

Priority Mail Express: Michigan 1 District

AUDIT REPORT

Report Number 24-135-R25 | December 16, 2024



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Highlights

Background

Customers rely on Priority Mail Express (PME), the U.S. Postal Service's fastest product, to ship important, time-sensitive documents and packages. PME comes with a money-back guarantee for next-day or two-day delivery. If a PME mailpiece does not arrive by the guaranteed date, customers have 30 days from the mailing date to request a refund. In fiscal year (FY) 2024, the Postal Service's goal was to deliver █ percent of PME on time. However, the Michigan 1 District's service performance score was █ percent, well below the goal, impacting customer satisfaction and Postal Service revenue.

What We Did

Our objective was to evaluate the efficiency and service performance of the Postal Service's PME product in the Michigan 1 District. We judgmentally selected 10 Postal Service facilities, observed operations, and interviewed headquarters, district, and local management to identify challenges with PME in the Michigan 1 District. We also analyzed data related to the service performance issues we identified, including postage refunds. The Postal Service requested an Advisory Opinion from the Postal Regulatory Commission on October 4, 2024, regarding, among other things, its PME service standards. Our fieldwork was completed prior to this filing; thus, we did not review it as part of this report.

What We Found

The Michigan 1 District did not always promptly deliver PME destined for customers in the district. In addition, PME that originated in the district was not consistently processed to allow for next-day or two-day delivery. Further, mail processing and delivery operations did not communicate effectively to ensure PME could be processed, transported, and delivered by the guaranteed delivery date. As a result, the Postal Service paid Michigan 1 District postage refunds of about \$570,000 in FY 2024 and faced an average potential refundable revenue of about \$41,000 every 30 days.

Recommendations and Management's Comments

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

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

December 16, 2024

MEMORANDUM FOR: RICHARD T. MORETON
DISTRICT MANAGER, MICHIGAN 1 DISTRICT

WEBSTER (GARRY) G. TOTRESS
SENIOR DIRECTOR, LAKESHORES PROCESSING

Mary K. Lloyd

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

SUBJECT: Audit Report – Priority Mail Express: Michigan 1 District
(Report Number 24-135-R25)

This report presents the results of our audit of Priority Mail Express: Michigan 1 District.

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

Attachment

cc: Corporate Audit Response Management
Postmaster General
Secretary of the Board of Governors

Results

Introduction/Objective

This report presents the results of our self-initiated audit of Priority Mail Express (PME) in the Michigan 1 District (Project Number 24-135). Our objective was to evaluate the efficiency and service performance of the U.S. Postal Service's PME product in the Michigan 1 District. The Postal Service requested an Advisory Opinion from the Postal Regulatory Commission¹ on October 4, 2024, that included potential changes to PME service standards. Our fieldwork was completed prior to this filing; thus, we did not review it as part of this report. See [Appendix A](#) for additional information about this audit.

Background

As the Postal Service's fastest product, PME comes with a money-back guarantee promising expedited delivery in one or two days,² depending on where it is sent from (origination) and the address where it is being delivered (destination). The Postal Service suggests customers use PME to mail passports, passport applications, legal documents, manuscripts, and other important, time-sensitive documents and packages. If PME does not arrive by the guaranteed date, customers have 30 days from the mailing date to request a refund.³ In striving to meet the one- or two-day PME service standard,⁴ Postal Service employees place PME in designated

“The Postal Service suggests customers use PME to mail passports, passport applications, legal documents, manuscripts, and other important, time-sensitive documents and packages.”

sacks (see Figure 1) to ensure mailpieces are highly visible and kept separate from other types of mail, while being expedited through the Postal Service network.

Figure 1. PME Sack



Source: USPS Processing Operations Management Order-008-21, dated November 30, 2021.

In fiscal years (FY) 2023 and 2024, the Postal Service's PME service performance goal was to deliver [REDACTED] percent of PME mailpieces within the one – or two-day service standard. Nationwide from FY 2023 to FY 2024, PME service performance decreased by [REDACTED] percent – from [REDACTED] percent on-time delivery in FY 2023 to [REDACTED] percent in FY 2024. During that same period, the Postal Service experienced a 10 percent decrease in PME volume – from about 18.5 million in FY 2023 to about 16.6 million in FY 2024.

We selected the Michigan 1 District for evaluation due to a low PME service performance score in FY 2024 when compared to other retail and delivery districts. From FY 2023 to FY 2024, the Michigan 1 District's combined PME service performance decreased by [REDACTED] percent – from [REDACTED] percent on-time delivery in FY 2023 to [REDACTED] percent in FY 2024. During that same

¹ United States Postal Service Request for an Advisory Opinion on Changes in the Nature of Postal Services (Docket N2024-1), dated October 4, 2024.

