

Efforts to Reduce Workhours in Mail Processing

AUDIT REPORT

Report Number 24-114-R25 | April 10, 2025

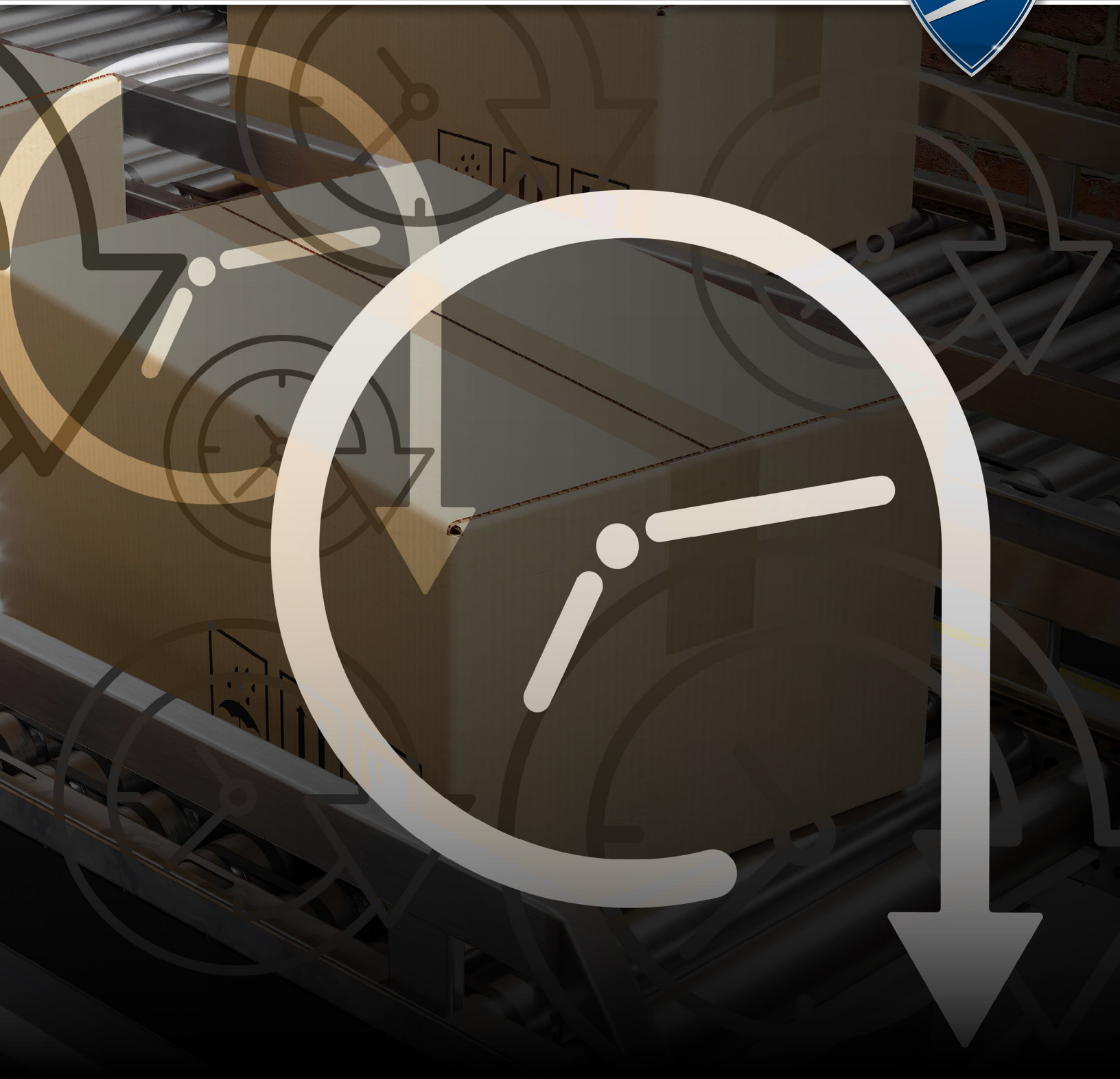


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Highlights

Background

The U.S. Postal Service's mail processing function involves the sortation and distribution of mail for dispatch and delivery. During fiscal year (FY) 2024, more than 107,000 employees worked in the mail processing function. Based on workhour plans, which the Postal Service develops as part of its annual budget process, the Postal Service planned to reduce mail processing workhours by more than 28 million hours between FYs 2022 and 2024.

What We Did

Our objective was to assess the Postal Service's efforts to reduce workhours in mail processing. We analyzed trends in mail processing workhours, volume, and productivity, and we compared actual workhours to workhour plans during FYs 2022 through 2024. Also, we interviewed headquarters personnel to gain an understanding of the workhour planning process and workhour reduction efforts. Further, we interviewed personnel at nine judgmentally selected mail processing plants, and 10 judgmentally selected processing divisions regarding mail processing workhour management.

What We Found

Although management reduced workhours in mail processing facilities by more than 17 million hours during FYs 2022 through 2024, there may be opportunities to further reduce workhours by stabilizing or improving productivity. The workhour reductions included a 5 percent decrease in overtime hours; however, mail processing facilities used 10.8 million more hours than planned, which resulted in at least \$174.8 million in additional cost. While productivity slightly increased during FY 2024, some mail processing facilities still saw declines in productivity during that year. Opportunities exist for management to more effectively plan for workload shifts and operational challenges during initial workhour planning and to improve mail processing productivity. The Postal Service spent an additional \$63.6 million in FY 2024 to cover the additional workhours.

