

Fiscal Year 2023 Peak Season Preparedness

AUDIT REPORT

Report Number 22-163-R23 | November 14, 2022



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Highlights

Background

Each year, increased mail volume during the U.S. Postal Service's peak mailing season — November through January — significantly strains its processing and distribution network. Beginning in October 2021, the Postal Service implemented a year-round strategy of increasing employee complement and facility space to help meet the needs of peak season. In FY 2022, the Postal Service successfully implemented initiatives from its FY 2022 peak mailing season preparedness plan and service performance increased between 10 and 20 percent for all mail classes over the FY 2021 peak mailing season.

What We Did

We evaluated the Postal Service's preparedness for the FY 2023 peak mailing season.

What We Found

The Postal Service has developed a plan to handle the large increase in package and mail volume that is expected to occur during its upcoming peak mailing season. The Postal Service developed its FY 2023 peak season preparedness plan to build upon the successes it had during the prior peak season by planning to hire additional employees, deploy additional machines, and acquire facility space. Postal Service management stated that, based on the peak mailing season initiatives, they will be able to process, transport, and deliver the peak season mail volume.

The Postal Service FY 2023 peak mailing season initiatives include:

- Converting 10,000 pre-career employees to career service and backfilling them.
- Hiring over 28,000 temporary employees starting in October 2022.
- Deploying and installing 50 package sorting machines.
- Leasing 17 temporary mail processing facilities and 71 delivery annexes.
- Achieving a goal of 93 percent precision on its operating plan.

However, one of the Postal Service's initiatives is at risk of not being fully implemented before the upcoming peak season. Specifically, as of November 1, 2022, management has only secured leases for nine of the 17 (or 53 percent) temporary processing annexes and only eight of 71 (or 11 percent) of temporary delivery annexes. Management stated they will implement contingency plans if they are not able to acquire the desired facility space.

Recommendations

The Postal Service has developed a plan to handle the upcoming peak mailing season; therefore, we are not issuing a recommendation at this time.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

November 14, 2022

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

Mary K. Lloyd

FROM: Mary K. Lloyd,
Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Audit Report – Fiscal Year 2023 Peak Season Preparedness (Report
Number 22-163-R23)

This report presents the results of our audit of Fiscal Year 2023 Peak Season Preparedness.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Todd J. Watson, Director, Network Processing, 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 Fiscal Year (FY) 2023 Peak Mailing Season Preparedness (Project Number 22-163). Our objective was to evaluate the U.S. Postal Service’s preparedness for the FY 2023 peak mailing season. See [Appendix A](#) for additional information about this audit.

Background

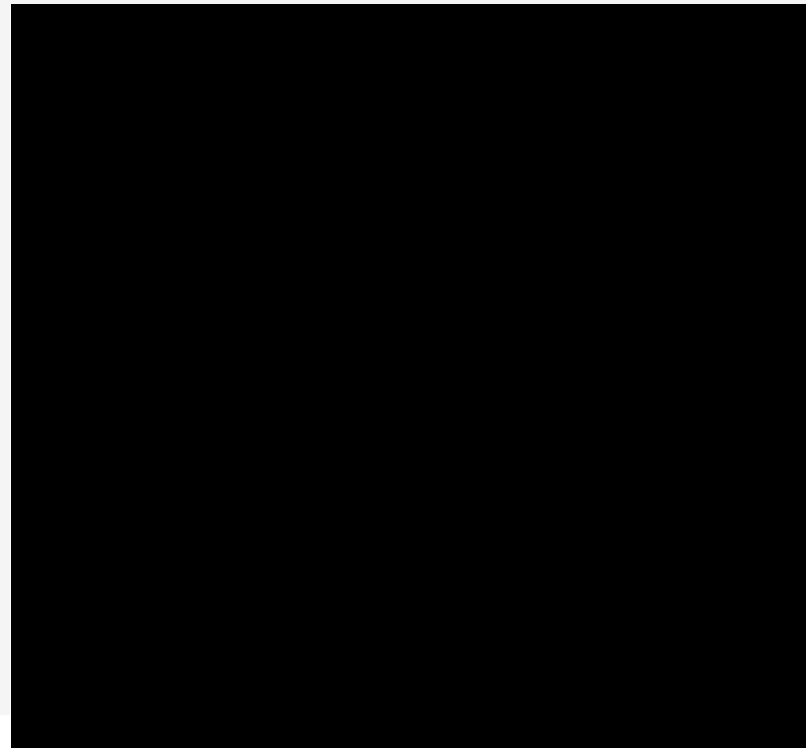
Each year, increased mail volume during the Postal Service’s peak mailing season – November through January – significantly strains its processing and distribution network. To help handle this increase in volume, the Postal Service creates preparedness plans, which include hiring temporary employees and leasing additional temporary facility space.

