OFFICE OF INSPECTOR GENERAL | UNITED STATES POSTAL SERVICE

Management and Oversight of Non-Revenue Transactions

AUDIT REPORT

Report Number 25-145-R26 | September 1, 2026

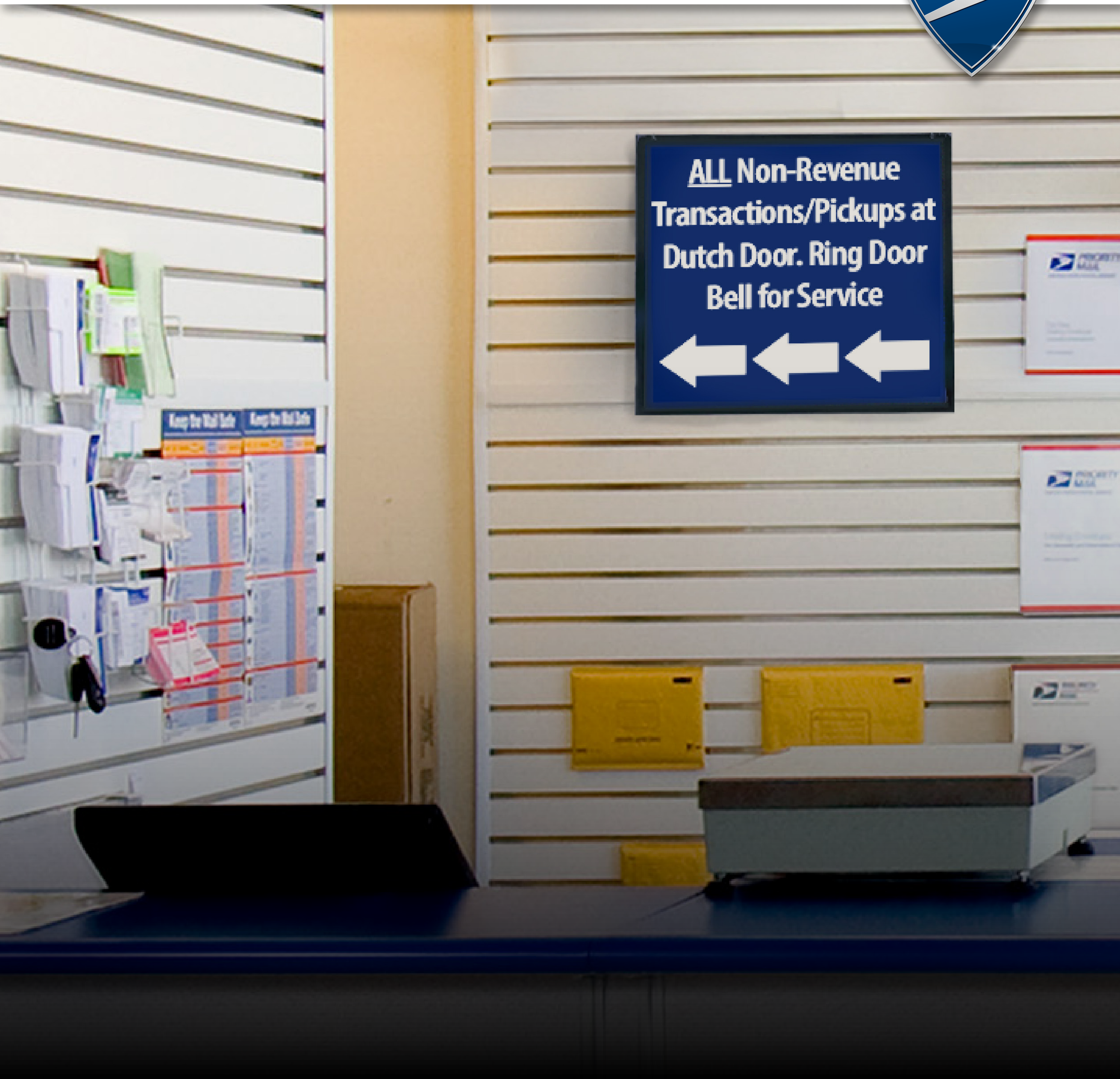

Table of Contents

Highlights

Background

The U.S. Postal Service processed 1.1 billion transactions across 31,000 retail locations in fiscal year (FY) 2025. Nearly half of these transactions were "non-revenue," such as package pickup or change of address, that required staff time but no customer payment. Non-revenue transactions grew by 11 percent over the last five years, compared to a 33 percent drop in revenue transactions. Effectively managing these transactions — which are important to customers and accounted for over $276 million in staff-related costs in FY 2025 — is increasingly important.

What We Did

Our objective was to assess the effectiveness of the Postal Service's management and oversight of non-revenue transactions. We analyzed data; interviewed officials; and reviewed related policies, procedures, and leading best practices.

What We Found

The Postal Service's management of non-revenue transactions was limited due to data gaps and a lack of timeliness targets, which hindered the oversight of staff performance, efficient resource allocation, and fraud detection. Specifically, we identified transactions exceeding expected timeframes, anomalous activity (such as staff processing unusually high volumes of certain transaction types in a short timeframe), inconsistent transaction totals across reports, and improper categorizations. We estimate $23 million in questioned costs and another $23 million in funds that could be put to better use from April 2025 through March 2027 due to transactions exceeding expected timeframes. We also estimate $15 million in impact associated with over 16 million transactions without timeliness targets to benchmark performance in FY 2025.