Recommendations and Management's Comments

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

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

April 10, 2025

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

FROM: Lazerick Poland
Acting Deputy Assistant Inspector General
for Finance, Pricing and Human Capital

SUBJECT: Audit Report – Efforts to Reduce Workhours in Mail Processing
(Report Number 24-114-R25)

This report presents the results of our audit of Efforts to Reduce Workhours in Mail Processing.

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

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Carla Tate, Acting Director, Human Capital Management, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of the Efforts to Reduce Workhours in Mail Processing (Project Number 24-114). Our objective was to assess the U.S. Postal Service's efforts to reduce workhours in mail processing. See [Appendix A](#) for additional information about this audit.

Background

The Postal Service's mail processing function involves an integrated group of subfunctions required to sort and distribute mail for dispatch and delivery. Of the more than 637,000 Postal Service employees, over 107,000 are assigned to the mail processing function. Mail processing employees process and distribute billions of mailpieces annually at more than 300 mail processing facilities, although mail volume has steadily declined over the last five years. Specifically, the Postal Service processed 112.5 billion mailpieces in FY 2024, a 13 percent decline from the 129.2 billion mailpieces processed in FY 2020.

Postal Service employees work according to schedules developed by supervisors and managers. Scheduling employees is an operational function that is based on workload projection and service commitments. When scheduling employees, supervisors should factor meeting service standards and achieving desired productivity rates within budgetary constraints.

Employees generally use electronic badge readers to record their workhours by operation number, which are three-digit numbers that designate the activities performed. As part of the annual budget process, the Postal Service develops workhour

plans specific to each of its operational functions, including the mail processing function. Workhour plans are spread across each finance number, and facility managers must manage the workhours in their facility according to their respective workhour plans. The Postal Service recorded a total of 3.5 billion workhours during FYs 2022 through 2024. Of these total workhours, mail processing employees recorded a total of 589.1 million workhours.

The Chief Processing and Distribution Officer's goal as it relates to the management of workhours is to right-size workhours to match the volume of work, which involves stabilizing the workforce and managing attrition to drive efficiencies. According to the Postal Service's Delivering For America (DFA) plan, Postal Service management expected to capture workhour reductions because of mail volume declines, and as a result, reduced overtime and absorbed attrition.

The Postal Service has continued to see a decline in service performance for First-Class Mail since FY 2013. At the beginning of FY 2022, the Postal Service modified its First-Class Mail service standards as part of its plan to achieve financial sustainability. Specifically, the Postal Service changed its service standards for First-Class Mail letters and flats from one to three business days to one to five business days. The lower level of service likely contributed to a reduction in overtime and overall workhours.

Between FYs 2022 and 2024, the Postal Service reduced workhours by 44 million hours across all functions (see [Table 1](#)).

Table 1. Total Workhour Changes, FYs 2022 – 2024

Function	FY 2022 Change From Prior Year ¹	FY 2023 Change From Prior Year	FY 2024 Change From Prior Year	Total Change
Mail Processing	5,761,134	(18,944,259)	(6,894,529)	(20,077,654) ²
Rural Delivery	1,035,750	(1,629,745)	(149,259)	(743,254)
City Delivery	(4,285,927)	(4,727,502)	(341,090)	(9,354,519)
Vehicle Services	88,431	687,032	1,078,774	1,854,237
Plant & Equipment Maintenance	(1,549,538)	916,304	1,407,509	774,275
Customer Service	(6,870,040)	(5,967,643)	(3,571,709)	(16,409,392)
Others ³	(3,574,344)	1,965,441	1,497,485	(111,418)
Total	(9,394,534)	(27,700,372)	(6,972,819)	(44,067,725)

Source: National Workhour Report via the Enterprise Data Warehouse (EDW).

The Postal Service includes workhour savings projections in its annual Integrated Financial Plan (IFP).⁴ According to the IFPs for FYs 2022, 2023, and 2024, the Postal Service projected workhour savings of 18 million, 32 million, and 24 million, respectively. The workhour plans for each function aligned with those projected savings, such that the Postal Service would have realized the projected savings if all functions met their workhour plans. In its updated DFA plan,⁵ the Postal Service discussed the progress it made at reducing its projected loss over 10 years and making key improvements through initiatives related to workhour reduction and improving operational efficiency. However, the Postal Service pointed out that the progress made, thus far, is not enough to make it financially sustainable.

Mail Processing Reduction Efforts

Management's efforts associated with mail processing workhour reductions included a reduction in complement, reduced peak season hiring, overtime reductions, and improved operational efficiency.

Complement Reductions

Management's main workhour reduction strategy is to focus on its year-round complement, with the goal of reducing the number of employees through attrition and reduction in hiring. Accordingly, mail processing reduced its overall craft complement by more than 7,000 in FY 2022, by about 8,000 in FY 2023, and by more than 4,000 in FY 2024, when compared to the prior year. The pre-career complement had the most reductions (see [Table 2](#)).

¹ The variances represent the changes in the number of workhours as compared to the same period last year.

² The total net change in mail processing workhours depicted in Table 1 include the workhours reduced in all mail processing workhours (Function 1), including both the 17 million hours that were reduced in mail processing facilities and the additional hours that were reduced in operations that occurred in non-mail processing facilities including postal offices.