“To help handle this increase in volume, the Postal Service creates preparedness plans, which include hiring temporary employees and leasing additional temporary facility space.”

In prior reports,¹ we found that Postal Service management implemented a new year-round strategy in preparation for the FY 2022 peak season by implementing permanent operational changes, including increasing employee complement and facility space to help meet the needs of peak season.

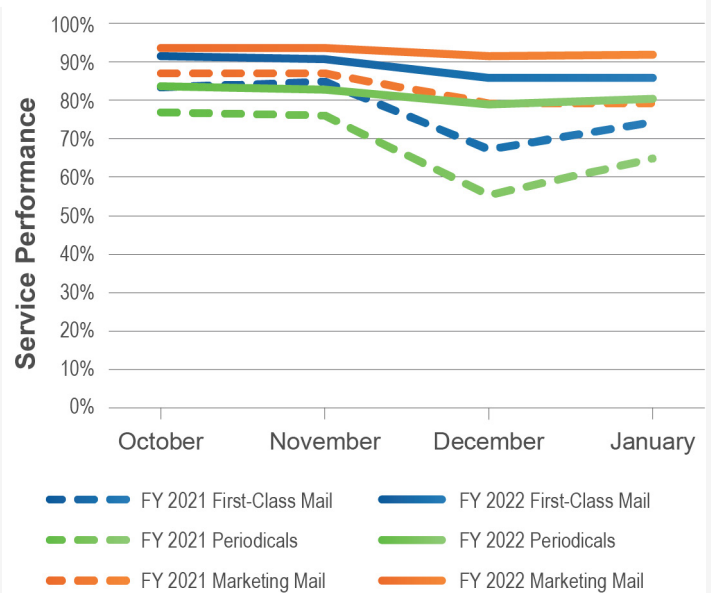
We also found that the Postal Service successfully implemented initiatives from its FY 2022 peak mailing season preparedness plan and service performance increased for all five major mail classes in the FY 2022 peak season (November 2021 – January 2022), compared to the FY 2021 peak season. Specifically, service performance increased █ percent for Priority Mail and █ percent for First-Class Packages (see Figure 1). Service performance increased 12 percent for First-Class Mail, 10 percent for Marketing Mail, and 14 percent for Periodicals (see Figure 2).

¹ *Fiscal Year 2022 Peak Season Preparedness* (Report Number 21-206-R22, dated November 19, 2021) and *Service Performance During the Fiscal Year 2022 Peak Mailing Season* (Report Number 22-039-R22, dated June 23, 2022).



Postal Service Office of Inspector General (OIG) analysis.

Figure 2. Peak Season Service Performance Scores of Market Dominant Products



Source: Postal Service IV and OIG analysis.

Postal Service management plans to continue building off the success of their FY 2022 peak season plan by increasing complement, installing additional mail sorting machines, and adding temporary facility space. However, this year, the Postal Service will start implementing initiatives to modernize its delivery network concurrently with its peak initiatives. Specifically, the Postal Service has announced it will combine and centralize carrier operations in new, Sorting and Delivery Centers (S&DC) over the coming years. The goal of this initiative is to significantly improve the delivery network to better serve the American public and business and customers more efficiently and effectively. The Postal Service is planning to start this initiative in November 2022 and complete consolidation and centralization of 10 delivery units during its upcoming peak season. Specifically, the Athens, Georgia S&DC and the new Brooklyn, New York, Alabama Avenue Parcel Hub will be activated by the end of November 2022. We plan to further evaluate these network changes and their potential impacts in future audits.