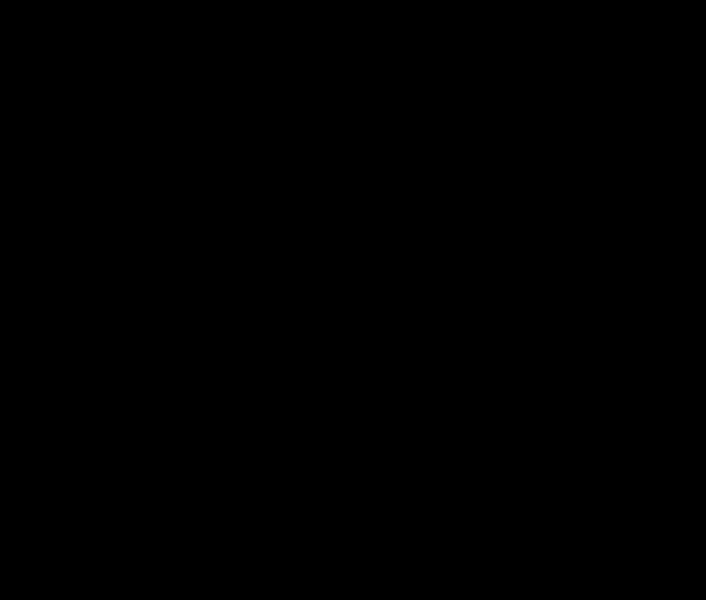
² Delivery is expected by 6 p.m. local time. PME 1-Day Delivery is available at designated Postal Service facilities for overnight service to designated ZIP Codes. Items mailed after the local post office acceptance time are scheduled for delivery on the second day after mailing. PME 2-Day Delivery is available to any destination not listed in the PME 1-Day Delivery directory. Items mailed after the local post office acceptance time are scheduled for delivery on the third day after mailing.

³ Domestic Mail Manual, Section 604, Postage Payment Methods and Refunds, dated July 2024.

⁴ Service standards are measured by the number of days the Postal Service handles the mail – from point of entry into the Postal Service network to final delivery.

period, the district experienced a [REDACTED] percent decrease in PME volume flowing into and out of the district — from about [REDACTED] in FY 2023 to about [REDACTED] in FY 2024⁵ (see Figure 2).

Figure 2. Percent of PME On Time



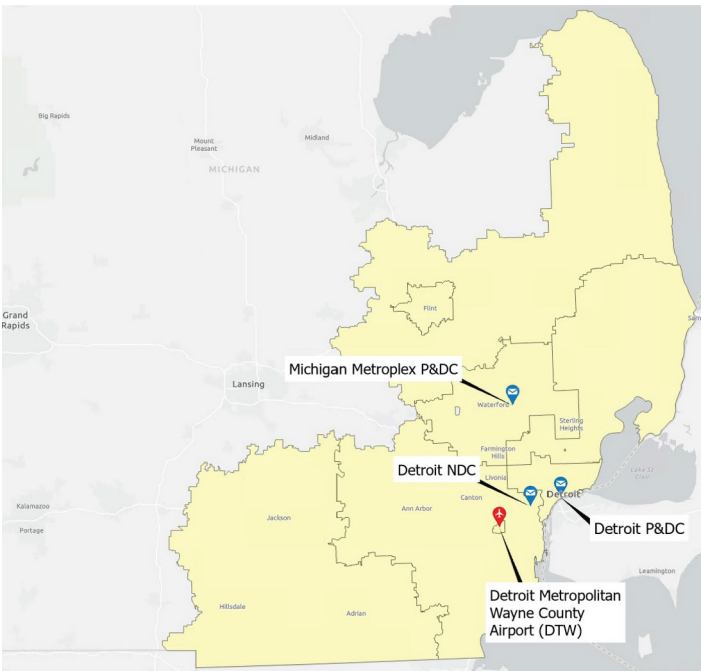
Source: Informed Visibility Mail Product Trend, as of October 4, 2024.

The Michigan 1 District, with 286 retail and delivery units, serves 5.6 million⁶ residents. These residents choose the Postal Service’s PME product to deliver their important, time-sensitive documents and packages by the guaranteed delivery date and time. When the Postal Service does not meet PME guaranteed service standards, the impact is two-fold. One, customer satisfaction may suffer as they lose trust in the ability of the Postal Service to meet its commitments, putting its brand and reputation at risk. Two, these customers have the right to a full postage refund, which impacts the Postal Service’s revenue. With a goal of [REDACTED] percent on-time delivery for PME, the Postal Service is willing to absorb the cost of refund claims for failure [REDACTED] percent of the time. However, service performance below [REDACTED] percent indicates the Postal Service may experience an unplanned shortfall in revenue, if customers entitled to a refund file a claim.

5 PME volume and service performance data obtained from Informed Visibility Mail Product Trend and Mail Product Heat Map on October 4, 2024.
6 2020 Census Bureau.
7 An S&DC is a consolidation of multiple facilities and package sortation operations into one facility.
8 Processing refers to an integrated group of subfunctions required to sort and distribute mail for dispatch and eventual delivery.

To evaluate the efficiency and service performance of PME in the Michigan 1 District, we conducted site visits the week of August 19, 2024. The objective of our site visits was to confirm our understanding of the PME flow, observe operations, and interview local management and employees. We visited three mail processing facilities: the Detroit Network Distribution Center (NDC), the Detroit Processing and Distribution Center (P&DC), and the Michigan Metroplex P&DC. We also visited six retail and delivery units and one sorting and delivery center (S&DC).⁷ See Figure 3 for a map of the Michigan 1 District.