³ The "Others" category includes the Operations Support, Finance, Human Resources, Customer Service & Sales, Administrative, Limited Duty, Rehabilitation, and Function 99 (default function code).

⁴ The IFP is an annual financial report that contains projections for workhours and expenses, as well as plans for capital investments for the upcoming FY.

⁵ *Delivering For America 2.0, Fulfilling the Promise*, dated September 30, 2024.

Table 2. Mail Processing Craft Complement by Fiscal Year⁶

Employee Type	FY 2022 Change From Prior Year	FY 2023 Change From Prior Year	FY 2024 Change From Prior Year
Career			
Clerk	380	(1,374)	(1,145)
Mail Handler	451	(1,865)	915
Total Career	831	(3,239)	(230)
Pre-Career			
Postal Support Employee (PSE)	(5,240)	(3,210)	(2,757)
Mail Handler Assistant (MHA)	(2,928)	(1,553)	(1,777)
Total Pre-Career	(8,168)	(4,763)	(4,534)
Grand Total	(7,337)	(8,002)	(4,764)

Source: OIG analysis based on Workforce Function-1 dashboard data provided by the Postal Service Workforce Planning & Insights team.

Peak Season Hiring Reductions

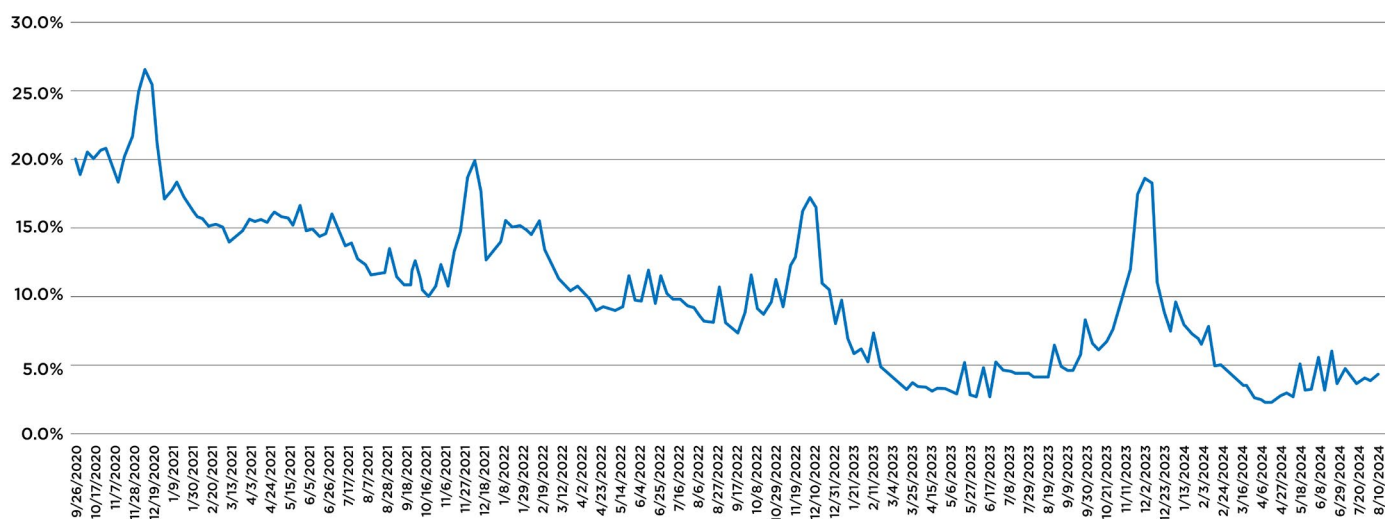
Mail processing reduced its reliance on temporary peak season employees during the FY 2022, 2023, and 2024 peak mailing seasons. Though the Postal Service had about 17,000 temporary peak season employees on the rolls during the FY 2022 peak mailing season, by the FY 2024 peak mailing season, the Postal Service utilized only about 5,000 temporary peak season employees on the rolls. Mail processing has aimed to become more efficient in its operations,

which has reduced the need for temporary peak season employees.

Overtime Reductions

During FYs 2022 through 2024, management reduced overtime hours. Although overtime hours sharply increased during the peak mailing seasons, there has been a consistent downward trend in overtime since FY 2022 (See Figure 1).

Figure 1. Mail Processing Overtime Percentage Trend



Source: Extracted from the eFlash system by Postal Service HQ Mail Processing officials.

⁶ The variances in Table 2 are based on the number of employees on rolls as of the last pay period of each FY, as compared to the same period the prior year.

During FY 2022, overtime hours overall comprised 11.8 percent of total mail processing workhours in mail processing facilities. By FY 2024, the overtime hour percentage was reduced to 6.7 percent of total workhours. Factors such as increased management oversight for the approval of overtime, leveraging excess capacity in certain operations to reduce the need for overtime in other operations, and reduced reliance on temporary peak season employees contributed to the overtime reductions.

Productivity Improvement

Management has focused on improving productivity, including adding capability to process more packages in a mechanized manner. For example, the Postal Service has made investments in new package sorting equipment, including the Single Induction Package Sorter (SIPS). The SIPS processes non-machinable packages and has the capability to process, at a rate of 325 pieces per workhour, packages that employees previously processed manually at a rate of 94 pieces per workhour. Between FYs 2022 and 2024, the Postal Service reduced workhours in manual operations by 3.9 million hours, which made up 23 percent of

the mail processing workhour reductions during that period.

