport, and deliver the increased volume during the upcoming peak season.

These initiatives include:

- Increasing employee complement by 33,000 since January 2021 to help prepare for peak staffing needs.
- Hiring approximately 45,000 additional temporary employees (30,000 processing employees and 15,000 retail and delivery employees) to start on or after October 9, 2021 and hiring 1,100 additional truck drivers.
- Leasing 46 package support annexes with two- to five-year lease terms for use beyond peak season to help acquire space in high demand areas.
- Leasing 70 temporary mail processing and logistics annexes to process packages during the FY 2022 peak mailing season.
- Deploying and installing 112 package sorting machines, with 89 in processing facilities and 23 in delivery units.
- Increasing air transportation capacity by 12 percent over last peak season.
- Expanding six surface transfer centers (STC) and ensuring they are not co-located at processing facilities to help alleviate dock congestion and reduce transportation trips.
- Better utilizing trailer space on surface transportation trips.

However, some of these initiatives are at risk of not being fully implemented before the upcoming peak season. Specifically, as of October 25, 2021, management has secured leases for 40 of the 70 (or 57 percent) peak season annexes. Additionally, while all 23 sorting machines have been installed at delivery units, the Postal Service has installed 84 of the planned 89 package processing machines for processing facilities. Management anticipates all package processing machines will be installed by December 2021. Management stated they will implement contingency and alternative processing plans if they are not able to acquire the desired facility space, and added they are confident that all processing machines will be installed according to schedule.

Additionally, there is a nationwide labor shortage that could impact the Postal Service's plan to hire 45,000 temporary employees for this peak season. While the Postal Service was able to hire its planned number of temporary employees last peak season, it fell short the prior two years. Further, Logistics regional management stated that a nationwide shortage of commercial truck drivers could affect the Postal Service's surface transportation capacity. Management added that they are in negotiations with the union to ensure that they hire Postal Vehicle Service (PVS) truck drivers in time for peak mailing season. Management also stated that to help mitigate this risk, they plan to consolidate mail at the STCs to better utilize surface transportation by having more mail go on fewer trips.

Finally, we surveyed all 13 Processing division directors and all 13 Logistics division directors to assess their confidence in whether the Postal Service would be able to timely process and transport mail and packages during the upcoming FY 2022 peak season. Processing division directors felt very confident or confident that they would have sufficient facility space, sorting machines, and processing employees to timely process mail volume during the FY 2022 peak season. Logistics division directors felt very confident or confident that there would be sufficient air capacity to timely transport mail and packages during the FY 2022 peak season. However, they only felt somewhat confident there would be sufficient surface transportation to timely transport packages.

While it is unclear whether or not the Postal Service can fully implement its initiatives prior to the start of the FY 2022 peak mailing season, it has already increased the number of full-time employees by 8 percent, facility floor space by 48 percent, and package processing capacity by 16 percent compared to last peak season. Postal Service management expects those percentages to increase even more as the remaining initiatives are implemented.

In recent audit reports, we made recommendations that can help the Postal Service improve its oversight of peak season hiring, improve communications to customers on service disruptions and identify at-risk facilities. Specifically, we recommended the Postal Service: establish a monitoring program over the peak season hiring process to help ensure hiring activities are completed timely, develop a plan to promptly communicate information about major service disruptions to mailers, and identify facilities at risk of having their volume exceed processing and staging capacity and alleviate those conditions before they affect mail processing.

The Postal Service is working on implementing those recommendations and plans to deploy the Industry Connect Dashboard in November 2021, which will allow mailers to see real-time status of mail processing operations, logistics, and yard conditions at processing facilities. Additionally, the Postal Service recommends customers mail First-Class mail and packages by December 17, 2021, for expected delivery by December 25, 2021.

Because the Postal Service has implemented several initiatives to address the causes of low performance during last peak season and is working to implement other OIG recommendations, we are not making any additional recommendations at this time. However, we encourage the Postal Service to be proactive and transparent in communicating network issues and service disruptions to its customers and the general public throughout the FY 2022 peak season as they occur. We plan to monitor conditions and evaluate service performance throughout the FY 2022 peak mailing season and issue a report on any challenges identified.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

November 19, 2021

MEMORANDUM FOR: MICHAEL L. BARBER
VICE PRESIDENT, PROCESSING AND MAINTENANCE
OPERATIONS

ROBERT CINTRON
VICE PRESIDENT, LOGISTICS

A handwritten signature in black ink that reads "Todd J. Watson".

FROM: Todd J. Watson
Acting Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Audit Report – Fiscal Year 2022 Peak Mailing Season
Preparedness (Report Number 21-206-R22)

This report presents the results of our audit of Fiscal Year 2022 Peak Mailing Season Preparedness.