The Postal Service also lacks a unified strategy to align local retail operations with the growing non-revenue transaction volume. A comprehensive, data-driven approach would guide efforts to strengthen analyses, implement enhancements, and monitor performance — ultimately positioning the Postal Service to meet changing customer demand for non-revenue transactions more cost-effectively.

Recommendations and Management's Comments

We made three recommendations to address the issues identified in the report, and Postal Service management disagreed with all three. We will pursue the disagreements through the audit resolution process. 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

September 1, 2026

MEMORANDUM FOR: JENNIFER VO
VICE PRESIDENT, RETAIL AND POST OFFICE OPERATIONS

MICHAEL RAKES
VICE PRESIDENT, RETAIL AND DELIVERY OPERATIONS, ATLANTIC AREA

RAJ SANGHERA
VICE PRESIDENT, RETAIL AND DELIVERY OPERATIONS, CENTRAL AREA

CHENISE LEDOUX
VICE PRESIDENT, RETAIL AND DELIVERY OPERATIONS, SOUTHERN AREA

EDUARDO RUIZ
VICE PRESIDENT, RETAIL AND DELIVERY OPERATIONS, WESTPAC AREA

Amanda H. Stafford

FROM: Amanda H. Stafford
Deputy Assistant Inspector General
for Retail, Marketing, and Supply Management

SUBJECT: Audit Report – Management and Oversight of Non-Revenue Transactions (Project Number 25-145-R26)

This report presents the results of our audit of the Postal Service's non-revenue transactions.

All recommendations require U.S. Postal Service Office of Inspector General (OIG) concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. 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 will work with management through the audit resolution process for the three recommendations disagreed to by the Postal Service.

We appreciate the cooperation and courtesy provided by your staff. If you have any questions or need additional information, please contact Josh Bartzen, Director, Retail and Infrastructure, 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 non-revenue transactions (Project Number 25-145). Our objective was to assess the effectiveness of the Postal Service's management and oversight of non-revenue transactions. See Appendix A for additional information about this audit.

Background

Customers can perform a variety of transactions at Postal Service retail locations, and the Postal Service processed 1.1 billion transactions across its 31,000 retail units nationwide in fiscal year (FY) 2025. These transactions generally fell into one of two categories:

- *Revenue*. These involve a customer payment for a product or service, such as buying stamps or package postage, renting a Post Office (PO) Box, or purchasing a money order. The Postal Service recorded nearly 614 million of these transactions in FY 2025, generating over $8.1 billion in revenue.[1]
- *Non-revenue*. These do not typically involve a customer payment.[2] Examples include picking up mail, placing mail on hold, obtaining local information, or submitting a change-of-address request. The Postal Service recorded over 502 million non-revenue transactions in FY 2025 and spent over $276 million in workhour costs associated with clerks conducting non-revenue transactions.

The trends for these two types of transactions are moving in opposite directions. Non-revenue transactions increased by more than 11 percent over the past five FYs, while revenue transactions declined by over 33 percent during that time (see Table 1). These shifts impact Postal Service finances and operations, as nearly half (45 percent) of all FY 2025 retail transactions were non-revenue.

"Non-revenue transactions increased by more than 11 percent over the past five FYs, while revenue transactions declined by over 33 percent during that time. These shifts impact Postal Service finances and operations, as nearly half (45 percent) of all FY 2025 retail transactions were non-revenue."

Table 1. Retail Transactions by Type, FYs 2020 and 2025

Transaction Type	FY 2020	FY 2025	Percent Change
Revenue	917,568,391	613,862,019	-33%
Non-Revenue	452,060,857	502,804,697	11%
Total	**1,369,629,248**	**1,116,666,716**	**-18%**

Source: OIG analysis of retail transaction data from the Enterprise Data Warehouse (EDW) Retail Flash Report provided by the Postal Service.

1 This represents Point-of-Sale revenue recorded at local units.
2 There are some non-revenue transactions for which the Postal Service receives payment through intra-agency agreements, such as identity verification and fingerprinting services. Furthermore, there are instances where a single customer visit consists of both revenue and non-revenue generating transactions. These activities are collectively considered non-revenue at the time of the customer's visit.

Non-Revenue Transaction Management and Oversight

The Postal Service conducts management and oversight activities of non-revenue transactions to assess local operations and performance; understand customer trends; and inform future budgeting, staffing, and operational decisions — such as evaluating clerk staffing levels or self-service options. Retail and Post Office Operations staff established a timeliness target ("time factor") for certain non-revenue transactions,[3] which reflects the average amount of time it takes to complete the transaction. Examples of time factors include 46 seconds for helping customers with a change of address and one minute and 16 seconds for giving local directions. There also are other activities related to reviewing and studying data, such as the following:

- *Daily Data Review.* Headquarters officials review non-revenue transaction dashboards each day and notify local management (that is, area, district, and facility levels) of potential issues. The notification includes links to a non-revenue data report and procedures for effectively handling non-revenue transactions. Headquarters officials stated that local management should take corresponding corrective actions, as needed.
- *Periodic Data Reviews for Anomalies.* Headquarters officials stated that local and district management are responsible for reviewing non-revenue transaction data to identify anomalies, such as unusually high counts and potential misuse of non-revenue transactions.
- *Annual Time Study.* Headquarters officials stated that they conduct annual time studies of non-revenue transactions in categories with 10,000 or more transactions in the previous three quarters. Officials assess whether the designated time factors accurately reflect the average duration of these transactions. If significant variances are found, the Postal Service could update the time factor. For example, the Postal Service decreased the time factor for identity verification[4] by 42 seconds for FY 2026 based on the FY 2025 time study.