Finding: Workhour Reduction Efforts

Although mail processing significantly reduced workhours during FYs 2022 through 2024, those reductions fell below the plans.⁷ In addition, mail processing could have further reduced workhours by stabilizing or improving productivity and fully capitalizing on declining mail volumes.

Workhour Plan Performance

The workhour reductions in mail processing facilities totaled more than 17 million hours during FYs 2022 through 2024 (see Table 3). Those reductions included reductions in the percentage of overtime hours, which management reduced from 11.8 to 6.7 percent during that period. The reductions also included significant reductions in manual processing workhours (see Appendix B). While the workhour reductions are noteworthy, the Postal Service planned to reduce more than 28 million workhours in mail processing facilities over this period based on workhour plans.

Table 3. Total Mail Processing Actual and Planned Workhour Reductions

Processing Region	FY 2022	FY 2023	FY 2024	Total
Planned Reduction	(7,860,451)	(9,543,043)	(10,657,257)	(28,060,751)
Actual Reduction	3,096,933	(13,432,988)	(6,927,649)	(17,263,704)
Savings Shortfall				(10,797,047)

Source: Workhour data extracted by Postal Service management from the eFlash system.

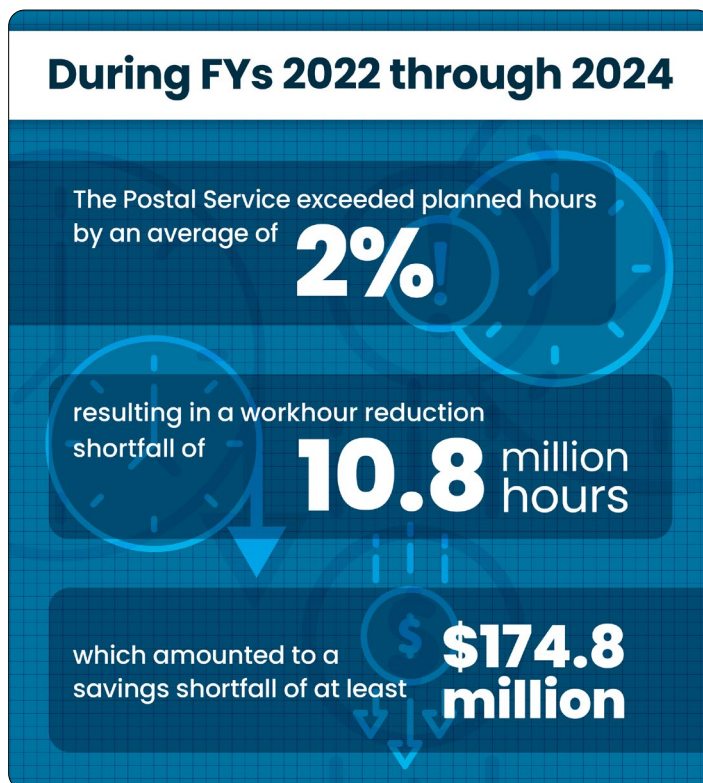
Overall, the Postal Service exceeded planned hours by an average of 2 percent during that period resulting in a workhour reduction shortfall of 10.8 million hours, which amounted to a savings shortfall of at least \$174.8 million. During FY 2022, all 13 processing divisions exceeded their total workhours plan, and they were all under plan for FY 2023. During FY 2024, nine of the 13 divisions exceeded their workhours plan (see Table 4).

7 We assessed workhours and reduction efforts that were generated in operations occurring only in mail processing facilities.

Table 4. Total Workhours Plan Variances by Processing Division, FYs 2022-2024

Division	2022 Total Hours Percentage Over (Under) Plan	2023 Total Hours Percentage Over (Under) Plan	2024 Total Hours Percentage Over (Under) Plan
Southwest Processing	6.74%	(1.18%)	8.73%
Western Processing	5.39%	(0.06%)	8.50%
Gulf Atlantic Processing	5.79%	(1.15%)	5.11%
Southeast Processing	2.60%	(1.60%)	4.82%
South Atlantic Processing	4.60%	(2.38%)	4.77%
Chesapeake Processing	9.14%	(1.86%)	1.23%
Westshores Processing	4.02%	(1.06%)	1.01%
New York Metro Processing	2.82%	(4.41%)	0.63%
Pacific Northwest Processing	6.12%	(2.33%)	0.35%
Midwest Processing	7.98%	(0.84%)	(0.57%)
New England Processing	5.43%	(2.06%)	(1.56%)
Southern California Processing	3.50%	(2.72%)	(1.67%)
Lakeshores Processing	7.97%	(3.14%)	(2.37%)
Total	5.57%	(1.96%)	2.03%

Source: Workhour data extracted by Postal Service management from the eFlash system.



The Government Performance and Results Act of 1993 requires the Postal Service to prepare an annual performance plan covering each program activity set forth in the budget, which must be consistent with the strategic plan.⁸ Accordingly, Postal Service management develops workhour plans for each operational function, including mail processing, as part of its annual budgeting process. During FYs 2022 through 2024, the Postal Service planned to use a total of 578.3 million workhours in mail processing facilities.