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

Attachment

cc: Corporate Audit Response Management
Postmaster General

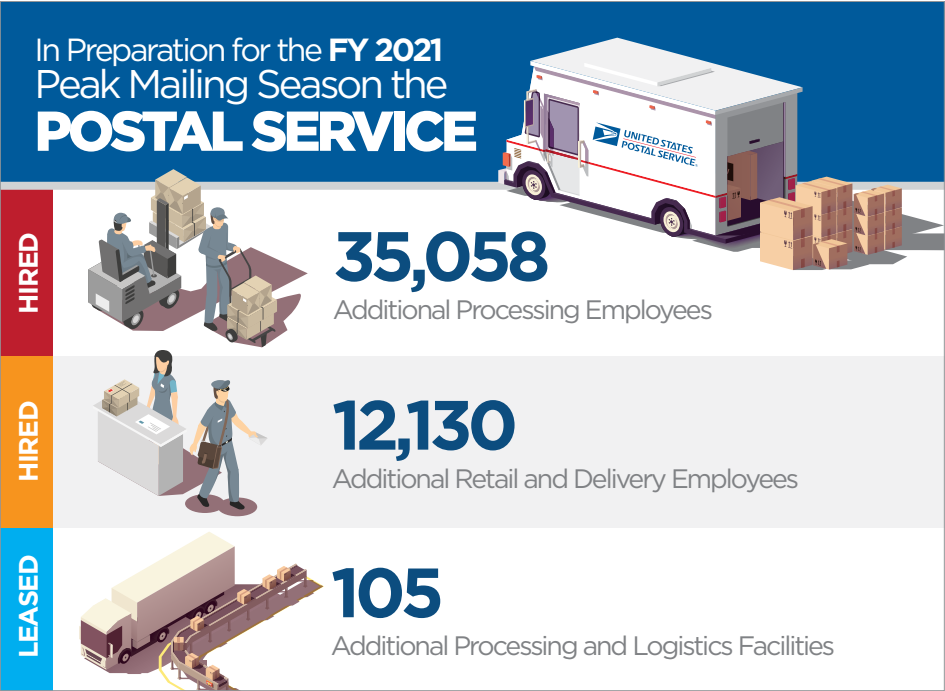
Results

Introduction/Objective

This report presents the results of our self-initiated audit of Fiscal Year (FY) 2022 Peak Mailing Season Preparedness (Project Number 21-206). Our objective was to evaluate the U.S. Postal Service’s preparedness for the FY 2022 peak mailing season. See [Appendix A](#) for additional information about this audit.

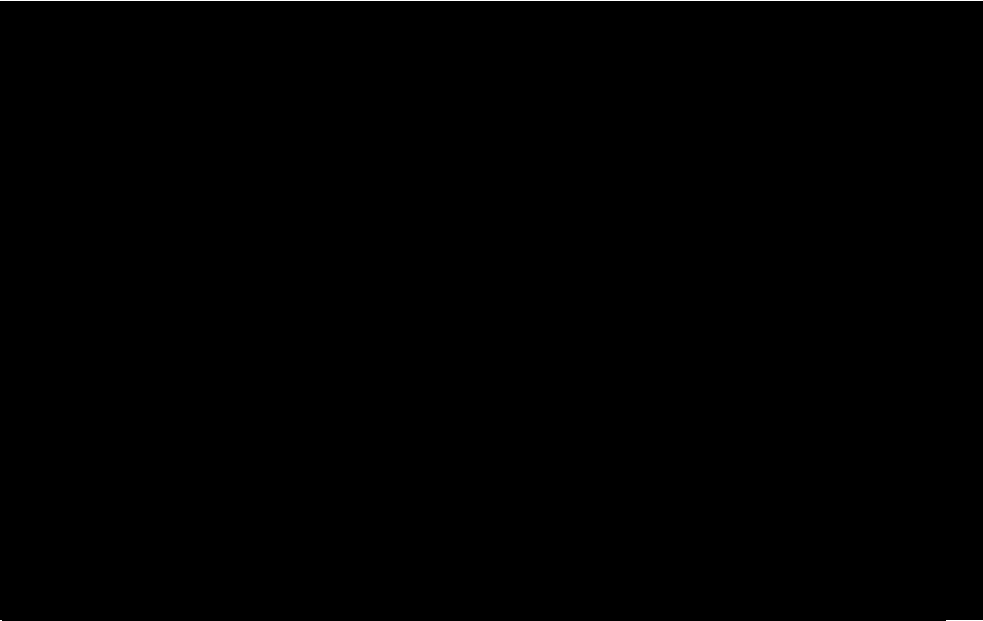
Background

Each year, increased mail and package volume during the Postal Service’s peak mailing season — November through January — significantly strains the Postal Service’s processing and distribution network. To help handle this increase in volume, the Postal Service hires temporary employees and leases additional temporary facility space. In preparation for the FY 2021 peak mailing season, the Postal Service hired 35,058 additional processing employees and 12,130 additional retail and delivery employees, and leased 105 additional processing and logistics facilities.