Efficient management and oversight of these activities is becoming increasingly important considering the changing customer behaviors that are driving the increase in frequency and total cost associated with non-revenue transactions, as well as the overarching financial pressures facing the Postal Service.

3 When retail clerks record non-revenue transactions, they assign each of them to a designated category. The Postal Service created time factors for certain non-revenue transaction categories. Appendix B has additional information on these transactions and categories.

4 The Postal Service offers "In Person Proofing" for individuals registering to obtain access to postal services or services provided by participating federal agencies. This service allows registrants to securely verify their identities in-person when their identity cannot be verified online. The Postal Service obtains revenue for these transactions at a later date through interagency agreements, but revenue is not collected directly at the retail counter.

Finding #1: Non-Revenue Data and Timeliness Gaps

The Postal Service's management and oversight of non-revenue transactions was limited due to data gaps and a lack of timeliness targets. These issues hindered management's ability to oversee staff performance and efficient resource allocation, detect potential fraud, and make informed operational decisions. Addressing these issues now will strengthen daily oversight and improve planning for future retail operations.

Data Gaps

We reviewed various aspects of the Postal Service's non-revenue data and found some concerning issues related to transactions that exceeded the time factor, anomalous transactions, inconsistent counts, and improper categorizations. These collective issues indicate gaps in the Postal Service's analysis and oversight of non-revenue transaction data as follows:

- *Transaction times that exceeded the time factor*. We reviewed detailed, single function[5] transaction data from April 2025 through March 2026 and found over 43 million non-revenue transactions (36 percent) where the transaction time exceeded the established Postal Service time factor. For example, a transaction for package pickup exceeded the timeframe by 380 minutes (over six hours), even though this type of transaction has a target of 98 seconds. Another example was a transaction for a product/service rate inquiry that exceeded the timeframe by 641 minutes (over 10 hours), even though this type of transaction had a target of 1 minute and 16 seconds. We estimate $23 million in questionable costs from April 2025 to March 2026 and another $23 million in funds that could be put to better use between April 2026 and March 2027 from clerk workhours associated with transaction times that exceeded the established time factors and were not reviewed by management.[6]

> "For example, a transaction for package pickup exceeded the timeframe by over six hours, even though this type of transaction has a target of 98 seconds. Another example was a transaction for a product/service rate inquiry that exceeded the timeframe by over 10 hours, even though this type of transaction had a target of 1 minute and 16 seconds."

- *Anomalous transactions*. We found instances where the frequency of transactions reflected anomalous behavior that should warrant further analysis. For example, an analysis of January 2026 transaction data showed that in just one month, one clerk had 650 "Respond to Computerized Forwarding System Issues"[7] transactions, another with 950 "Other (Point of Service)"[8] transactions, and two instances of a staff person with over 185 "No Sale" transactions recorded in one day. We previously reported that internal control deficiencies could lead to clerks using "No Sale" non-revenue transactions to conceal theft and embezzlement.[9]

5 This refers to non-revenue transactions that do not include other ancillary transactions within a single visit, such as a visit where a customer picked up a package and asked for directions. By focusing our analysis on single function transactions, we excluded over 330 million customer visits, representing more than 94 million transactions, because these multi-function visits only capture total visit time rather than the duration of each transaction type. Consequently, a three-minute visit involving a customer picking up a package and requesting help with directions would assign the full three minutes to each transaction, making accurate comparisons to the time factors impossible.
6 Questioned costs are those the OIG believes are unnecessary, unreasonable, or an alleged violation of law, regulation, or contract. Generally, this category applies to events that occurred prior to the audit. Funds put to better use are funds the Postal Service could use more efficiently by implementing recommended actions.
7 The Computerized Forwarding System (CFS) is used to help customers requesting a change of address.
8 The "Other (Point of Service)" is a category for recording miscellaneous non-revenue transactions.
9 U.S. Postal Service Office of Inspector General, *Internal Controls Over No Sale Transactions*, Report Number FT-AR-19-007, July 17, 2019.

- *Inconsistent counts.* We found inconsistencies across Postal Service non-revenue data reports, such as the total number of transactions. For example, the Postal Service provided three FY 2025 data sources for total transactions, and we identified discrepancies amongst all the totals — ranging from 455 million to 503 million transactions.[10] These inconsistencies raise questions about the reliability of the data that management would use to make decisions about performance and potential efficiency improvements.
- *Concerning categorization – vague, redundant, or infrequent.* We identified issues across the various categories, such as the following:
  - *Vague*. 19 categories (29 percent) were ambiguously named, including categories such as "No Sale" or "Other (POS)." The vagueness of these categories can become even more problematic as there is no comprehensive list or data dictionary documenting descriptions of all non-revenue categories.
  - *Redundant*. Seven categories (11 percent) seemed redundant or overlapped with other non-revenue categories, such as three categories related to money orders.
  - *Infrequent*. 22 categories (33 percent) contained less than 1,000 transactions (427 million non-revenue transactions). These represent a small portion of non-revenue transactions, suggesting that these categories may no longer serve a meaningful business purpose, such as "Duplicate International Return Receipt"[11] or "Caller Reserve Fee 12 Months."[12]

  Regarding these categorization concerns, Postal Service staff acknowledged them and noted that some categories may have been established more than 20 years ago. Postal Service staff reviewed certain non-revenue transaction categorizations and took corrective actions in February 2026 to remove categories deemed outdated, then subsequently communicated changes to staff and developed a basic job aid to assist field staff when conducting non-revenue transactions.