Some Divisions did not meet workhour plans due to unexpected workload fluctuations and other operational challenges. For example, in January 2022, the Postal Service began assisting in a government-sponsored program to ship COVID-19 test kits to homes. The test kits were packaged, shipped, and entered at mail processing facilities across the country, resulting in additional unplanned workload impacting the mail processing function.

⁸ 39 United States Code, Section 2803.

Additional workload fluctuations related to package volume impacted mail processing performance during FY 2024. While shipping and package volume declined 2.4 percent during FY 2023, it increased by 2.7 percent during FY 2024. In addition, unplanned increases in package workload at some Surface Transfer Center and Terminal Handling Service operations⁹ resulted after the contractor previously responsible for those operations unexpectedly went out of business. Division management at five of six processing divisions that exceeded their FY 2024 workhour plans cited package volume growth — including the unplanned impacts of covering additional Surface Transfer Center and Terminal Handling Service operations — as significant contributing factors to their workhour plan variances. In addition, division management cited operational challenges associated with facility network changes, such as the implementation of the Atlanta Regional Processing and Distribution Center and the South Houston Local Processing Center, as contributing factors to exceeding planned workhours.

Management in the Midwest, New England, Southern California, and Lakeshores divisions were able to mitigate the impacts of the unexpected package volume shifts and also operate within their workhour plans during FY 2024 by implementing several strategies. Division managers stated they promoted open communication and effective complement management. Specific practices cited by the division managers include:

- Maintaining effective communication at all levels and working closely with Finance partners to monitor performance metrics related to the workhour plan.

- Encouraging plant management to develop individual strategies to address specific challenges in their respective facilities.
- Managing the Volume Arrival Profile¹⁰ daily and ensuring the arrival of mail and scheduling of employees are optimized.
- Effectively managing complement by limiting pre-career employee hiring and relying more on overtime to leverage institutional knowledge of existing employees; removing employees with no workhours for extended periods from the rolls; and moving employees from operation to operation based on workload.

The Postal Service recently announced an expansion of the processing divisions from 13 to 17 divisions, which will reduce the span of control of division management. Postal Service management believes this change will enable the senior division directors to take a hands-on approach to plant operations. In conjunction with the expansion of the division structure, added responsibility will be given to division management to execute operational changes in accordance with the Postal Service's strategy. As the Postal Service gives division management added responsibility, there may be opportunities to expand the division's role in managing the workhour plan.

Productivity Declines

Mail processing productivity, which reflects the number of workhours it takes to process the given mail volume, steadily declined from FYs 2022 through 2024.¹¹ As productivity declines, more workhours are needed to process the same number of mailpieces. As a result, there may be opportunities to further reduce workhours by stabilizing or increasing productivity from year to year.

⁹ Surface Transfer Centers were contracted mail facilities that distribute, consolidate, dispatch, and transfer all mail classes within the surface network. The Postal Services uses Terminal Handling Services to load mail into air containers and deliver them to the air supplier for transportation.

¹⁰ The volume arrival profile consists of two tools, the 24-Hour Clock and the Customer Volume Editor. Their combined use assists the user to identify problem areas and increase routing efficiency to improve performance.

¹¹ To calculate productivity, we divided the total mailpieces handled by the total workhours.

During FYs 2022 and 2023, mail processing productivity declined by 2 and 3 percent, respectively, and increased slightly by about 1 percent during FY 2024, when compared to prior years. While productivity increased during FY 2024, it still averaged below FY 2022 levels. In addition, there were 30 mail processing facilities that saw declines in productivity during FY 2024, as compared to FY 2023. If all processing facilities had maintained productivity levels of the prior years by reducing workhours at the same rate as volume declines, the Postal Service could have reduced about 23 million workhours (see Table 5).

Table 5. Mail Processing Productivity

Fiscal Year	Average Productivity	Number of Facilities with Declines in Productivity From Prior Year	Opportunity Workhours ¹²
2022	1,277	182	11,848,364
2023	1,239	121	9,487,496
2024	1,253	30	2,051,815
Total			23,387,675

Source: Workhour and volume data extracted by Postal Service management from the eFlash system and EDW.

Although the Postal Service saw unexpected increases in package volume, overall volume decreased by 1, 9, and 2 percent during FYs 2022, 2023, and 2024, respectively. Plant managers indicated operational changes can cause declines in productivity. For instance, where operations are transferred from one facility to another, the plant that gains the operation will be less productive until plant managers can work through the job bidding process¹³ to right size the complement to match the new workload. Conversely, at facilities losing operations, productivity will decline until personnel assigned to deactivated operations are reassigned to ongoing operations. Additionally, employee performance and training issues contributed to declines in productivity. Plant managers stated that supervisors and employees were not always engaged and needed additional on the job training to conduct mail processing operations according to established procedures.

As the Postal Service continues to face financial challenges, it is critical that it maximizes its efforts to cut costs, including personnel expenses associated with workhours. When operational functions do not meet workhour plans, there is a risk that the Postal Service will not maximize workhour reductions and the associated cost savings. In addition, there is a risk that the Postal Service will not realize projected savings or fully realize the workhour reductions that should result from corresponding declines in mail volume. While the COVID Pandemic had an unprecedented impact on mail processing’s ability to meet workhour plans during FY 2022, better planning and improved productivity could have prevented \$63.6 million in unnecessary workhour costs in FY 2024.