During the FY 2021 peak mailing season, package volume increased significantly, largely due to the impact of the COVID-19 pandemic. Specifically, volume increased overall by █ million pieces, or 37 percent, compared to package volume during the FY 2020 peak mailing season. In December 2020 alone, nationwide package volume surged to █ million packages, which was an increase of █ million packages, or 44 percent, from November 2020, as shown in Figure 1.

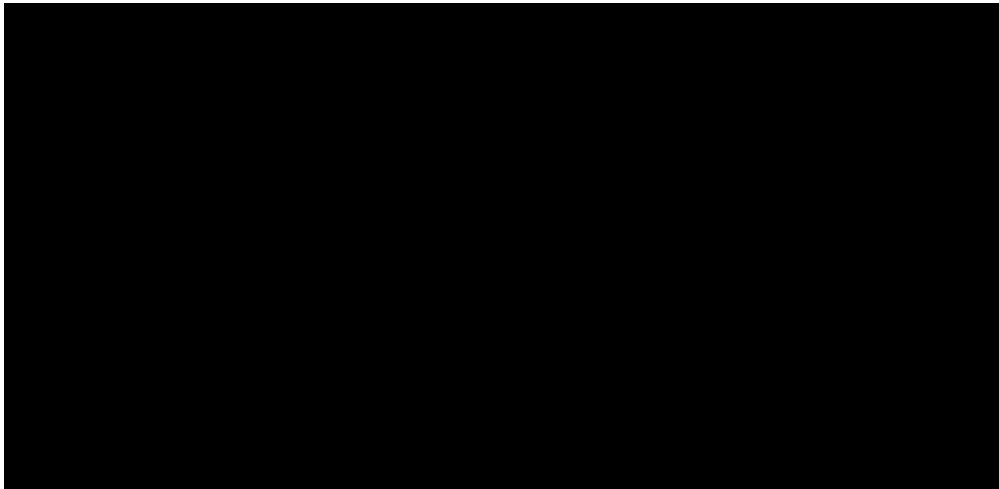
Figure 1. Comparison of FY 2020 and FY 2021 Peak Season Package Volume



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

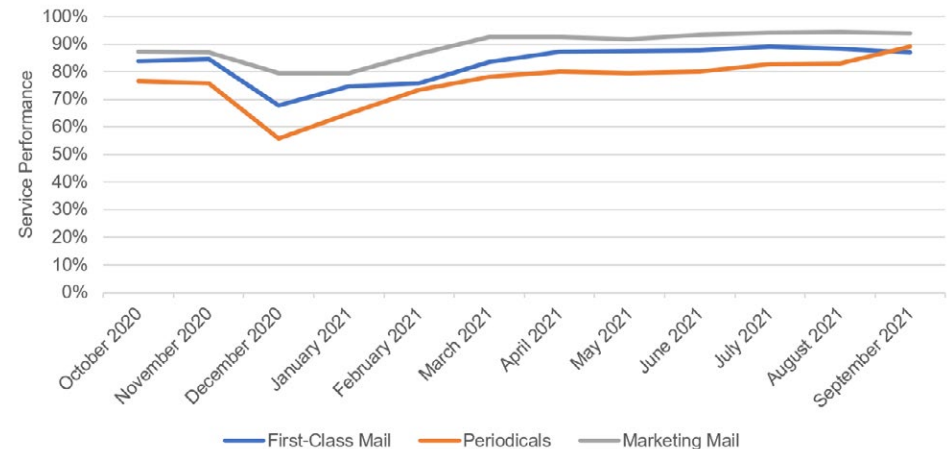
Service performance for all mail classes declined during the FY 2021 peak season. The biggest decrease occurred in [REDACTED], which saw only [REDACTED] percent of Priority Mail and [REDACTED] percent of First-Class packages delivered on time. The decline in service performance scores corresponds with the increase in package volume during peak season in FY 2021 (see Figure 2). Since that time, service performance for all mail classes improved as [REDACTED] volume decreased. As of July 2021, service performance for First-Class Mail was at its highest point since October 2020 and, as of August 2021, service performance for Periodicals and Marketing Mail was at its highest point since October 2020, as shown in Figure 3.

Figure 2. Service Performance Scores of Competitive Products and Package Volume



Source: Postal Service's IV; OIG analysis.

Figure 3. Service Performance Scores of Market Dominant Products



Source: Postal Service's IV; OIG analysis.