We appreciate Postal Service efforts to address categorization issues, review operational data, and conduct time studies to gain a better understanding of non-revenue transaction trends and activities. However, key data insight shortfalls remain. Across the issues identified — transactions exceeding time factors, anomalous activity, inconsistent counts, and improper categorizations — the Postal Service did not perform substantive analytics to identify or act upon these problems consistent with leading government standards and best practices. Specifically, the Postal Service was not sufficiently initiating and conducting these analyses (such as by automated tripwire or defined periodic, regular assessment), recording the results, documenting corrective actions, or communicating these related policies to staff. As a result, the Postal Service lacked visibility into the presence or scale of these issues, their underlying causes, or if corrective actions were needed.

The insufficient policies associated with non-revenue transaction data analysis will continue to present visibility gaps that could increase exposure to fraud, waste, and abuse, and threaten retail cost and efficiency.

Lack of Timeliness Targets

We reviewed nearly 427 million non-revenue transactions from FY 2025[13] and found that over 16 million transactions (4 percent) were recorded in a category without a time factor. Leading retail practices[14] suggest that, to a reasonable extent,

10 We reviewed data from the Postal Service's EDW system and found different values across its various non-revenue transactions reporting modules. For our subsequent analyses, we pulled pertinent transactions directly from EDW — the source system — to avoid differences in the reporting modules.
11 International return receipt service provides the sender with evidence of delivery for items mailed abroad.
12 Caller Service is available to individuals or businesses for a fee and allows them to receive and pick up bulk mail, addressed to a virtual or PO Box number (that is, caller box number) at the Post Office call window or loading dock during a designated time. Reserve Service can be used only in conjunction with a caller box number and is often reserved for "future use."
13 We excluded from our analysis almost 29 million in "other" non-revenue transactions that involved financial exchanges such as voids or refunds.
14 Leading retail practices referenced in this report are based on a review of publicly available materials from industry-recognized sources, including market research firms, consulting groups, benchmarking organizations, and case-study reviews of large retail operators.

all retail transaction categories should include a target time factor as it allows for a better assessment of transaction times and performance — information that can provide headquarters and local management visibility into staff workload and help them determine future resource needs (such as an additional window clerk or consideration of adding parcel lockers). Management stated that transactions in these categories occur too infrequently to warrant their own designated time factor. However, over 94 percent (15 million) of the 16 million transactions without time factors were associated with categories that ranked in the top 20 most frequently used non-revenue categories in FY 2025 (see Appendix B).

The absence of time factors for key non-revenue transaction categories limits management's ability to evaluate operational performance, identify procedural inefficiencies, and ensure that labor resources are used effectively. We estimated over $15 million in impact in FY 2025 associated with clerk workhour costs that cannot be benchmarked due to a lack of timeliness target.[15]

Recommendation #1

We recommend the **Vice President, Retail and Post Office Operations,** in coordination with the **Vice President, Retail and Delivery Operations, Atlantic Area; Vice President, Retail and Delivery Operations, Central Area; Vice President, Retail and Delivery Operations, Southern Area;** and **Vice President, Retail and Delivery Operations, WestPac Area,** enhance policies and procedures for initiating and conducting data analyses of concerning non-revenue transactions or categories (such as transactions that exceed the time factor, anomalous transactions, inconsistent counts, or improper categorizations), recording the results, documenting corrective actions, and communicating these policies to staff.

Recommendation #2

We recommend the **Vice President, Retail and Post Office Operations,** reassess all non-revenue transaction categories without time factors to determine if a potential, reasonable time factor can be applied, and document the resulting decision.

Postal Service Response

Management disagreed with the finding, recommendations 1 and 2, and the monetary and other impact.

Regarding the finding, management stated that policies and oversight processes are already in place, including national monitoring and an independent annual review process. Management stated that responsibility for addressing noncompliance resides at the appropriate field level, and that the report did not clearly distinguish between the adequacy of national policy, oversight, and compliance at the local level. Management also disagreed with treating transactions exceeding an average time factor as evidence, by itself, of inefficient performance or unnecessary workhours. Management stated that individual instances of noncompliance do not necessarily establish that the underlying national policy or oversight framework is deficient; that transactions exceeding an average time factor do not, by themselves, establish unnecessary labor costs; and that anomalous transactions should not be treated as evidence of fraud, waste, abuse, or inadequate national controls without additional validation.

Regarding recommendation 1, management stated that policies and oversight processes for non-revenue transactions are already established. Management stated it does not agree that individual instances of noncompliance demonstrate a deficiency requiring creation of additional national policy or a separate Postal Service Headquarters corrective-

15 Data integrity is another impact category related to the validation of the consistency, accuracy, and completeness of data used by the Postal Service. This entails data used to support management decisions that are not fully supported or completely accurate. These data shortcomings can be the result of flawed methodology; procedural errors; or missing or unsupported facts, assumptions, or conclusions.

action process. Management also stated that compliance with established policy is managed through the existing organizational structure at the appropriate field level. Management suggested that it could continue its established national oversight and independent annual review of non-revenue transactions and reinforce existing policy requirements with responsible field management.