Recommendation #1
We recommend the **Vice President, Processing Operations**, evaluate practices contributing to the achievement of the mail processing workhour plan and determine the feasibility of implementing those practices nationwide.

¹² "Opportunity hours" represent the difference between the actual workhours and the workhours that would have been needed to process the same volume if all processing facilities had maintained productivity levels of the prior year.

¹³ The job bidding process is the process the Postal Service uses to fill career positions that become vacant. It includes the determination of eligibility, review of qualifications, and selection of best bidder. The bidder's old position becomes vacant, and the process is repeated for the vacancy.

Recommendation #2

We recommend the **Vice President, Processing Operations**, evaluate employee staffing and scheduling at mail processing facilities with declining productivity and develop a plan to right-size the complement.

Recommendation #3

We recommend the **Vice President, Processing Operations**, assess training needs of mail processing employees at facilities with declining productivity and address employee competency gaps.

Postal Service Response

Management partially disagreed with the finding and monetary impact but agreed with the recommendations.

Regarding the finding, management stated its primary disagreement is with how the productivity data was combined, which is not how the Postal Service calculates productivity. Management stated that in its calculations, each category has a different productivity and workhour rate, and that the products should be segregated by category to indicate efficiency improvements or declines.

Regarding the monetary impact, management stated it disagree due to the differences in products and how the OIG combined letters, flats, and packages into one productivity category. It also stated the monetary impact did not account for the ongoing COVID kitting work, and the accelerated insourcing of work done at Surface Transfer Centers due to contractor failure.

Regarding recommendation 1, management stated it will provide examples of practices evaluated and/or implemented. The target implementation date is October 31, 2025.

Regarding recommendation 2, management stated facilities are currently being reevaluated to ensure staffing and schedules align with the respective workload. Additionally, management stated that plans will be developed to assist

in the adjustments necessary. The target implementation date is February 28, 2026.

Regarding recommendation 3, management stated the Postal Service uses a variety of training methods in every mail processing facility and that training for craft employees is often specific to the limited scope of duties of the employee. Management stated it will provide examples of training that relates to productivity metrics with a target implementation date of November 30, 2025.

OIG Evaluation

The OIG considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in the report.

Regarding the finding, the OIG acknowledges that to measure productivity, the Postal Service uses the efficiency index, which considers the different productivities of each mail shape. While our calculation of the productivity trends was based on combined productivity, we took into account the efficiency index when determining the numbers of facilities that experienced a decline in productivity as shown [Table 5](#).

Regarding the monetary impact, the OIG did not include the productivity declines in the monetary impact calculation. The monetary impact was based on excessive workhours compared to planned workhours. While the COVID kitting work was ongoing in FY 2024, management had the opportunity to account for the work in their FY 2024 workhour plan as the program began in FY 2022. The OIG acknowledged that the accelerated insourcing of the Surface Transfer Center work had an impact on the FY 2024 workhours. However, management was unable to provide the number of workhours attributable to that insourcing. Therefore, we considered all the hours that exceeded plan during FY 2024 in our monetary impact calculation.

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Appendix A: Additional Information

Scope and Methodology

The scope of our audit included an assessment of the Postal Service's workhour reduction efforts, particularly those efforts related to mail processing facilities during FYs 2022 through 2024, and the extent to which those efforts met intended targets. We judgmentally selected 10 processing divisions based on their total workhour plan variances. The selected processing divisions included the Chesapeake, Western, Southeast, South Atlantic, Southwest, Gulf Atlantic, Midwest, Southern California, Lakeshore, and New England divisions. We also judgmentally selected three large processing facilities based on risk factors related to changes in productivity, changes in complement, and year over year workhour and overtime variances. The three selected facilities included the Philadelphia, Denver, and Saint Paul Processing and Distribution Centers (P&DC). Furthermore, we judgmentally selected six facilities based on overall productivity decline. The six facilities included New York International Service Center, North Houston Regional Processing and Distribution Center,¹⁴ San Bernadino Mail Processing Annex, Washington Network Distribution Center, Mid-Island NY P&DC, and the Middlesex-Essex MA, P&DC.

To accomplish our objectives, we:

- Reviewed applicable policies and procedures related to the management of mail processing workhours.
- Analyzed mail processing workhour, volume, and productivity trends during FYs 2022 through 2024.
- Calculated the variances between actual workhours and planned workhours.
- Interviewed applicable headquarters management regarding the workhour planning process and workhour reduction efforts.
- Interviewed senior division directors assigned to the six judgmentally selected processing divisions regarding the monitoring and management

of workhours within their respective districts and factors that contributed to their workhour plan variances.

- Interviewed senior division directors assigned to four judgmentally selected processing divisions to identify factors and best practices that they credit for their achievement of the workhour plan.
- Visited and interviewed facility management assigned to the three judgmentally selected P&DCs to identify key initiatives and efforts to reduce workhours.
- Interviewed facility management assigned to six judgmentally selected facilities to identify causes for their decline in productivity

We conducted this performance audit from June through April 2025 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective. We discussed our observations and conclusions with management on March 12, 2025, and included its comments where appropriate.

In planning and conducting the audit, we obtained an understanding of the Postal Service's internal control structure related to budgeting, monitoring, and management of workhours to help determine the nature, timing, and extent of our audit procedures. We reviewed the management controls for overseeing the program and mitigating associated risks. Additionally, we assessed the internal control components and underlying principles, and we determined that the following components were significant to our audit objective: (1) control environment, (2) risk assessment, (3) control

¹⁴ North Houston P&DC started the transitioned process into an RPDC at the beginning of 2024.

activities, (4) information and communication, and (5) monitoring.