When the Postal Service became overwhelmed with mail and package volume during the FY 2021 peak mailing season, it enacted embargoes or redirections at nine processing facilities across the country. In a subsequent audit,¹ we found that those facilities accepted more packages than they could process and experienced crowded conditions on the workroom floors, which became so congested that employees could not move mail between the processing equipment and loading docks. Further, in another audit,² we found increased parcel volume, challenges with transportation of mail, and low employee availability due to the COVID-19 pandemic affected the Postal Service's ability to process, transport, and deliver mail and parcels timely.

Typically, the Postal Service increases staffing and facility space right before peak season in anticipation of increases in mail and package volume. However, Postal Service management stated that approach no longer provides the needed staff and facility space for peak season, especially in high demand areas of the country. Therefore, management implemented a new year-round strategy focused on the consistent build-up of employee complement, multi-year leases for facility

¹ *Embargoes and Redirections at U.S. Postal Service Processing Facilities* (Report Number 21-112-R21, dated August 13, 2021).

² *Nationwide Service Performance* (Report Number 21-120-R21, dated September 20, 2021).

space, and processing capacity to help ensure it would be sufficient for the FY 2022 peak season.

The Postal Service also developed several initiatives and tasks to prepare for the FY 2022 peak mailing season. To help track those critical tasks and initiatives, the Postal Service developed the Peak Season Readiness Tracking Tool (Tracking Tool). The tool breaks tasks into five functional areas — employee complement, logistics, mail processing, maintenance, and peak annexes — and allows management to see what tasks have been completed, those that still need to be completed, and any tasks that are past due. The Tracking Tool is updated continuously and reviewed weekly, and results are distributed to division management.

The Postal Service is also developing the Industry Connect Dashboard, which will allow mailers to see the status of mail processing operations, logistics, and yard conditions at processing facilities. The Postal Service plans to implement this dashboard in November 2021.

Finding #1: FY 2022 Peak Season Preparedness

Postal Service management implemented a new year-round strategy in preparation for the FY 2022 peak season by implementing permanent operational changes, including increasing employee complement and facility space to help meet the needs of peak season. The Postal Service's year-round approach coupled with initiatives for the FY 2022 peak season are intended to address the main causes of low performance from the last peak mailing season. Management stated that they feel confident the Postal Service is prepared to process, transport, and deliver the increased volume during the upcoming peak season.

These initiatives include:

- Increasing employee complement by 33,000 since January 2021 to help prepare for peak staffing needs.
- Hiring approximately 45,000 additional temporary employees (30,000 processing employees and 15,000 retail and delivery employees) to start on

“The Postal Service’s year-round approach coupled with initiatives for the FY 2022 peak season are intended to address the main causes of low performance from the last peak mailing season.”

or after October 9, 2021, and hiring 1,100 additional Postal Vehicle Service³ (PVS) truck drivers.

- Leasing 46 package support annexes with two- to five-year lease terms for use beyond peak season to help acquire space in high demand areas.
- Leasing 70 temporary mail processing and logistics annexes to process packages during the FY 2022 peak mailing season.
- Deploying and installing 112 package sorting machines, with 89 in processing facilities and 23 in delivery units.
- Increasing air transportation capacity by 12 percent over last peak season.
- Expanding six surface transfer centers (STC) and ensuring they are not co-located at processing facilities to help alleviate dock congestion and reduce transportation trips.
- Better utilizing trailer space on surface transportation trips.

However, some of the Postal Service's initiatives are at risk of not being fully implemented before the upcoming peak season. Specifically, as of October 25, 2021, management has secured leases for 40 of the 70 (or 57 percent) temporary annexes and 46 package support annexes planned for long-term use. Furthermore, the Postal Service has installed 84 of the planned 89 package processing machines for processing facilities. Management anticipates installing all package processing machines by December 2021. Management stated they will implement contingency and alternative processing plans if they are not able

³ The Postal Vehicle Service is primarily used for distances within a 50-mile radius (or short distance) of their Postal Service location. They differ from highway contract routes, which are primarily used to carry mail over highways (or long distances) between designated points.

to acquire the desired facility space, and added they are confident all processing machines will be installed according to their schedule.

Additionally, there is a nationwide labor shortage that could impact the Postal Service's plan to hire 45,000 temporary employees for this peak season. While the Postal Service was able to hire its planned number of temporary employees last peak season, it fell short in the two years prior. Further, Logistics regional management stated that a nationwide shortage of commercial truck drivers could affect the Postal Service's surface transportation capacity. Management added that there has been a PVS driver shortage for a few years and that they are in negotiations with the union to ensure PVS truck drivers are hired in time for peak mailing season. The Postal Service is piloting a program to train current PVS non-Commercial Driver's License⁴ (CDL) drivers to become CDL drivers to mitigate the truck driver shortage. Management also stated that to help mitigate this risk, they plan to consolidate mail at the STCs to better utilize surface transportation by having more mail go on fewer trips.