Regarding recommendation 2, management stated that it already conducts an annual review of non-revenue transaction activity and established time factors. It also stated that not every non-revenue transaction is appropriate for a standardized time factor, and that the absence of a time factor does not, by itself, establish a control deficiency, nor does the associated workhour cost represent an unnecessary or avoidable expenditure. Management suggested recognition of its existing annual review process and allowing it to determine, based on operational need and the nature of each transaction category, whether establishing or modifying a time factor is appropriate.

Regarding the monetary impact, management stated it was unable to replicate the OIG's calculations, and therefore, asked for the removal of the impacts. Similarly, regarding the other impact, management disagreed that all retail transaction categories should include a target time factor and asked for the removal of this impact.

OIG Evaluation

We consider management's comments unresponsive to recommendations 1 and 2 and will pursue the disagreements through the audit resolution process.

Regarding the finding, while the Postal Service stated that policies and oversight processes are in place, and that staff across different field levels have responsibilities for addressing noncompliance, we found data gaps and a lack of timeliness targets that hinder management and oversight. While we agree with management that individual instances of noncompliance may not always necessarily reflect insufficient or concerning performance, the Postal Service lacked visibility into the presence or scale of these issues. We also stand by our position that the absence of time factors limits management's ability to evaluate operational performance, identify procedural inefficiencies, ensure labor resources are used effectively, and limit fraud.

Regarding recommendation 1, even with the existing policies and oversight processes, we found the Postal Service did not perform substantive analytics to identify or act upon problems consistent with leading government standards and best practices. While management's suggestion to "reinforce" these policies and processes could help promote staff awareness, our recommendation advocates for more robust oversight of transaction data and taking coordinated, corrective actions throughout the organization — at headquarters, area, district, and local levels.

Regarding recommendation 2, while management stated that it conducts an annual review of established time factors, we found 16 million transactions in categories without a time factor in FY 2025. Leading retail practices suggest that, to a reasonable extent, all categories should include a time factor. While we agree that management can determine whether establishing a time factor is appropriate, our recommendation focuses on conducting and documenting these assessments.

Lastly, regarding management's disagreements with the OIG's monetary and other impacts, we stand by our assumptions and methodology, which provide a reasonable basis for assessing the potential financial impacts and risks associated with transactions that management did not review. We would support efforts by the Postal Service to develop its own assumptions and methodologies to identify and calculate the impacts of at-risk non-revenue transactions. Such efforts will help evaluate what needs to be addressed and identify options for managing them in a more cost-efficient manner.

Finding #2: Comprehensive Strategy Needed

Non-revenue transactions accounted for over $276 million in FY 2025 costs and continue to grow, but the Postal Service lacks a unified strategy to manage this growth. The current, decentralized approach also does not align with leading retail practices, as it omits the following key elements:

- *Collecting, analyzing, and leveraging data.* Examination of trends, operations, and key performance metrics (such as in-line wait times) to assess performance. This data collection and analysis should be throughout the organization (such as at the unit, field, and headquarters levels).
- *Identifying and assessing options for potential operational enhancement*. Identify potential options to more efficiently and cost-effectively handle non-revenue transactions, such as creating a separate counter for high volume, non-revenue transactions or leveraging automation or self-service options, such as parcel lockers, in particular units. Then assess the costs and benefits for each potential option, such as improving customer flow or reducing labor costs, transaction times, or customer in-line wait times.
- *Determining and implementing selected initiatives*. Determine methodologies for selecting the desired initiatives — such as a separate counter for high volume non-revenue activities or expanded automation and self-service options — and approaches for implementing them in specific locations.
- *Monitoring performance*. Tracking results over time using meaningful metrics and milestones to evaluate performance and ensure continued progress.

The Postal Service will continue to face financial, operational, and customer-related challenges associated with non-revenue transactions growth. Developing a comprehensive, data-driven strategy would guide efforts to strengthen analyses, assess alternatives, implement enhancements, and monitor performance — and put the Postal Service in a better position to meet changing customer demands for non-revenue transactions in a more cost-effective manner across the retail network.

Recommendation #3

We recommend the **Vice President, Retail and Post Office Operations,** in coordination with the **Vice President, Retail and Delivery Operations, Atlantic Area; Vice President, Retail and Delivery Operations, Central Area; Vice President, Retail and Delivery Operations, Southern Area;** and **Vice President, Retail and Delivery Operations, WestPac Area,** develop a comprehensive strategy on how to efficiently and effectively align local retail operations with the growing number of non-revenue transactions, including approaches for analyzing data, assessing alternatives, determining and implementing initiatives, and monitoring performance.

Postal Service Response

Management disagreed with the finding and recommendation. Regarding the finding, management stated it has a strategy for managing non-revenue transactions, and that the report identifies existing Postal Service Headquarters oversight, field-level responsibilities, annual reviews, and other established management processes. Additionally, it notes that decentralized responsibility does not demonstrate the absence of a national strategy; Postal Service Headquarters establishes policy and national oversight while field management remains accountable for execution and compliance.

Regarding recommendation 3, management stated that a national management framework already exists and does not require the development of a new strategy based on individual instances of local noncompliance or anomalous transaction activity. Management suggested that the report recognize the national framework and require a continued evaluation of non-revenue transaction trends through established headquarters and field management processes.

OIG Evaluation

We consider management's comments unresponsive to recommendation 3 and will pursue the disagreement through the audit resolution process. While we outlined many of the decentralized national and field processes described by management, the Postal Service still lacks a unified approach to efficiently manage the shift in non-revenue transactions, which have grown by 11 percent in the last five years. Management's suggestion to continue evaluating non-revenue transaction trends is one piece of a more comprehensive strategy needed to more efficiently and effectively align local retail operations with changing customer demand to support financial stability.