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

We assessed the reliability of complement, workhours, and mail volume data by reviewing existing information and documentation contained within Postal Service’s systems; performing testing related to the completeness, reasonableness, accuracy, and validity of the data; and interviewing Postal Service officials knowledgeable about the data. 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>State of the U.S. Postal Service Financial Condition</i>	To evaluate the financial performance of the Postal Service in relation to its DFA plan financial projections.	23-167-R24	June 21, 2024	None
<i>Improving Service Performance at Historically Low Performing Facilities</i>	To evaluate the service performance and processing efficiencies at 10 low performing mail processing facilities and determine potential areas for improvement.	21-243-R22	August 8, 2022	\$82,429,376

Appendix B: Activity and Division Workhour Trends

During FYs 2022 through 2024, the Postal Service realized a net reduction of more than 17 million mail processing workhours in facilities throughout the 13 processing divisions. More than half of those reductions were made in other direct operations¹⁵ and manual distribution operations (see Table 6).

Table 6. Total Mail Processing Workhours by Work Assignment Category

Work Assignment Category	FY 2021	FY 2022	FY 2023	FY 2024	Total
Mail Processing Supervision	11,071,764	11,470,004	11,035,819	11,567,745	45,145,332
Automation Letters/Flats	35,292,606	37,931,622	34,788,793	32,953,937	140,966,958
Mechanized Distribution letters/flats	6,819,490	6,895,187	5,612,088	4,900,350	24,227,115
Parcel Processing	39,378,515	40,611,420	38,834,439	37,566,039	156,390,413
Manual Distribution	21,859,094	20,558,996	20,036,162	17,960,760	80,415,012
Remote Barcode System	383	1,295	744	640	3,062
Fixed Mechanization	12,756,257	13,256,365	12,557,988	11,897,953	50,468,563
Other Direct Operations	65,284,418	61,828,522	60,995,875	60,163,145	248,271,960
Indirect/Related	10,296,632	13,764,807	9,514,394	9,664,365	43,240,198
Mail Processing Training	1,782,607	1,320,481	829,409	602,863	4,535,360
Total	204,541,766	207,638,699	194,205,711	187,277,797	793,663,973
Variance	—	3,096,933	(13,432,988)	(6,927,914)	(17,263,969)

Source: Workhour data extracted by Postal Service management from the eFlash system.

At the processing division level, each of the 13 processing divisions realized workhour reductions during FY 2023. However, workhours increased in some divisions during FYs 2022 and 2024 (see Table 7):

- During FY 2022, workhours increased in eight of the 13 processing divisions. Those divisions were

Chesapeake, Gulf Atlantic, Lakeshore, Midwest, New England, South Atlantic, Southwest, and Western processing division.

- During FY 2024, workhours increased in three of the 13 processing divisions. Those three were the Southeast, Southwest, and Western divisions.

¹⁵ Other direct operations include work activities such as platform operations and mail preparation.

Table 7. Total Mail Processing Workhours by Processing Division

Processing Division	FY 2021	FY 2022	FY 2023	FY 2024	Total
Chesapeake Processing	16,699,860	17,796,677	16,361,386	15,633,127	66,491,050
Gulf Atlantic Processing	17,902,531	18,265,027	17,217,694	16,898,458	70,283,710
Lakeshores Processing	15,979,924	16,564,287	15,515,015	14,452,685	62,511,911
Midwest Processing	15,101,450	15,661,400	14,864,625	13,951,178	59,578,653
New England Processing	17,988,215	18,284,847	17,358,530	16,209,704	69,841,296
New York Metro Processing	19,595,753	19,186,015	17,727,161	16,811,829	73,320,758
Pacific Northwest Processing	14,681,459	14,464,397	13,368,731	12,669,589	55,184,176
South Atlantic Processing	11,247,085	11,577,437	10,654,676	10,636,350	44,115,548
Southeast Processing	13,145,463	13,102,518	12,179,919	12,531,679	50,959,579
Southern California Processing	15,814,614	15,530,877	14,311,822	13,241,677	58,898,990
Southwest Processing	17,768,887	18,448,614	17,169,399	17,314,239	70,701,139
Western Processing	11,138,953	11,458,534	10,915,414	11,131,065	44,643,966
Westshores Processing	17,477,572	17,298,069	16,561,339	15,796,482	67,133,462
Total	204,541,766	207,638,699	194,205,711	187,278,062	793,664,238
Variance	—	3,096,933	(13,432,988)	(6,927,649)	(17,263,704)

Source: Workhour data extracted by Postal Service management from the eFlash system.

Appendix C: Management's Comments

DANE A. COLEMAN
VICE PRESIDENT
PROCESSING OPERATIONS



March 26, 2025

BRIAN NEWMAN
ACTING DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: *Efforts to Reduce Workhours in Mail Processing* (24-114-DRAFT)

Thank you for providing the Postal Service with an opportunity to review and comment on the findings and recommendations contained in the draft audit report, *Efforts to Reduce Workhours in Mail Processing*.

The Postal Service appreciates the recognition of our success in reducing workhours in mail processing facilities by more than 17 million hours during Fiscal Years 2022 through 2024, including a five percent decrease in overtime hours.