Employee Hiring

With the Postal Service's new year-round strategy to prepare for peak season, the Postal Service added 33,000 additional full-time employees since last year. Postal Service management stated this strategy has allowed them to better train employees, reduce delayed mail, reduce overtime, improve retention, and ultimately improve overall service performance.

Postal Service management stated that they plan to hire and train an additional 30,053 processing and 15,005 retail and delivery temporary employees before the FY 2022 peak mailing season begins. These new hires and conversions equate to a 33 percent increase in employees compared to last peak season (see Table 1), and onboarding will occur earlier in an effort to stay ahead of a competitive hiring market.

Table 1. FY 2021 and FY 2022 Additional Employee Complement for Peak Season

Functional Area	FY 2021	FY 2022	Difference	Percentage Difference
Mail Processing	35,058	46,668 ⁵	11,610	33%
Retail and Delivery	12,130	15,005	2,875	24%
Total	47,188	61,673	14,485	31%

Source: Postal Service data, OIG analysis.

However, in a previous report,⁶ we found that while management met their hiring goal for peak season in 2021, they did not meet their hiring goals for peak seasons in 2019 and 2020. The Postal Service hired only 69 percent and 87 percent, respectively, of its projected hires, as shown in Table 2. Management stated they are confident their new approach to employee complement will enable them to meet their peak season hiring goals.

Table 2. Planned and Actual Hires for Peak Seasons 2019 through 2021

Peak Season	Planned Hires	Actual Hires	Planned vs. Actual (Difference)	Planned vs. Actual (Percentage)
Peak 2019	39,181	26,978	12,203	69%
Peak 2020	39,271	33,997	5,274	87%
Peak 2021	48,084	48,409	(325)	101%
Total	126,536	109,384	17,152	86%

Source: OIG analysis of Postal Service data.

⁴ A commercial driver's license (CDL) is a driver's license required to operate large, heavy, or placarded hazardous material vehicles for commercial purposes in the United States.

⁵ This includes 30,053 planned processing employee new hires and the 16,615 part-time processing employees converted to full-time in the past year.

⁶ *Peak Season Hiring* (Report Number 20-316-R21, dated September 23, 2021).

In FY 2021, the Postal Service employed 77,970 processing and 310,663 retail and delivery full-time employees. As of October 25, 2021, there are 98,252 processing and 321,610 full-time employees for a total full-time employee increase of 31,229, or 8 percent.

Management also stated that there are approximately 1,100 PVS driver vacancies and a driver shortage for both the Postal Service and the industry nationwide. To mitigate the truck driver shortage, the Postal Service is piloting a program to train current PVS non-CDL drivers to become CDL drivers. Management also stated they plan to better utilize surface transportation by having more mail go on fewer trips. The Postal Service is also working with union representatives to hire non-CDL drivers to drive light and intermediate trucks that do not require a CDL to address their needs for peak mailing season.

Peak Season Processing and Logistics Annexes

With the Postal Service's new year-round strategy to prepare for peak season, the Postal Service added [REDACTED] million square feet of additional space via 46 package support annexes, with two- to five-year leases. Management stated these annexes enabled the Postal Service to increase needed facility space in high demand locations and allow for automated processing⁷ by deploying package sorting equipment to those facilities. Management added securing multi-year leases also allows the Postal Service to provide additional capacity for multiple peak seasons. As of October 25, 2021, all 46 package support annexes were operational. Initially, the Postal Service planned to lease 70 temporary annexes, but adjusted

“With the Postal Service’s new year-round strategy to prepare for peak season, the Postal Service added [REDACTED] million square feet of additional space via 46 package support annexes, with two- to five-year leases.”

their plan to lease [REDACTED] million additional square feet through available temporary annexes to use for both mail processing and logistics (see Table 3).

Table 3. Peak Season Square Feet Comparison

Annex Type	FY 2021 Actual	FY 2022 Current*	Current Percentage Increase	FY 2022 Target	Target Percentage Increase
Temporary	[REDACTED]	[REDACTED]	--	[REDACTED]	--
Package Support ⁸	--	[REDACTED]	--	[REDACTED]	--
Total	[REDACTED]	[REDACTED]	48%	[REDACTED]	58%

Source: Postal Service data; OIG analysis. *As of October 25, 2021.

However, as of October 25, 2021, the Postal Service has signed leases for 40 (3.1 million square feet) of the 70 planned annexes. The Postal Service was in lease negotiations for an additional nine annexes and in the site selection and approval process for the remaining one (see Table 4). Postal Service headquarters management stated that limited availability of spaces to lease has made it difficult to acquire additional peak season annexes initially identified as a need. However, management stated they developed alternative processing plans in September 2021 if they are unable to acquire the planned temporary annex space. Management added they will use nearby post offices with excess space, share peak season space with nearby facilities, reconfigure existing postal space, and lease tents to ensure they have the space needed to process the increased peak season mail volume.