Appendices

Appendix A: Additional Information

Scope and Methodology

Our objective was to assess the effectiveness of the Postal Service's management and oversight of non-revenue transactions. To accomplish our objective, we:

- Reviewed Postal Service policies, procedures, and standard work instructions related to performing and recording non-revenue transactions, including definitions of the non-revenue transaction categories.
- Analyzed Postal Service data for revenue and non-revenue transactions from EDW to identify trends, total transactions by non-revenue category and their associated time factors, and illustrations of transaction anomalies and other information.
- Reviewed additional Postal Service retail data sources, including its annual time studies and non-revenue dashboard.
- Interviewed Postal Service Headquarters officials responsible for managing non-revenue transaction processes (including time factor development and category management), oversight practices (including headquarters' daily notification to management and local management's periodic data review), and retail operational strategies.
- Evaluated how the Postal Service uses non-revenue transaction data to support staffing and operational decision-making, and to enhance customer service related to managing non-revenue transactions.
- Reviewed leading practices from major retailers related to enhancing the customer experience, workflow optimization, employee engagement, and automation of retail services using retail operational data to identify trends and improve service.
- Reviewed prior Postal Service OIG audit work related to non-revenue transactions, retail management and oversight, and transaction related monitoring.

We conducted this performance audit from September 2025 through September 2026 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management on August 4, 2026, and included its comments where appropriate.

In planning and conducting the audit, we obtained an understanding of Retail and Post Office Operations non-revenue internal control structure 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. We also assessed the internal control components and underlying principles, and we determined that the following five components were significant to our audit objective:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

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

We assessed the reliability of computer-generated data obtained from the Postal Service's Enterprise Data Warehouse (EDW) by reviewing transaction data and interviewing management. We determined that the data were sufficiently reliable to support the objectives of this audit and the findings presented in this report. Although we identified data quality issues that affect management's ability to rely on certain information for operational oversight and decision-making, those issues did not prevent us from obtaining sufficient, appropriate evidence to support our audit conclusions. The findings and recommendations in this report are intended to improve the completeness, reliability, and usefulness of the data used by management.

Prior Audit Coverage

The OIG did not identify any prior audits or reviews related to the objective of this audit within the last five years.

Appendix B: Non-Revenue Category Data, FY 2025

Non-Revenue Categories	Transactions	Time Factor (Decimal Format-Minutes)	Time Conversion (Minute: Seconds)
Expedited Mail Acceptance	223,300,162	0.22	0:13
Non-Revenue Pickup	119,617,525	0.98	0:59
Label Broker	31,270,889	1.20	1:12
Track and Confirm	9,176,692	1.90	1:54
No Sale	8,327,618	None	None
Change of Address Except From Fee	7,558,027	0.76	0:46
Product/Service Rate Inquiries	6,241,719	1.28	1:16
Other (Point of Service (POS))	3,069,947	None	None
In Person Proofing	2,873,177	1.64	1:38
Non-Automated Mail Pickup (POS)	2,593,910	1.37	1:22
Request Passport Form (POS)	2,566,048	1.90	1:54
Unnumbered Parcel Mail Pickup	2,487,813	None	None
Validate Package Dimensions	1,257,553	0.50	0:30
Give Local Directions (POS)	1,154,939	1.27	1:16
Accept Hold Mail Request Form (POS)	1,067,647	1.10	1:06
Respond to CFS Issues (POS)	805,502	None	None
ZIP Code Lookup	759,809	0.95	0:57
Passport + Photo Scheduler Appointment	635,722	2.87	2:52
Passport Scheduler Appointment Made	481,910	2.87	2:52
Summon Supervisor at Customers Request	439,866	None	None
Miscellaneous Forms	280,812	None	None
Employment Application Inquiry (POS)	220,909	None	None
On-Line Issue Six Months	94,297	None	None
Request Tax Form (POS)	74,257	None	None
On-Line Issue Annual	67,754	None	None
Collect on Delivery Pickup	62,174	3.02	3:01
Provide Philatelic Info Catalog	40,721	None	None
Operation Santa Label Broker	24,899	0.10	0:06
Supply Post Office Box Holder Name/Address	23,943	None	None
Accept Consumer Service Form (POS)	20,850	None	None
Photo Scheduler Appointment Made	20,646	2.87	2:52
Not Specified	18,767	None	None
Canon Selphy Passport Media 108/PK	18,016	None	None
Personal Identity Verification (PIV) Card Enrollment	17,973	14.03	14:02
Voter Registration Inquiry (POS)	14,821	None	None
Business Reply Mail Pickup	12,564	1.52	1:31