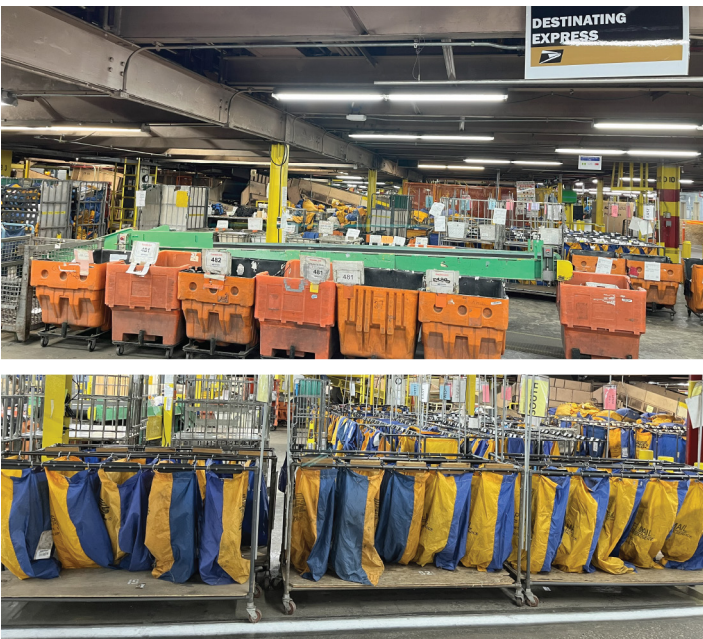
Figure 3. Map of Michigan 1 District



Source: OIG created map based on information from the Postal Service.

PME sent from Michigan 1 District post offices was transported via ground from the originating post office to the Detroit NDC for processing.⁸ Employees at the NDC processed PME mailpieces manually, apart from other mail, to expedite movement of the mailpieces through the Postal Service network (see Figure 4).

Figure 4. Detroit NDC PME Processing Operation



Source: OIG photos taken at the Detroit NDC during the week of August 19, 2024.

After processing, PME was primarily routed from the NDC via air transportation to its destination. Similarly,

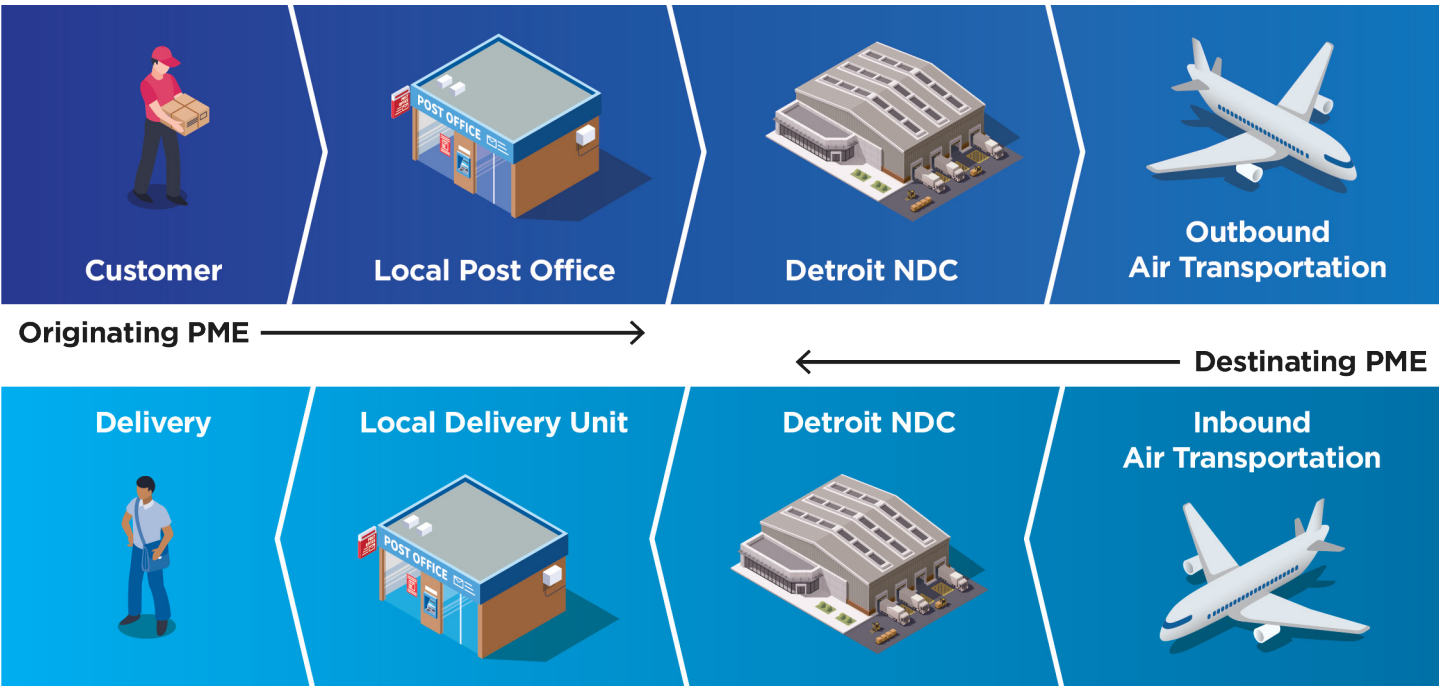
PME addressed to customers in the district primarily arrived at the Detroit NDC via air transportation. Employees manually sorted the mailpieces for routing via ground transportation to the destinating Michigan 1 District delivery unit. See Figure 5 for a simplified PME mail flow diagram.

Findings Summary

The Postal Service has opportunities to improve PME service performance in the Michigan 1 District by delivering PME promptly, processing PME according to plan, and aligning operations between mail processing and delivery operations.

“Employees processed PME mailpieces manually, apart from other mail, to expedite movement of the mailpieces through the Postal Service network.”

Figure 5. Simplified PME Mail Flow for Michigan 1 District



Source: Based on OIG review of Postal Service data and site visits the week of August 19, 2024.