⁷ In previous peak seasons, only manual processing operations were put into the temporary annexes that were secured.

⁸ Postal Service management stated they only used temporary annexes during last peak season.

Table 4. Peak Season Annexes

Peak Season Annex Type	Number of Planned Temporary Annexes	Revised Number of Planned Temporary Annexes	Signed Leases	Number of Sites in Lease Negotiation	Site Selection and Approval for Lease Negotiation in Progress
Mail Processing	46	32	26	6	0
Logistics	20	15	11	3	1
Mail Processing and Logistics	4	3	3	0	0
Total	70	50	40	9	1

Source: Postal Service data; OIG analysis.

Package Processing Machine Deployment

The Postal Service plans to install 112 package processing machines — 89 in processing facilities and 23 in delivery units — to meet the anticipated FY 2022 peak season mail volume demand. The additional machines will enable the Postal Service to process an additional [REDACTED] million packages a day over last peak season. While all 23 sorting machines have been installed at delivery units, as of October 25, 2021, 84 of the 89 machines had been installed at processing facilities. Specifically, 25 Automated Delivery Unit Sorter machines, 11 of 13 Small Package Sorting System machines, and 48 of 51 Single Induction Parcel Sorter machines have been installed at processing facilities. Postal Service management plans for all 112 additional package processing machines to be operational by December 2021 and stated the additional machines will increase the daily package processing capacity from [REDACTED] million to [REDACTED] million or 36 percent over last peak season (see Table 5). Management also stated they proactively initiated the procurement of material handling equipment⁹ to increase their package sorting capability, which will be deployed prior to December 2021.

⁹ Examples of material handling equipment deployed include Flex Rover Sorters, Flexible Conveyors, Manual Spiders, and Manual Scanning Apparatus.

¹⁰ STCs receive mail from processing and distribution centers, international service centers, network distribution centers, and from other STCs.

Table 5. Peak Season Daily Package Processing Machine Capacity

FY 2021 Actual	FY 2022 Current*	FY 2022 Target	Percentage Increase
[REDACTED]	[REDACTED]	--	16%
	--	[REDACTED]	36%

Source: Postal Service data; OIG analysis. *As of October 25, 2021.

Operational Changes in Transportation

The Postal Service enacted some and will enact additional changes in how mail is transported for this peak season. Specifically, the Postal Service expanded six STCs to the surface network by moving them away from processing facilities where they were co-located to help alleviate dock congestion and reduce transportation trips. STCs are designed to divert mail volume from air transportation, in addition to serving as a consolidation point for mail volume from underutilized surface trips. STCs receive mail and packages in containers for consolidation and cross-docking to destination facilities.¹⁰ Container consolidation allows the Postal Service to increase trailer utilization and reduce the number of trips needed to transport mail. Management stated that to expedite mail transportation during the FY 2022 peak mailing season, trucks will depart an originating STC up to 9 hours earlier than last peak season.

“Management stated that to expedite mail transportation during the FY 2022 peak mailing season, trucks will depart an originating STC up to 9 hours earlier than last peak season.”

The STCs will add 1.6 million square feet of space capacity and 315 additional dock doors and free up 600,000 square feet of space and 207 dock doors in the former co-located Postal Service facilities.

Survey Results

We surveyed 26 regional Mail Processing and Logistics division directors about the Postal Service's actions to increase processing square footage, processing machines, employees, and air and surface transportation. In response to the questions asked, directors had the choice of saying they were "Not Confident at All", "Somewhat Confident", "Confident", or "Very Confident". At the end of the survey period, eight Mail Processing division directors and nine Logistics division directors responded.

Specifically, all processing division directors felt "Very Confident" or "Confident" that they would have sufficient facility space, sorting machines, and processing employees to timely process mail and package volume during the FY 2022 peak season. All logistics division directors felt "Very Confident" or "Confident" that there would be sufficient air capacity to timely transport mail and packages during the FY 2022 peak season. However, most logistics division directors only felt "Somewhat Confident" there would be sufficient surface transportation to timely transport mail and packages. Many noted in their responses they were unsure if they would have sufficient surface transportation due to the ongoing nationwide truck driver shortage.

While it is unclear whether the Postal Service can fully implement its initiatives prior to the start of the FY 2022 peak mailing season, it has already increased the number of full-time employees by 8 percent, facility floor space by 48 percent, and package processing capacity by 16 percent compared to last peak season. Postal Service management expects those percentages to increase even more as the remaining initiatives are implemented.