Non-Revenue Categories	Transactions	Time Factor (Decimal Format-Minutes)	Time Conversion (Minute: Seconds)
Customer Business Lead	9,867	None	None
Request/Submit Selective Service Form	9,343	None	None
Supply Permit Holder Name/Address	8,112	None	None
PIV Card Update Rekey	5,788	13.80	13:48
PIV Card Activation	5,070	15.14	15:08
Add to Waiting List	5,050	None	None
Domestic Mail Loss/Rifling	3,586	None	None
Inventory Stock Adjustment	3,440	None	None
Cancel Money Order Inquiry	834	None	None
Unit Money Order Inquiry	594	None	None
Premium Forwarding Service Priority Mail - Extend Mailing Fee	401	None	None
Update Money Order Inquiry	264	None	None
International Mail Loss/Rifling	216	None	None
Duplicate Domestic Return Receipt	140	None	None
International Priority Mail Express Claim	119	None	None
Informed Delivery	92	None	None
International Priority Mail Express Inquiry	66	None	None
Enterprise Payment System Reversal	53	None	None
International Insured Claim	41	None	None
International Insured Inquiry	17	None	None
International Registered Inquiry	16	None	None
Request for Waiting List Customer	14	None	None
Foreign Wrapper with/without Contents	9	None	None
International Registered Claim	8	None	None
Registered Without Postal Insurance	5	None	None
Space Available Mail	3	None	None
Duplicate International Return Receipt	-	None	None
Smart Parcel Locker	-	1.95	1:57
Caller Reserve Fee 12 Months	-	None	None
Priority Mail Express Refund - Express Mail Corporate Accounts	-	2.61	2:37
Non-Sales Visits	28,783,490	Various[a]	Various
Total	**455,536,516**	**n/a**	**n/a**

Source: OIG analysis of data from the EDW Sales and Services Associate Transaction & Tender report.
Note: n/a represents not applicable.
[a] The Non-Sales Visits line-item comprises over 3,330 individual categories of miscellaneous transactions that the Postal Service coded as non-revenue.

Appendix C: Management's Comments

UNITED STATES POSTAL SERVICE

August 24, 2026

Laura Lozon
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Management and Oversight of Non-Revenue Transactions (25-145-DRAFT)

Thank you for the opportunity to review and provide comments on the draft report, Management and Oversight of Non-Revenue Transactions, Project Number 25-145.

Management appreciates OIG's review and agrees on the importance of effective management and oversight of non-revenue transactions. After reviewing the draft report and associated Monetary Impact/Other Impact conclusions, however, Management disagrees with the findings and recommendations as currently written.

Management is not in disagreement with the importance of compliance with established Postal Service policy. Rather, it believes the OIG's draft does not sufficiently recognize the policies, oversight processes, and annual review mechanisms that are already established. In fact, the recommendations would place additional requirements at the Headquarters level for activities already governed by existing policy or that are appropriately managed at the local level when noncompliance occurs.

Treatment of Time Factors
There is significant concern in the OIG's misunderstanding of established transaction time factors.

- The draft clearly describes these factors as representing the average amount of time it takes to complete a transaction.
  - However, OIG's monetary impact methodology appears to treat the average as the maximum allowable transaction time and considers every minute above the average as an "overage."
  - The average transaction time is not a maximum performance standard.
- Individual customer transactions will naturally vary based on complexity, customer needs, system conditions, accessibility requirements, additional assistance, and other operational circumstances.
- Exceeding an average time factor does not, by itself, establish noncompliance, inefficiency, or unnecessary labor cost.

Anomalous Transactions Versus Policy Noncompliance
Management understands that unusual transaction activity may warrant further review. However, an anomaly, by itself, should not be characterized as evidence of a control deficiency, inadequate national policy, fraud, waste, abuse, or employee misconduct.

- It is HQ CRDO's responsibility to establish policy, provide national oversight, evaluate the effectiveness of the process, and communicate requirements.
- In instances where an employee or facility is not complying with established Postal Service policy:
  - Ensuring compliance with established policy resides with management at the appropriate operational level.
  - The appropriate operational level is responsible for addressing instances through the existing management structure
  - Individual instances of noncompliance should <u>not</u> automatically be attributed to the absence of a national policy or Headquarters control.

Existing Headquarters Oversight

While the draft report acknowledges that Management already performs several activities related to the proposed recommendations - such as reviewing non-revenue transaction information and communicating potential issues to field management, reviewing anomalous activity, and conducting HQ annual reviews of transaction time factors – it struggles with differentiating between national policy, the oversight framework that exists, and compliance at an individual employee, facility, or management level. In the end, the existence of individual anomalies or instances of field noncompliance does not demonstrate that the Postal Service lacks national policy or Headquarters oversight.

Data and Reporting Differences

Management also has concerns with how OIG characterizes differences among reporting products as evidence of underlying data-integrity deficiencies, without first reconciling the business rules, populations, timing, exclusions, and reporting logic associated with each source. The draft ultimately states that the EDW data used by the OIG was sufficiently reliable to support the audit findings. The final report should therefore clearly distinguish reporting differences requiring reconciliation from deficiencies in the underlying source data.

Finding 1 – Non-Revenue Data and Timeliness Gaps

Management Position: DISAGREES AS WRITTEN

Management disagrees with Finding 1 as currently characterized. There are established policies and Headquarters oversight processes already in place for non-revenue transactions, including national monitoring and an independent annual review process.

Where noncompliance occurs, responsibility for addressing compliance with established policy resides with management at the appropriate field level. Additionally, the Postal Service disagrees with treating transactions exceeding an average time factor as evidence, by itself, of inefficient performance or unnecessary work hours.

Management supports effective oversight and compliance with established non-revenue transaction policies. However, it believes the draft report needs to more clearly distinguish between the adequacy of national policy and Headquarters oversight and compliance with that policy at the local level.

Individual instances of noncompliance do not necessarily establish that the underlying national policy or oversight framework is deficient. Similarly, transactions exceeding an average time factor do not, by themselves, establish unnecessary labor costs, and anomalous transactions should not be treated as evidence of fraud, waste, abuse, or inadequate national controls without additional validation.