Finding #1: Delayed Priority Mail Express

Three of the seven Michigan 1 District delivery units visited (about 43 percent) did not follow policy⁹ to deliver, or attempt to deliver, PME on the day it arrived from the Detroit NDC. In addition, they did not follow scanning¹⁰ and delayed mail reporting¹¹ procedures. At two of the three delivery units where policy was not followed,¹² we observed PME that the units did not deliver, nor attempt to deliver, on the day it arrived from the Detroit NDC. Both units informed us they would hold these mailpieces for the next day due to arrival after distribution up-time (DUT), meaning after the carriers had received all mail for delivery and were ready to depart for their routes. Based on our review of tracking data, these PME mailpieces were not scanned “Arrival at Unit”¹³ on the day they arrived from the processing facility, as required. This scan was performed the following morning—the day the delivery unit planned to deliver the PME mailpiece. Figure 6 shows an example of tracking data where the “Arrival at Unit” scan was performed on a PME mailpiece on August 22, 2024, one day after we observed it at the delivery unit on August 21, 2024.

“Three delivery units visited did not follow policy to deliver, or attempt to deliver, PME on the day it arrived from the Detroit NDC.”

The third delivery unit¹⁴ where policy was not followed, informed us they follow the same practice as above (i.e., PME mail would not be delivered until the next day if it arrived after DUT); however, there were no PME mailpieces in the unit at the time of our visit. The remaining four delivery units¹⁵ visited (or about 57 percent) informed us they delivered PME the same day it arrived from the Detroit NDC, regardless of arrival time. We observed no delayed PME mailpieces in these four units.

Figure 6. PME Mailpiece Tracking Information

Service Delivery Information

Service Delivery Date: Scheduled Delivery by: Wednesday, 08/21/2024 by 6:00pm

Event	Event Code	Event Date	Event Time	Location	Input Method	Scanner ID	Carrier Route	Posting Date/Time (Central Time)	Other Information
ARRIVAL AT UNIT	07	08/22/2024	08:23	DEARBORN, MI 48120	Scanned	PASS-001	Destined to route C031	08/22/2024 07:36:12	OFD Same Day Weight: 0 lb(s) 0.00 oz(s)
ENROUTE/ PROCESSED	10	08/21/2024	09:02	ALLEN PARK, MI 48101	Scanned	PSS-002-4		08/21/2024 08:19:07	Weight: 0 lb(s) 0.00 oz(s)

Source: USPS Product Tracking & Reporting.

9 Delivery Units Stand-up Talk, Flats First and Color Code Policy, dated February 2022.
10 Retail Service Talk, dated June 19, 2020.
11 Delivery Condition Visualization User Guide, dated July 30, 2024.
12 Dearborn Main Post Office and Farmington Hills Post Office.
13 Scan event showing the item has arrived at the local post office (delivery unit).
14 Shelby Township Main Post Office.
15 Ann Arbor Main Post Office, Flint S&DC, Southfield Main Post Office, and Troy Main Post Office.

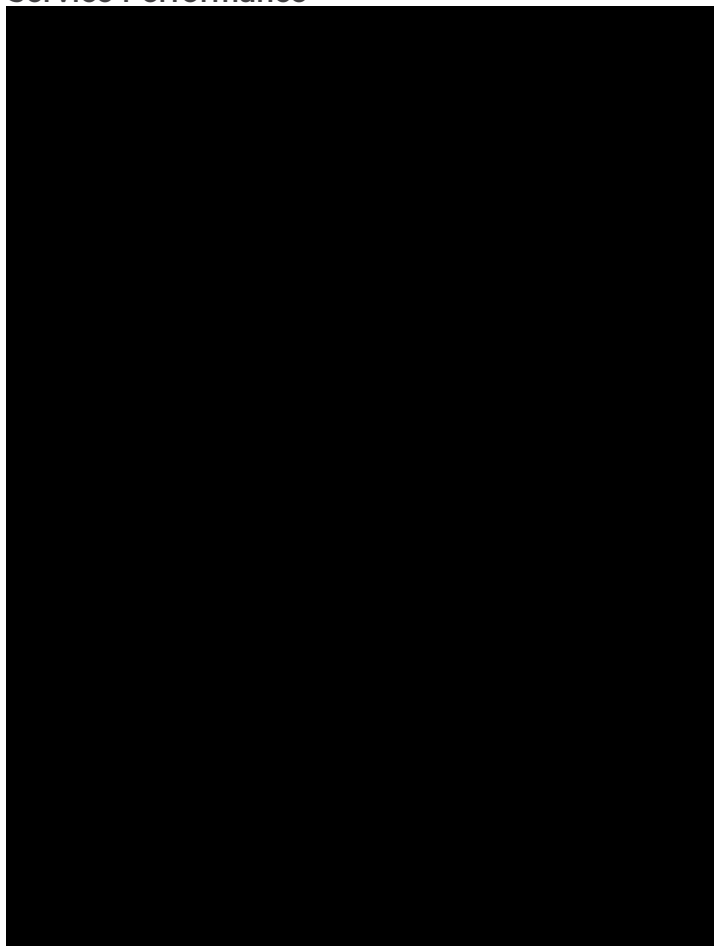
To determine the extent of this issue, we analyzed the root causes, as reported by the Postal Service, for PME mailpieces destined for delivery in the Michigan 1 District that failed to meet service standards.¹⁶ Of about 87,500 mailpieces in the data set, we determined about [REDACTED] (or about [REDACTED] percent) were processed at the Detroit NDC on the scheduled delivery day in time to make the scheduled transportation trip¹⁷ to the delivery unit. However, these mailpieces did not receive an “Arrival at Unit” scan at the delivery unit until the following day.