Finding #1: FY 2023 Peak Season Preparedness

The Postal Service has developed a plan to handle the expected, large increase in package and mail volume during its upcoming peak mailing season. Postal Service management implemented permanent operational changes in FY 2021, which included increasing employee complement and facility space year-round to help meet the needs of future peak seasons. The Postal Service developed its FY 2023 Peak Season preparedness initiatives to build upon the successes it had during the prior peak season.

“Postal Service management implemented permanent operational changes in FY 2021, which included increasing employee complement and facility space year-round to help meet the needs of future peak seasons.”

The Postal Service FY 2023 peak mailing season initiatives include:

- Converting 10,000 pre-career processing employees to career service and backfilling them.
- Hiring over 28,000 additional temporary employees (20,000 processing employees and 8,000 retail and delivery employees) starting in October 2022.
- Deploying and installing 50 package sorting machines at mail processing facilities.
- Leasing 17 temporary mail processing and 71 temporary delivery annexes to process and delivery packages during the FY 2023 peak mailing season.
- Achieving a target of 93 percent operational precision.

Even with the additional hiring and temporary annexes, the Postal Service will have fewer retail, delivery, and processing employees and less facility space than it had during last year's peak season. Despite this, management believes the Postal Service will be able to timely process, transport, and deliver the peak season volume because there are more experienced career employees this year, higher employee availability, increased package processing capacity, and an overall more stable workforce. Additionally, management does not expect package and mail volume to increase compared to last year.

However, one of the Postal Service's initiatives is at risk of not being fully implemented before the upcoming peak season. Specifically, as of November 1, 2022, management has only secured leases for nine of the 17 (or 53 percent) temporary processing annexes and only eight of 71 (or 11 percent) of temporary delivery annexes. Management stated they will implement contingency processing plans if they are not able to acquire the desired facility space.

Employee Hiring

The Postal Service plans to add over 10,000 additional full-time mail processing employees this year. Postal Service management stated that, in the past, this strategy has allowed them to better train employees, reduce delayed mail and overtime, improve retention, and, ultimately, improve overall service performance.

Postal Service management also stated that they plan to hire and train approximately 19,600 additional temporary mail processing peak season employees and 8,600 temporary retail and delivery employees for a total of 28,200 employees before the FY 2023 peak mailing season begins, as shown in Table 1. Management stated onboarding will occur earlier in an effort to stay ahead of a competitive hiring market.

On December 31, 2021, the Postal Service employed 153,750 processing and 444,238 retail and delivery employees. The Postal Service plans to employ 142,070 processing employees, or a decrease of 7.6 percent, and 432,604 retail and delivery employees, or a decrease of 2.6 percent by December 31, 2022, also shown in Table 1. Even with this additional hiring, the Postal Service will have fewer retail, delivery, and processing employees than they had during last year's peak season.

Peak Season Processing and Delivery Annexes

As part of the Postal Service's year-round strategy for peak season preparedness, last year it acquired 46 package support annexes, totaling [REDACTED] million square feet (SF) of floor space through two- to five-year leases. The Postal Service added 12 more long-term support annexes totaling [REDACTED] million SF with two- to five-year leases in advance of the upcoming FY 2023 peak season and will now have [REDACTED] million SF for FY 2023. The combination of these annexes enabled the Postal Service to increase needed

facility space in high-demand locations and allow for automated processing by deploying package sorting equipment to those facilities. Securing multi-year leases allows the Postal Service to provide additional capacity for future peak seasons.

In addition to the package support and long-term support annexes, the Postal Service plans to lease 17 temporary processing annexes totaling [REDACTED] SF and 71 temporary Retail and Delivery annexes totaling [REDACTED] SF of floor space for use during the upcoming FY 2023 peak season (see Table 2). As of November 1, 2022, mail processing has acquired approximately [REDACTED] SF of temporary annex space and retail and delivery has acquired approximately [REDACTED] SF of temporary annex space.