Finding #2: Comprehensive Strategy Needed
Management DISAGREES AS WRITTEN

The Postal Service disagrees that it lacks a strategy for managing non-revenue transactions. The draft itself identifies existing Headquarters oversight, field-level responsibilities, annual reviews of all transactions conducted, time-factor evaluations, category management, and other established management processes. A decentralized responsibility for policy compliance does not demonstrate the absence of a national strategy. Within a nationwide retail network, Headquarters establishes policy and national oversight while field management remains accountable for execution and compliance.

Monetary Impact/Other Impact

Management requested underlying data and the methodology necessary to independently reproduce and validate the OIG's analysis. Based on the information provided, however, Management has not been able to replicate the OIG draft report's results or validate the calculated monetary impact.

Management disagrees with the Monetary Impact of $23,043,960 in Questionable Costs and the additional $23,043,960 in Funds Put to Better Use, for a total Monetary Impact of $46,087,920. For the reasons below, Management requests removal of the associated impacts:

- OIG's methodology assumes that every minute above an average transaction time represents unnecessary or avoidable labor.
- The analysis does not acknowledge whether the identified time was unnecessary, unreasonable, improperly incurred, or avoidable.
- The analysis does not demonstrate that reducing individual transaction durations would result in an equivalent reduction in actual workhours

Management strongly disagrees with the report's Other Impact figure of $15,312,900, and that all retail transaction categories should include a target time factor as it allows a better assessment of transaction times and performance. For the reasons below, Management requests removal of the associated impacts:

- OIG's methodology fails to acknowledge soft time for ancillary duties and transactions that may not have a time factor. (Soft-time is a built-in component that is included with every transaction – Revenue/Non-Revenue).
- Management's formula for transaction time does not include those with fewer than 10,000 transactions in a 12-month period.
- All time factors are reviewed once each fiscal year and updated as needed to reflect current retail operations – Revenue/Non-Revenue.
- Management compares and determines significant changes whether it involves increases or decreases in time.

The following are Management's comments on each of the three recommendations.

Recommendation 1:
We recommend the Vice President, Retail and Post Office Operations, in coordination with the Vice President, Retail and Delivery Operations, Atlantic Area; Vice President, Retail and Delivery Operations, Central Area; Vice President, Retail and Delivery Operations, Southern Area; and Vice President, Retail and Delivery Operations, WestPac Area, enhance policies and procedures for initiating and conducting data analyses of concerning non-revenue transactions or categories (such as transactions that exceed the time factor, anomalous transactions, inconsistent counts, or improper categorizations), recording the results, documenting corrective actions, and communicating these policies to staff.

Management Response/Action Plan:
Management DISAGREES AS WRITTEN

The recommendation calls for Postal Headquarters to enhance policies and procedures for analyzing concerning transactions, recording results, taking corrective actions, and communicating those policies to staff. However, policies and oversight processes for non-revenue transactions are already established. Management does not agree that individual instances of noncompliance demonstrate a deficiency requiring creation of additional national policy or a separate Headquarters corrective-action process.

Headquarters establishes policy, conducts national oversight, performs the independent annual review, and communicates requirements. Compliance with established policy is managed through the existing organizational structure at the appropriate field level.

Suggested Revision:
Management has proposed and would agree to verbiage that would require the Postal Service to continue its established national oversight and independent annual review of non-revenue transactions and reinforce existing policy requirements with responsible field management.

Target Implementation Date: NA

Responsible Official: NA

Recommendation 2:
We recommend the Vice President, Retail and Post Office Operations, reassess all non-revenue transaction categories without time factors to determine if a potential, reasonable time factor can be applied, and document the resulting decision.

Management Response/Action Plan:
Management DISAGREES AS WRITTEN

Management already conducts an annual review of non-revenue transaction activity and established time factors. Furthermore, not every non-revenue transaction is appropriate for a standardized time factor. Transaction complexity and customer needs can vary substantially. The absence of a time factor does not, by itself, establish a control deficiency, nor does the associated workhour cost represent unnecessary or avoidable expenditure.

Suggested Revision:
Management has proposed and would agree to verbiage that would recognize the Postal Service's existing annual review process and allow management to determine, based on operational need and the nature of each transaction category, whether establishing or modifying a time factor is appropriate.

Target Implementation Date: NA

Responsible Official: NA

Recommendation 3:
We recommend the Vice President, Retail and Post Office Operations, in coordination with the Vice President, Retail and Delivery Operations, Atlantic Area; Vice President, Retail and Delivery Operations, Central Area; Vice President, Retail and Delivery Operations, Southern Area; and Vice President, Retail and Delivery Operations, WestPac Area, develop a comprehensive strategy on how to efficiently and effectively align local retail operations with the growing number of non-revenue transactions, including approaches for analyzing data, assessing alternatives, determining and implementing initiatives, and monitoring performance..

Management Response/Action Plan:
Management Position: DISAGREE AS WRITTEN

A national management framework for non-revenue transactions already exists. The recommendation should not require the development of a new strategy based on individual instances of local noncompliance or anomalous transaction activity.

Suggested Revision:
Management has proposed and would agree to verbiage that recognizes the Postal Service's existing national framework and requires continued evaluation of non-revenue transaction trends through established Headquarters and field management processes.

Target Implementation Date: NA

Responsible Official: NA

E-SIGNED by Jennifer.T Vo
on 2026-08-24 18:08:06 EDT

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cc: *Corporate Audit & Response Management*

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