In recent audit reports,¹¹ we made recommendations that can help the Postal Service improve its oversight of Peak Season hiring, improve communications to customers on service disruptions and identify at-risk facilities.

Specifically, we recommended the Postal Service: establish a monitoring program over the peak season hiring process to help ensure hiring activities are completed timely; develop a plan to promptly communicate information about major service disruptions to mailers; and identify facilities at risk of having their volume exceed processing and staging capacity and alleviate those conditions before they affect mail processing.

The Postal Service is working on implementing those recommendations and plans to deploy the Industry Connect Dashboard in November 2021, which will allow mailers to see real-time status of mail processing operations, logistics, and yard conditions at processing facilities. Additionally, the Postal Service recommends customers mail First-Class mail and packages by December 17, 2021, for expected delivery by December 25, 2021.

Because the Postal Service has implemented several initiatives to address the causes of low performance during last peak season and are working to implement other OIG recommendations, we are not making any additional recommendations at this time. However, we encourage the Postal Service to be proactive and transparent in communicating network issues and service disruptions to its customers and the general public throughout the FY 2022 Peak Season as they occur. We plan to monitor conditions and evaluate service performance throughout the FY 2022 peak mailing season and issue a report on any challenges identified.

Management's Comments

Management generally agreed with our report and stated that they took a proactive and unprecedented approach to peak planning this year. They further stated confidence in their ability to deliver during peak season and in the future as they implement their Delivering for America plan.¹² Per the plan, the Postal Service has further invested in critical resources that include hiring additional employees, increased space capacity through securing leases in desired locations, expanded package processing capacity through state-of-the-art equipment, and additional logistics capability. Management stated these strategies are an integral and focused part of Postal Service's peak season

¹¹ *Peak Season Hiring* (Report Number [20-316-R21](#), dated September 23, 2021) and *Embargoes and Redirections at U.S. Postal Service Processing Facilities* (Report Number [21-112-R21](#), dated August 13, 2021).

¹² *Delivering for America* is the Postal Service's 10-year strategic plan to achieve financial sustainability and service excellence.

readiness effort to ensure successful performance during the FY 2022 peak mailing season and future peak seasons.

Management also provided an update on additional progress the Postal Service has made since the conclusion of audit fieldwork. Specifically, management stated that they have added employees, facility space, package processing sorting equipment, and logistics capability. See [Appendix B](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG appreciates management's feedback on our report. Regarding updates provided by the Postal Service since the conclusion of fieldwork, the OIG acknowledges that implementation of the Delivering for America plan is ongoing. We plan to monitor conditions and evaluate service performance throughout the FY 2022 peak mailing season and issue a report on any challenges identified in a subsequent audit.

Appendices

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

Appendix A: Additional Information.....	13
Scope and Methodology	13
Prior Audit Coverage	13
Appendix B: Management’s Comments.....	14

Appendix A: Additional Information

Scope and Methodology

The scope of this audit includes Postal Service's preparedness plan for the FY 2022 peak mailing season (November 2021 through January 2022). Our objective was to evaluate the Postal Service's preparedness for the FY 2022 peak mailing season.

To accomplish our objective, we:

- Interviewed Postal Service headquarters and regional processing and logistics management to evaluate anticipated mail volume and their preparedness plan for the FY 2022 peak mailing season.
- Reviewed Postal Service decision analysis reports related to the deployment of additional package processing machines and planned facility space for mail processing and transportation capacity.
- Analyzed and evaluated management's employee hiring plan and expected employee availability.

- Surveyed Mail Processing and Logistics division directors to evaluate their knowledge of their preparedness plan for the FY 2022 peak mailing season.

We conducted this performance audit from July through November 2021 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective. We discussed our observations and conclusions with management on October 29, 2021, and included their comments where appropriate.

We assessed the reliability of the Postal Service's IV and MODS data by interviewing agency officials knowledgeable about the data and reviewing related documentation. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Embargoes and Redirections at U.S. Postal Service Processing Facilities</i>	Evaluate operational impacts the Postal Service experienced before and after the embargoes and redirections at mail processing facilities during the FY 2021 peak mailing season.	21-112-R21	8/13/2021	None
<i>Nationwide Service Performance</i>	Assess the Postal Service's service performance for all mail classes over an 18-month period and determine the most common failure points in the mail flow process.	21-120-R21	9/20/2021	None
<i>Peak Season Hiring</i>	Assess whether the Postal Service effectively hired bargaining employees for the peak season periods of 2019 through 2021.	20-316-R21	9/23/2021	None

Appendix B: Management's Comments

MIKE L. BARBER
VICE PRESIDENT
PROCESSING AND MAINTENANCE OPERATIONS



November 15, 2021

JOSEPH WOLSKI
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Management Response: Fiscal Year 2022 Peak Mailing Season
Preparedness (Report Number 21-206-DRAFT)

Postal Management would like to thank the Office of Inspector General (OIG) for the opportunity to address the findings related to the above-referenced Draft Report. We generally agree with the findings of the audit, but would like to take the opportunity to explain a few items to provide additional context, and to update you on additional progress that we have made in the period since your audit was concluded.