“Management stated the longer-term package support annexes with multi-year leases adequately address space needs the Postal Service has in larger cities.”

Table 1. FY 2022 and FY 2023 Employee Complement

Functional Area	Complement as of December 31, 2021	Complement as of September 30, 2022	FY 2023 Peak Season Planned Hiring	Planned Complement as of December 31, 2022	December 31, 2021 Compared to December 31, 2022	Percentage Difference
Mail Processing	153,750	122,470	19,600	142,070	(11,680)	(7.60%)
Delivery and Retail	444,238	424,004	8,600	432,604	(11,634)	(2.62%)
Total	597,988	546,474	28,200	574,674	(23,314)	(3.90%)

Source: OIG analysis of Postal Service WORKFORCE data and Postal Service Planned Peak Season hiring as of October 25, 2022.

Table 2. Peak Season Square Footage Comparison

Annex Type	FY 2022 Actual	FY 2023 Target	Target Percentage Difference	FY 2023 Current*	Current Percentage Difference
Temporary	████████	████████	██████	████████	██████
Package Support and Long-Term	████████	████████	███	████████	███
Retail and Delivery	████████	████████	██████	████████	██████
Total	████████	████████	██████	████████	(17%)

Source: OIG analysis of Postal Service data. *As of November 1, 2022.

Table 3. Peak Season Annexes

Type of Planned Temporary Annexes	Number of Planned Temporary Annexes	Signed Leases	Number of Sites in Lease Negotiation	Site Selection and Approval for Lease Negotiation in Progress	No Space Available
Mail Processing*	17	9	3	0	5
Delivery	71	8	3	2	58
Total	88	17	6	2	63

Source: OIG analysis of Postal Service data. *As of November 1, 2022.

“Postal Service management stated that the additional machines will change the daily package processing capacity.”

Even with the additional annexes, the Postal Service is acquiring less facility space this year compared to last year. Management stated the longer-term package support annexes with multi-year leases adequately address space needs the Postal Service has in larger cities. Management added that they are

requesting temporary annexes in smaller cities, which lowers the overall need for floor space.

However, as of November 1, 2022, the Postal Service has signed leases for nine of the 17 planned temporary processing annexes and eight of 71 planned temporary retail and delivery annexes. The Postal Service was in lease negotiations for

an additional three processing annexes and three retail and delivery annexes (see Table 3). According to the Postal Service, it can be difficult to acquire annexes for such a short period of time and there wasn’t any available retail space in some locations. Management stated that, as a back-up, a contingency plan will be developed at the local and division level, which could include using tents or mail volume off-load to other postal facilities.

Processing Equipment

The Postal Service plans to install 50 package processing machines in mail processing facilities to meet the anticipated FY 2023 peak season mail volume demand in addition to the 112 package processing machines deployed in FY 2022. Specifically, the 50 package processing machines will be installed at processing facilities across the country, which includes: five Automated Delivery Unit Sorter machines, four High Output Package Sorting machines, and 41 Single Induction Parcel Sorter machines. Postal Service management plans for all 50 additional package processing machines to be operational by December 2022

2 For our audit *Service Performance During the Fiscal Year 2022 Peak Mailing Season* (Report Number 22-039-R22, dated June 23, 2022) the Postal Service provided support showing they had 46 package support annexes totaling ██████ square feet and 51 peak annexes totaling ██████ square feet. For this audit the Postal Service provided updated support showing that 12 of the 51 annexes totaling ██████ square feet were long term annexes for use in FY 2022 peak season and beyond. We updated the table to break out the 12 long term annexes from the short-term annexes.

and stated that the additional machines will change the daily package processing capacity from [REDACTED] million³ to [REDACTED] million (or a 6.4 percent increase) over the last peak season (see Table 4).