The practice of not delivering PME arriving after DUT (and therefore not scanning it “Arrival at Unit” the day it arrived or counting it as delayed mail) began following a nationwide Retail and Delivery District Managers Meeting in October 2023. In that meeting, Postal Service Headquarters management communicated various FY 2024 budget tactics, including not taking “extraordinary measures” to deliver mail arriving after DUT.¹⁸ However, even with the budget tactics, Postal Service Headquarters management reiterated to the retail and delivery district managers that should mail arrive after DUT, all regular scanning procedures (i.e., “Arrival at Unit” scans) were still required, as well as reporting the mail as delayed. Based on interviews conducted with the seven delivery unit managers, this information was communicated to them by district management as a policy change requiring PME arriving at the unit after DUT to be held until the next day.

However, according to Postal Service Headquarters management, the information presented in the meeting was misinterpreted. The presentation was intended to remind retail and delivery management of budgets. It was not meant to change PME delivery policy, scanning procedures, or reporting

requirements and did not change standard work instructions or policies. See Figure 7 for the decline in destinating PME service performance since October 2023—the period following the nationwide Retail and Delivery District Managers Meeting.

Figure 7. Michigan 1 District Destinating PME Service Performance



Source: Informed Visibility Mail Product Trend as of September 24, 2024.

Due to the critical nature of PME, a delivery unit work instruction specifies that carriers may be required to deviate from their established line-of-travel and return to the facility to pick up PME arriving after

¹⁶ Informed Visibility, Priority Mail Express Root Cause Report for FY 2024, as of October 16, 2024.

¹⁷ Our analysis included only those PME mailpieces that originated outside of the Michigan 1 District and were processed at the Detroit NDC between the hours of 12 a.m. and 10:15 a.m.

¹⁸ FY24 Budget Tactics Presentation, dated October 13, 2023.

DUT. Further, this instruction states if a carrier is not available, any Postal Service employee may deliver PME.¹⁹ When delivery units do not take these measures to deliver PME on the day it arrives from the processing facility, those mailpieces are delayed, increasing the likelihood they will not meet service standards. When customers do not receive their important, time-sensitive documents and packages by the guaranteed delivery date, they may become dissatisfied and lose trust in the Postal Service, putting its brand and reputation at risk. In addition, not meeting the money-back guaranteed service standard puts the Postal Service at risk for potential revenue loss for refunds in the Michigan 1 District of about \$41,000 every 30 days.²⁰

“When customers do not receive their important, time-sensitive items by the guaranteed delivery date, they may lose trust in the Postal Service.”

In addition, when the Postal Service does not accurately and timely scan mailpieces “Arrival at Unit”, the customer is unaware their PME has arrived at their local post office. This limits the customer’s ability to track their time-sensitive mailpiece, such as a passport, know when they can expect delivery, and arrange to pick up the mailpiece ahead of delivery, if desired. Further, inaccurate scanning and reporting of delayed mail hinders management’s ability to identify and resolve issues, increasing the risk of operational deficiencies and a decline in service performance.

Recommendation #1

We recommend the **District Manager, Michigan 1 District**, issue written expectations to deliver Priority Mail Express on the day it arrives from the processing facility, in accordance with current policies and procedures.

Recommendation #2

We recommend the **District Manager, Michigan 1 District**, develop a plan to enforce and monitor “Arrival at Unit” scanning requirements and delayed mail reporting.

Postal Service Response

Management agreed with the finding, monetary impact, and recommendations 1 and 2. Management noted an exception to footnote 19, stating the OIG referenced an outdated instruction with incorrect service commitments. Management stated it provided subsequent guidance in 2021, when the service commitment was updated. Management added that it has always been the Postal Service’s practice that any employee is able to deliver PME.

Regarding recommendation 1, management stated it will redistribute a stand-up talk informing employees of the guaranteed delivery commitment time. The target implementation date is March 31, 2025.

Regarding recommendation 2, management stated it will reiterate the “Arrival at Unit” scan requirement for PME at delivery units and validate compliance for 30 days. The target implementation date is April 30, 2025.

OIG Evaluation

The OIG considers management’s comments responsive to recommendations 1 and 2, and the corrective actions should resolve the issues identified. Regarding the exception to footnote 19, we consider the PME delivery procedures cited in the footnote to still be in effect even though subsequent guidance was distributed regarding the change in service commitment times.

¹⁹ Delivery Operations Work Instruction, Express Mail Delivery, dated September 24, 2018.

²⁰ PME postage is refundable for 30 days; therefore, we calculated a 30-day average to convey how much revenue is at risk on any given day.

Finding #2: Ineffective Execution of Priority Mail Express Operating Plan

Employees at the Detroit NDC did not effectively execute the operating plan for PME originating in its service area, including the Michigan 1 District. Plant management must create an operating plan to include detailed start and end times required to meet critical entry²¹ and clearance times²² of each operation. An effective and well-executed operating plan ensures PME mailpieces that arrive at the NDC prior to the critical entry time are processed and dispatched to the airport to meet the one – or two-day service standard. All employees should know and follow the plan every day.²³ However, on August 20, 2024, we observed the following:

- Employees ended operations and sealed the PME sacks about 30 minutes prior to the plan’s 9 p.m. critical entry time.
- The truck transporting PME departed for the airport at about 9 p.m., 40 minutes prior to the scheduled departure time of 9:40 p.m.
- Additional PME arrived from delivery units between 8:30 and 9 p.m., prior to the critical entry time (see Figure 8). However, due to operations ending early, mailpieces requiring air transportation were not taken to the airport until the next evening.