In that regard, and as noted in the report, the Postal Service has taken a very proactive and unprecedented approach to peak planning this year. Headquarters and Field leadership are confident in our ability to deliver for our customers and the American people during peak and into the future as we implement the *Delivering for America* plan. The *Delivering for America* plan is modernizing the Postal Service and investing in critical resources to include additional employees, expanded space capacity, state-of-the art equipment, and additional logistics capability. All these strategies are also an integral and focused part of our efforts to be ready for peak, and to ensure our successful performance during our peak season.

We appreciate that the report reflects our comprehensive planning effort and acknowledges that we have achieved many of the key components of our plan. Since January, we have been proactively focused on addressing the key issues experienced last peak by ensuring we have more people, more processing equipment, more space, and more logistics capability than for any prior peak. Our efforts are designed to ensure that we are well-prepared to reliably and effectively, process and deliver the package volume we anticipate receiving this year. We have already achieved our essential preparatory objectives and are confident that the remaining aspects of the plan will be successfully implemented prior to December. While you remarked in the report that the response rate to the divisional leadership on-line survey was less than 100%, it is important to note that in addition to the survey, 100% of divisional leadership participated in

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more than 16 hours of direct individual OIG interviews detailing our approach, our plans and overall confidence in our preparations. Although this information was not directly reflected in the report, we do believe this participation demonstrates the collective effort and focus management has devoted to ensuring a very successful peak season, and is representative of our collective confidence that we will achieve our intended results.

One additional item that we wanted to point out is that, while we don't disagree with the suggestion in your report that there is risk associated with the challenges of securing leases in all of our desired locations, we believe that the contingency and alternative processing plans mentioned in the draft audit report substantially mitigate that risk. To date, we have 47 peak annex leases signed totaling 3.7M square feet and 46 package support annex leases signed totaling 7.5M square feet, so in total the number of peak leases executed as of November 5, 2021, is 93, which provide additional leased space for FY22 peak operations in the total amount of 11.2M square feet. We also anticipate that we will sign leases for 6 additional facilities prior to December. And, by way of further explanation, we have successfully decoupled and deployed six Surface Transfer Centers which freed up 594,000 square feet and 207 dock doors in six of the previously co-located buildings to utilize for mail and package processing.

We also wanted to update you on additional progress that we have made in our peak preparedness since your audit concluded. We have now deployed 79 new package processing machines which has added capacity to process an additional [REDACTED] million packages per day, and we will add 10 more package processing machines by December that will give us the additional capacity to process another [REDACTED] packages.

We have also hired 25,872 peak season employees in processing operations to date. Combined with the 28,391 conversions and back filling our pre-career ranks completed earlier this year, we are significantly over the target identified in the audit of 46,668 additional employees and now have 22,845 more employees on the rolls in processing and logistics than we had in December of last year. With these additional employee and equipment resources combined, we will have increased our total daily processing capacity by [REDACTED] million pieces compared to last peak.

Further, to increase our logistics capability we have successfully decoupled and deployed six Surface Transfer Centers which have added an additional 1.6M square feet and 315 additional dock doors to reduce yard congestion and load/unload cycle time within our surface transportation network. An improved and expanded STC network enables us to align our surface transportation network to improve efficiency and service performance by making the best use of our surface transportation resources. Finally, we have also added 12% of additional air capacity to our network to ensure that we stay fluid and ensure that we have enough transportation capacity to handle the peak season volume.

Postal Management has been laser focused on our peak season for many months, and we have been communicating our peak season plans throughout the organization. We have also been conducting in-person nationwide facility site visits confirming that our processing plants are clear and in excellent condition. Many of these investments that you described in your report are already paying off. We have steadily improved service performance across all product lines, including achieving the best Quarter 4 performance for Marketing Mail since measurement began over ten years ago, indicating that we are in much better shape heading into peak season than in any prior year. We have been focused on reducing inventory and driving precision within our processing operations and now start our operations on-time 90% of the time, compared with less than 70% a year ago.

In closing, these investments are not solely for peak but are long term strategies within the *Delivering for America* plan that are designed to ensure that we will be successful during this peak season and for many peak seasons to come. Postal Management is excited about this peak season and excited for our future as we successfully implement our plan. We thank you for reviewing this matter and appreciate our ongoing dialogue and the opportunity to fully describe our robust, organization-wide efforts to prepare for our peak season, and to execute our strategy. We remain confident that we will be very successful.



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