Table 4. Peak Season Daily Package Processing Machine Capacity

FY 2022 Actual	FY 2023 Target	FY22 Actual Compared to FY23 Target	Percent Difference
[REDACTED]	[REDACTED]	[REDACTED]	6.4%

Source: Postal Service data; OIG analysis.

Operating Precision and Package Volume

Postal Service management created a detailed plan that focuses on the coordination of the operating performance plan, machine utilization, dispatch and transportation departures, and staffing. Achieving what the Postal Service calls “operational precision” means that it is processing all mail and package volume by the expected clearance times and executing the plan and aligning staff with the scheduled workload daily. By following the precision plan, the Postal Service is able to achieve volume throughput goals, meet clearance times which enables trucks to leave on time, and mail to arrive at its destination on schedule. The Postal Service’s operational precision plan target is 93 percent⁴ for the FY 2023 peak mailing season.

Even with the additional hiring and temporary annexes, the Postal Service will have fewer retail, delivery, and processing employees and less facility space than it had during last year’s peak season. Despite this, management believes the Postal Service will be able to timely process, transport, and deliver the peak season volume because there are more experienced career employees this year, higher employee availability, increased package processing capacity, and an overall more stable workforce. Additionally, management does not expect package and mail volume to increase compared to last year. Because the Postal Service has developed a plan to handle the upcoming peak mailing season, we are not issuing a recommendation at this time.

Management’s Comments

Postal Service management generally agreed with the findings in the report. Management also provided updated data on the number of mail processing annexes leased as of November 1, 2022. Management disagreed with the way the data is presented in Table 2 and stated they have provided information on why their target leases annex space is lower this year than last year. Management added that comparing the current lease space to the target would be a valid metric but comparing this year’s lease space to last year’s space is not pertinent. Management reiterated they believe the contingency and alternative processing plans substantially mitigate the risk of not obtaining their target lease space. See [Appendix B](#) for management’s comments in their entirety.

Evaluation of Management’s Comments

The OIG considers management’s comments responsive to the findings in the report. Postal Service management provided updated lease annex data as of November 1, 2022, and OIG updated the report accordingly.

Regarding management’s disagreement with the way data is presented in Table 2, our table is providing context on how much facility space the Postal Service leased last year compared to this year. We acknowledged in our report that the Postal Service will implement contingency plans if they are not able to acquire the desired facility space. Additionally, we noted that while the Postal Service will have fewer employees and less facility space than it had during last year’s peak season, management believes the Postal Service will be able to timely process, transport, and deliver the peak season volume because there are more experienced career employees this year, higher employee availability, increased package processing capacity, and an overall more stable workforce.

³ In FY 2022 Postal Service management provided the OIG with documentation showing the Postal Service’s daily package processing capacity was [REDACTED] million packages which included manual and machine processing capacity and assumed a 16-hour runtime for most machines. For FY 2023, the Postal Service changed its methodology to include only package machine capacity and assumed a 20-hour runtime.

⁴ The Postal Service measures precision by determining the percent of processing operations completed on time therefore, its goal is to achieve 93 percent of operations on time.

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Appendix A: Additional Information

Scope and Methodology

The scope of this audit includes the Postal Service's preparedness plan for the FY 2023 peak mailing season (October 2022 through January 2023).

Our objective was to evaluate the Postal Service's preparedness for the FY 2023 peak mailing season.

To accomplish our objective, we:

- Analyzed and evaluated management's employee hiring plan and expected employee availability.
- Reviewed Postal Service decision analysis reports related to the deployment of additional package processing machines and planned facility space for mail processing and delivery capacity.
- Interviewed Postal Service headquarters and processing and delivery management to evaluate anticipated mail volume and their preparedness plan for the FY 2023 peak mailing season.

We conducted this performance audit from July through November 2022 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 findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on October 27, 2022, and included their comments where appropriate.