PME is a manual operation which does not generate adequate data to determine when processing ended. Therefore, we reviewed the Detroit NDC FY 2024 transportation logs to determine if these practices were common. We identified 66 of 204 trips (or about 32 percent) transporting PME to the airport that departed at or before critical entry time, clearly indicating that processing ended early.

According to NDC plant management, employees may incorrectly end PME processing earlier than planned for various reasons, such as assuming all PME was received from the delivery units or misjudging the time it would take to complete processing. Regardless of the reason, plant

management stated the operation should not end early unless all PME was received, and better supervisory oversight would prevent this from occurring.

“All employees should know and follow the operating plan every day.”

Figure 8. Unprocessed PME From Delivery Units That Arrived Before the 9 p.m. Critical Entry Time



Source: OIG photo taken at the Detroit NDC August 20, 2024, at 8:52 p.m.

When plant management does not ensure employees consistently follow the PME operating plan, there is an increased risk that PME will miss

²¹ Critical entry time is the latest time mail can be received in an operation and still be processed before clearance time to meet the service standard.

²² Clearance time is the latest time mail can pass through an operation to make it to the downline operation by the critical entry time of that operation.

²³ USPS Plant Manager Handbook, Version 1.0, dated July 2024.

transportation to the airport, delay subsequent operations, and fail to meet the guaranteed delivery date. Customers who use the Postal Service to send important, time-sensitive documents and packages expect them to arrive by the guaranteed delivery date. These customers may become dissatisfied

“When the Postal Service does not meet the money-back guaranteed service standard, customers are entitled to a full postage refund.”

and lose trust in the Postal Service, putting its brand and reputation at risk. In addition, when the Postal Service does not meet the money-back guaranteed service standard, customers are entitled to a full postage refund. We determined the Postal Service incurred approximately \$570,000 in questioned costs in FY 2024 due to PME postage refunds issued in the Michigan 1 District.

Recommendation #3

We recommend the **Director, Lakeshores Processing Division**, coordinate with the Detroit Network Distribution Center plant management to review the operating plan for Priority Mail Express, update it as necessary, clearly communicate it to employees, and develop a process to monitor for consistent execution.

Postal Service Response

Management agreed with the finding, monetary impact, and recommendation 3.

Regarding recommendation 3, management stated it will adjust the operating plan, communicate it to the appropriate personnel, and monitor for compliance. The target implementation date is April 30, 2025.

OIG Evaluation

The OIG considers management's comments responsive to recommendation 3, and the corrective actions should resolve the issues identified.

Finding #3: Ineffective Integrated Operating Plans

Michigan 1 District Integrated Operating Plans (IOP) were not effective to ensure PME mailpieces met the guaranteed service standard. An IOP is an agreement between delivery units and mail processing facilities aimed at aligning operations by improving coordination and communication. Managers work together to create a plan to ensure mail can be processed, transported, and delivered to meet service standards. The agreed upon plan outlines mail types, volume, and arrival time, all which aid in resource planning. A key to ensuring IOP effectiveness is the use of the Mail Arrival Quality/Plant Arrival Quality (MAQ/PAQ) application, a platform for managers to report and track issues. An IOP Specialist is responsible for facilitating communication between the parties to review and resolve reported issues.

During site visits, Detroit NDC and selected delivery unit management informed us of recurring issues with arrival times affecting PME service performance. For example, NDC plant management stated PME collected at the delivery units often arrived late, after the 9 p.m. critical entry time. Similarly, delivery unit management stated PME scheduled for delivery often arrived late from the NDC.

We reviewed MAQ/PAQ cases for August 2024 to determine if the Detroit NDC and selected delivery units used the application to report these late arrival issues. Only one of the seven selected delivery units reported mail arrival issues with the NDC; however, none of the issues were related to PME. The NDC did not report any issues, and the last case was submitted in May 2023. However, during our site

visit to the NDC, we observed two instances of late-arriving PME that should have been reported:

1. On the evening of August 20, 2024, we observed PME arriving from delivery units at 9:08 p.m.
2. On the morning of August 22, 2024, we observed PME that had arrived at the NDC around 11 p.m. the prior evening.²⁴

“IOP agreements we reviewed were incomplete, outdated, not aligned with transportation schedules, and often did not take into consideration PME arrival time.”

The IOPs were ineffective, and the arrival time issues continued to occur for several reasons. First, the IOP agreements we reviewed between the selected delivery units and the Detroit NDC were incomplete, outdated, not aligned with transportation schedules, and often did not take into consideration PME arrival time. Second, neither the NDC nor delivery unit management consistently reported PME arrival time issues in MAQ/PAQ. Detroit NDC plant management stated they did not use the application due to lack of processing support oversight.

According to the Michigan 1 District IOP Specialist, delivery units did not consistently use the application due to frustration at unresolved issues. Lastly, the IOP Specialist stated they did not have the authority to enforce cooperation between the delivery units and NDC, or require issues be reported and reviewed.

When IOPs are no longer reflective of the current conditions, a misalignment occurs between operations. This misalignment hinders mail processing and delivery unit managements' ability to properly plan resources to ensure mail can be processed, transported, and delivered to meet service standards, putting PME service performance and customer satisfaction at risk.

²⁴ We verified the arrival time of this PME through the USPS Product Tracking & Reporting system.