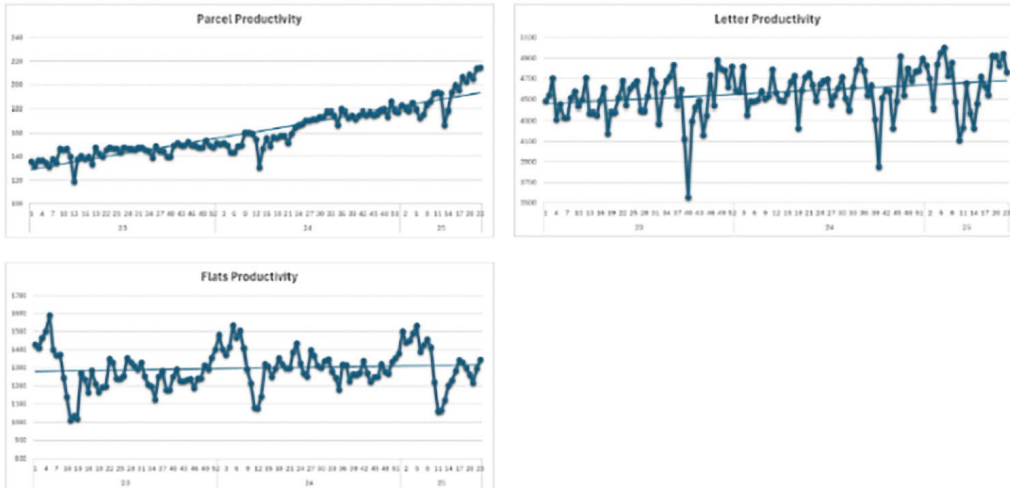
As part of the ongoing efforts to right-size workhours to match the volume of work, the Postal Service announced a Voluntary Early Retirement optional retirement opportunity for certain employees represented by the American Postal Workers Union and the National Postal Mail Handlers Union on January 13, 2025.

The audit report notes that some processing facilities saw declines in productivity during the year. It recognized that volume shifts and unexpected package volumes caused some of the declines; however, it does not quantify the impact appropriately.

The primary disagreement with the finding is that the productivity data was combined – which is not how the Postal Service identifies or determines productivity. A letter, flat, or package has a different productivity and workhour rate. For example, Nationally, Year to Date, Letters: 4,834 pieces per workhour, Flats: 1,347 pieces per workhour, and Packages: 191 pieces per workhour. Many/most facilities have seen an increase in package pieces processed and a reduction in letter and flat pieces processed. Combining these together would often result in a false narrative that productivity is declining, whereas this is often due to a product shift, not reduced efficiencies. To appropriately compare performance the products would need to be segregated and reviewed by shape, letters, flats, and packages independently. Thus, comparisons of overall productivity are not directly indicative of efficiency improvements or declines.

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Productivity Trend by Shape



We disagree with the Monetary Impact due to the differences in products and combining letter, flat, and packages into one productivity category. This is providing an assumed reduction in productivity, as in many situations this was due to a mail mix change (reduction in letters and flats and an increase in packages processed). Whereas if the shapes are individually compared, there would be higher improvements identified in all categories, specifically within packages processed.

Additionally, the Monetary Impact did not account for the ongoing COVID kiting work in FY24 and for the accelerated Surface Transfer Center (STC) insourcing, due to contractor failure. No savings shortfall has been accurately demonstrated for FY2024.

Following are our comments on each of the three recommendations.

Recommendation 1:

We recommend the Vice President, Processing Operations, evaluate practices contributing to the achievement of the mail processing workhour plan and determine the feasibility of implementing those practices nationwide.

Management Response/Action Plan:

Management agrees with this recommendation, since it describes the ongoing continuous improvement efforts by the Postal Service. The Postal Service will provide examples of practices evaluated and/or implemented.

Target Implementation Date: 10/31/2025

Responsible Official: Sr Director, Strategic Planning and Implementation, Sr Director, Processing Operations

Recommendation 2:

We recommend the Vice President, Processing Operations, evaluate employee staffing and scheduling at mail processing facilities with declining productivity and develop a plan to right-size the complement.

Management Response/Action Plan:

Management agrees with this recommendation. Facilities are currently being reevaluated to ensure that staffing and schedules align with the respective workload. Additionally, plans will be developed to assist in the adjustments necessary (within the confines of contractual compliance).

Target Implementation Date: 02/28/26

Responsible Official: Sr Director, Strategic Planning and Implementation, Sr Director, Processing Operations

Recommendation 3:

We recommend the Vice President, Processing Operations, assess training needs of mail processing employees at facilities with declining productivity and address employee competency gaps.

Management Response/Action Plan:

Management agrees with this recommendation. The Postal Service utilizes a variety of training methods, including on-job-training, on an as needed basis in every mail processing facility. Training for craft employees is often specific to the limited scope of duties of the employee. Management will provide examples of training that relates to productivity metrics.

Target Implementation Date: 11/30/25

Responsible Official: Sr Director, Processing Operations

E-SIGNED by DANE.A COLEMAN
on 2025-03-28 13:17:52 EDT

Dane A. Coleman

cc: Corporate Audit & Response Management

OFFICE OF INSPECTOR GENERAL UNITED STATES POSTAL SERVICE



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