We assessed the reliability of Informed Visibility data by interviewing agency officials knowledgeable about the data and reviewing related documentation. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date
<i>Embargoes and Redirections at U.S. Postal Service Processing Facilities.</i>	Evaluate operational impacts the Postal Service experienced before and after embargoes and redirections at mail processing facilities during the FY 2021 peak mailing season.	21-112-R21	8/13/2021
<i>Nationwide Service Performance</i>	Assess the Postal Service's service performance for all mail classes over an 18-month period and determine the most common failure points in the mail flow process.	21-120-R21	9/20/2021
<i>Peak Season Hiring</i>	Assess whether the Postal Service effectively hired bargaining employees for the peak season periods of 2019 through 2021.	20-316-R21	9/23/2021
<i>Fiscal Year 2022 Peak Season Preparedness</i>	Evaluate Postal Service preparedness for the FY 2022 peak mailing season.	21-206-R22	11/19/2021
<i>Service Performance During the Fiscal Year 2022 Peak Mailing Season</i>	Evaluate Postal Service performance during the FY 2022 peak mailing season and implementation of its peak season preparedness plan.	22-039-R22	6/23/2022

Appendix B: Management's Comments

MIKE L. BARBER
VICE PRESIDENT
PROCESSING AND MAINTENANCE OPERATIONS



November 9, 2022

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Fiscal Year 2023 Peak Mailing Season Preparedness (Project Number 22-163-DRAFT)

Thank you for providing the Postal Service an opportunity to review and comment on the findings and recommendations contained in the draft audit report, Fiscal Year 2023 Peak Mailing Season Preparedness. We appreciate that the report reflects our comprehensive plan and acknowledges that we have achieved many of the key components of our plan. Our efforts are designed to ensure that we are well-prepared to reliably and effectively process and deliver the volume that we anticipate receiving this year.

Postal Management generally agrees with the findings of the audit but would like to take the opportunity to clarify and update some of the data. While we don't disagree with the suggestion in your report that there is risk associated with the challenges of securing leases in all desired locations, we believe that the contingency and alternative processing plans substantially mitigate the risk. As of 10/27/22, 9 of the 17 Mail Processing Temporary Annex leases had been signed (53%) and 3 more were in lease negotiation. See Table 3 below reflecting the current data.

Table 3. Peak Season Annexes

Type of Planned Temporary Annexes	Number of Planned Temporary Annexes	Signed Leases	Number of Sites in Lease Negotiation	Site Selection and Approval for Lease Negotiation in Progress	No Space Available
Mail Processing	17	9	3	0	5
Delivery	71	8	3	1	59
Total	88	17	6	1	64

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Postal Management disagrees with the way data was presented in Table 2 and would like to clarify the facts. As reported, Long-Term annexes had multi-year leases. The Office of Inspector General (OIG) had included the Long-Term annexes in the "Temporary" square footage data for 2022, but our position is that they should not be included in that category. We have provided information regarding why our target temporary annex space is less this year than last year. In our opinion, comparing the currently leased space to the target space would be a valid metric, but comparing this year's space to last year's space is not pertinent. We have explained the many reasons we need less space in FY 2023, including having more machine capacity and more career employees. The current need for annexes is to support smaller plants, which require smaller annexes. United States Postal Service also requested that the OIG add a summary line for Mail Processing to make the information clearer. The total current deviation from targeted annex space is less than [REDACTED] for Mail Processing. Please see modified table below.

Table 2. Peak Season Square Footage Comparison

Annex Type	FY 2022 Actual	FY 2023 Target	FY 2023 Current *	Current Percentage To Target
Temporary	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Package Support and Long-Term	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mail Processing Subtotals	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Retail and Delivery	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

*Mail Processing data as of 10/27/22. Retail & Delivery as of 11/9/22.

Postal Management thanks you for reviewing this matter and appreciates our ongoing dialogue and the opportunity to fully describe our robust, organization-wide efforts to prepare for our peak season, and to execute related strategies. We remain confident that we will be very successful.



Mike L. Barber

cc: Corporate Audit Response Management

OFFICE OF INSPECTOR GENERAL

UNITED STATES



Contact us via our [Hotline](#) and [FOIA](#) forms. Follow us on social networks. Stay informed.

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