Recommendation #4

We recommend the **District Manager, Michigan 1 District**, and the **Director, Lakeshores Processing Division**, coordinate with the **Michigan 1 District Integrated Operating Plan Specialist** to review and update the Integrated Operating Plans between the Michigan 1 District delivery units and Detroit Network Distribution Center to accurately reflect current transportation schedules and include Priority Mail Express arrival times.

Recommendation #5

We recommend the **District Manager, Michigan 1 District**, coordinate with the **Michigan 1 District Integrated Operating Plan Specialist** to communicate to the Michigan 1 District delivery units the requirement to report all mail arrival quality issues in the Mail Arrival Quality/Plant Arrival Quality application and develop a plan to monitor compliance.

Recommendation #6

We recommend the **Director, Lakeshores Processing Division**, coordinate with the **Michigan 1 District Integrated Operating Plan Specialist** to communicate to the Detroit Network Distribution Center the requirement to report all plant arrival quality issues in the Mail Arrival Quality/Plant Arrival Quality application and develop a plan to monitor compliance.

Postal Service Response

Management agreed with the finding and recommendations 4, 5, and 6.

Regarding recommendation 4, management stated it will update the IOPs for the seven delivery units serviced by the Detroit NDC. Management also identified the Division Director, Lakeshores Logistics, as an additional responsible official. The target implementation date is April 30, 2025.

Regarding recommendation 5, management stated it will reiterate to delivery unit management the requirement to report mail arrival quality issues in MAQ/PAQ and monitor for compliance. The target implementation date is March 31, 2025.

Regarding recommendation 6, management stated it will reiterate to Detroit NDC management the requirement to report plant arrival quality issues in MAQ/PAQ and monitor for compliance. The target implementation date is March 31, 2025.

OIG Evaluation

The OIG considers management's comments responsive to recommendations 4, 5, and 6, and the corrective actions should resolve the issues identified.

Looking Forward

Following the completion of fieldwork, the Postal Service requested an advisory opinion from the Postal Regulatory Commission,²⁵ regarding its intention to change the service standard of PME subject to regional transportation optimization.²⁶ If implemented in the Michigan 1 District, PME will be offered as a one – to three-day service based on the originating and destinating five-digit ZIP Code. However, as of December 16, 2024, this change has not yet been implemented. Therefore, we are unable to determine the future impact, if any, on PME service performance in the Michigan 1 District.

²⁵ United States Postal Service Request for an Advisory Opinion on Changes in the Nature of Postal Services (Docket N2024-1) on October 4, 2024.

²⁶ Postal Service's initiative to consolidate drop-off of destinating mail from the processing facility and pick-up of originating mail going to the processing facility on the same transportation trip, for post offices 50 miles or further from the processing facility.

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Appendix A: Additional Information

Scope and Methodology

Our objective was to evaluate the efficiency and service performance of the Postal Service’s PME product in the Michigan 1 District. To accomplish our objective, we:

- Reviewed applicable laws and regulations and Postal Service policies, procedures, and service standards.
- Conducted interviews with Postal Service Headquarters and district management to gain an understanding of budget tactics, the process used to communicate issues between mail processing facilities and delivery units, and the district PME mail flow.
- Obtained and analyzed PME service performance and volume data for FY 2023 and FY 2024.
- Obtained and analyzed Michigan 1 District IOP, MAQ/PAQ, and delayed mail reporting data.
- Obtained and analyzed Detroit NDC transportation logs from Surface Visibility for FY 2024 to determine truck arrival and departure times.
- Obtained and analyzed Michigan 1 District PME failed mailpiece product tracking information from Informed Visibility to determine the root cause of the service performance failure.
- Obtained and analyzed Michigan 1 District PME postage refunds paid in FY 2024.
- Judgmentally selected three mail processing facilities, one sorting and delivery center, and six post offices in the Michigan 1 District based on volume and service performance scores (see Table 1).
- Conducted unannounced site visits at selected locations in August 2024 to interview employees and management and observe the handling, processing, and dispatching practices for PME.

Table 1. OIG Site Visit Locations

Postal Facility	Location (City, Michigan)
Detroit NDC	Allen Park
Detroit P&DC	Detroit
Michigan Metroplex P&DC	Pontiac
Flint Sorting and Delivery Center	Flint
Southfield Main Post Office	Southfield
Dearborn Main Post Office	Dearborn
Shelby Township Post Office	Shelby Township
Ann Arbor Main Post Office	Ann Arbor
Troy Main Post Office	Troy
Farmington Hill Post Office	Farmington

Source: OIG analysis based on Postal Service data from Informed Visibility and Facilities Management Database.

We conducted this performance audit from August through December 2024 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 November 18, 2024, and included their comments where appropriate.

In planning and conducting the audit, we obtained an understanding of PME acceptance, processing, transportation, and delivery 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. Additionally, we 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 the control environment, risk assessment, control activities, and information and communication components that were significant within the

context of our objectives. Our recommendations, if implemented, should correct the weaknesses we identified.

We assessed the reliability of Enterprise Data Warehouse, Informed Visibility, and Surface Visibility data by performing tests for data completeness, reasonableness, accuracy, and validity. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

We identified the following prior audits that had findings and recommendations related to the PME product within the past five years.

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Online Priority Mail Express Refunds</i>	To determine if the Postal Service properly processed and supported online refund requests for Priority Mail Express.	20-268-R21	07/20/2021	\$1,802,108
<i>Efficiency of Operations at the New Orleans Processing and Distribution Center (P&DC), New Orleans, LA</i>	To evaluate the efficiency of operations at the New Orleans P&DC.	23-112-R23	08/17/2023	\$0
<i>Sorting and Delivery Center Impacts in the Florida 1 District</i>	To assess the impact of the U.S. Postal Service's sorting and delivery centers' implementation in the Florida 1 district.	23-171-R24	05/28/2024	

Appendix B: Management's Comments



December 9, 2024

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Priority Mail Express: Michigan 1 District
(Report Number 24-135-DRAFT)

Thank you for providing the Postal Service an opportunity to review and comment on the findings contained in the draft audit report, *Priority Mail Express: Michigan 1 District*

Management generally agrees with the findings in the report and with the monetary impact with one exception. In footnote 19, the OIG references a 2018 outdated instruction with incorrect service commitments. Management provided subsequent guidance that was distributed nationwide in 2021 when the service commitment was updated and asked the OIG to remove the footnote to avoid inaccurate references in the report. It has always been the Postal Service's practice that any employee is able to deliver PME. It is our highest priority to protect and to provide service to our customers.

Following are our comments on each of the six recommendations in the report.

Recommendation 1:

We recommend the District Manager, Michigan 1 District, issue written expectations to deliver Priority Mail Express on the day it arrives from the processing facility, in accordance with current policies and procedures.

Management Response/Action Plan: Management agrees to redistribute the stand-up talk to Retail Operations in the Michigan 1 District that was previously issued in May 2021 informing employees of the guaranteed 6pm delivery commitment time.

Target Implementation Date: 03/31/2025

Responsible Official:

District Manager, Michigan 1

Recommendation 2:

We recommend the District Manager, Michigan 1 District, develop a plan to enforce and monitor "Arrival at Unit" scanning requirements and delayed mail reporting.

Management Response/Action Plan: Management agrees with this recommendation. Management will reiterate the requirement to apply "Arrival at Unit" (AAU) scan when Priority Mail Express (PME) arrives at delivery units. Additionally, management will validate compliance in the Michigan 1 District for 30 days by requiring delivery units to certify AAU has been applied to PME upon arrival at the unit.

Target Implementation Date: 04/30/2025

Responsible Official:

District Manager, Michigan 1

Recommendation 3:

We recommend the Director, Lakeshores Processing Division, coordinate with the Detroit Network Distribution Center plant management to review the operating plan for Priority Mail Express, update it as necessary, clearly communicate it to employees, and develop a process to monitor for consistent execution.

Management Response/Action Plan: Management agrees with this recommendation. Management will adjust their operating plan to end operations at 8 PM, one hour prior to departure to ensure arrival at the airport by 9 PM. This change will be communicated to the appropriate personnel. Additionally, management will monitor for compliance with the new operating plan.

Target Implementation Date: 04/30/2025

Responsible Official:

Senior Division Director, Lakeshores Processing

Recommendation 4:

We recommend the District Manager, Michigan 1 District, and the Director, Lakeshores Processing Division, coordinate with the Michigan 1 District Integrated Operating Plan Specialist to review and update the Integrated Operating Plans between the Michigan 1 District delivery units and Detroit Network Distribution Center to accurately reflect current transportation schedules and include Priority Mail Express arrival times.

Management Response/Action Plan: Management agrees with this recommendation. Management will update Integrated Operating Plans (IOPs) for the seven delivery units referenced in the audit serviced by the Detroit NDC.

Target Implementation Date: 04/30/2025

Responsible Official:

District Manager, Michigan 1, Sr. Division Director, Lakeshores Processing, Division Director, Lakeshores Logistics

Recommendation 5:

We recommend the District Manager, Michigan 1 District, coordinate with the Michigan 1 District Integrated Operating Plan Specialist to communicate to the Michigan 1 District delivery units the requirement to report all mail arrival quality issues in the Mail Arrival Quality/Plant Arrival Quality application and develop a plan to monitor compliance.

Management Response/Action Plan: Management agrees with this recommendation. Management will reiterate requirements to all delivery units to report all mail arrival quality issues in MAQPAQ to local management at delivery units in the Michigan 1 District. Management will also monitor for compliance

Target Implementation Date: 03/31/2025

Responsible Official:

District Manager, Michigan 1

Recommendation 6:

We recommend the Director, Lakeshores Processing Division, coordinate with the Michigan 1 District Integrated Operating Plan Specialist to communicate to the Detroit Network Distribution Center the requirement to report all plant arrival quality issues in the Mail Arrival Quality/Plant Arrival Quality application and develop a plan to monitor compliance.

Management Response/Action Plan: Management agrees with this recommendation. Management will reiterate the requirement for management at the Detroit NDC to report plant arrival mail quality issues in MAQ/PAQ and monitor for compliance.

Target Implementation Date: 03/31/2025

Responsible Official:

Senior Division Director, Lakeshores Processing

E-SIGNED by RICHARD.T MORETON
on 2024-12-09 17:34:04 EST

Richard T. Moreton
District Manager, Michigan 1

E-SIGNED by WEBSTER.G TOTTRRESS II
on 2024-12-10 07:07:59 EST

Webster G. Tottress
Senior Division Director, Lakeshores Processing

Cc: Vice President, Area, Retail & Delivery Operations (Central)
Vice President, Regional Processing Operations (Eastern)
Corporate Audit Response Management

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This document contains sensitive information that has been redacted for public release. These redactions were coordinated with USPS and agreed to by the OIG.

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