

Serving America: Contract Postal Unit and Village Post Office Operations

AUDIT REPORT

Report Number 22-201-R24 | October 20, 2023



Table of Contents

Cover

Highlights	1
Background	1
What We Did	1
What We Found	1
Recommendations.....	1
Transmittal Letter	2
Results	3
Introduction/Objective.....	3
Background	3
Finding #1: Opportunities to Administer Effective CPU and VPO Oversight	5
Performance Reviews and Supplier Trainings	5
Program Data and Administrative Files.....	7
Recommendation #1	8
Finding #2: Opportunities to Enhance Implementation of CPU and VPO Growth Strategies	8
Recommendation #2	10
Looking Forward	10
Management’s Comments.....	10
Evaluation of Management’s Comments.....	11
Appendices	12
Appendix A: Additional Information.....	13
Scope and Methodology	13
Prior Audit Coverage	14
Appendix B: Postal Service CPUs and VPOs	15
Appendix C: Management’s Comments	16
Contact Information	18

Print • Go
Mail • Pro



Highlights

Background

While the U.S. Postal Service uses over 2,500 Contract Postal Units (CPU) and Village Post Offices (VPO) as alternative retail access points throughout the country, these locations have declined by nearly 20 percent in recent years. CPUs and VPOs are suppliers (such as convenience store operators) that contractually provide postal services at their locations, for which nearby Postal Service staff provide oversight and support. The Postal Service is pursuing CPU growth to help foster cost-effective, customer-focused retail service as part of its Delivering for America 10-year plan.

What We Did

Our objective was to assess the Postal Service's CPU and VPO programs. Specifically, we (1) assessed Postal Service oversight of CPUs and VPOs, and (2) evaluated Postal Service strategies for establishing new CPUs and VPOs. We analyzed policies, data, and growth initiatives, and visited select CPUs and VPOs nationwide.

What We Found

While CPUs and VPOs support nationwide retail service and are to be representative of the Postal Service, we found oversight and customer service issues in their operation. These issues included incomplete reviews of supplier performance and supplier training certification, incorrect program data (for example, hours or addresses), and missing administrative files (for example, contract and oversight documents). These issues stemmed from processes not being enforced or other work priorities taking precedence. Continued issues may lead to negative customer experiences, putting revenues, costs, and the brand at risk.

Further, the Postal Service's new CPU growth strategy should be completed in September 2023, and management is developing analytic tools, creating marketing materials, and addressing staffing gaps resulting from a 2021 organizational restructuring. While the Postal Service is working to address these gaps, field staff expressed concerns about the coordination and communication efforts defining their CPU growth-related roles and responsibilities and balancing their workloads. The Postal Service's ability to effectively coordinate and communicate these efforts will be crucial to ensuring the CPU growth strategy's effective and timely implementation.

Recommendations

We recommended management develop strategies for (1) reinforcing CPU and VPO oversight processes and priorities, particularly related to performance reviews, supplier training, program data, and administrative files; and (2) coordinating and communicating staff roles and responsibilities and balancing workloads under the new CPU growth strategy.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

October 20, 2023

MEMORANDUM FOR: ELVIN MERCADO
VICE PRESIDENT, RETAIL AND POST OFFICE OPERATIONS

A handwritten signature in black ink, reading "Amanda H. Stafford", is positioned below the memorandum header.

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

SUBJECT: Audit Report – Serving America: Contract Postal Unit and Village Post
Office Operations (Report Number 22-201-R24)

This report presents the results of our audit of the U.S. Postal Service's Contract Postal Unit and Village Post Office Operations.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Joshua Bartzen, Director, Retail, 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 Postal Service's Contract Postal Unit (CPU) and Village Post Office (VPO) Operations (Project Number 22-201). Our objective was to assess the Postal Service's CPU and VPO programs. Specifically, we (1) assessed Postal Service oversight of CPUs and VPOs, and (2) evaluated Postal Service strategies for establishing new CPUs and VPOs. See [Appendix A](#) for additional information about this audit.

Background

The Postal Service is realigning its retail network as part of its Delivering for America 10-year plan.¹ This realignment, which includes assessing the retail footprint, hours, products, services, and other program components, is focused on meeting evolving customer demands, ensuring services are cost-effective and affordable, and providing adequate, convenient community access.

The Postal Service currently relies on a variety of channels to fulfill the retail portions of its universal service obligation.² While post offices are the primary physical outlet, the Postal Service also relies on other alternatives, such as CPUs and VPOs, which serve as retail access points in urban and rural locations throughout the country.³ VPOs are like CPUs but offer fewer services and are usually located in more rural communities that do not have a post office or where a post office has reduced operating hours. The Postal Service had about 2,500 CPUs and VPOs at the end of fiscal year (FY) 2022 (see Table 1).

“Unlike post offices, CPUs and VPOs are operated by a supplier, such as a retailer, convenience store operator, or library.”

Table 1. CPOs and VPOs, FY 2022

Contracted Stations	Number
Contract Postal Units	2,129
Village Post Offices	377
Totals	2,506

Source: OIG analysis of Contract Postal Unit Technology (CPUT) data.

Unlike post offices, CPUs and VPOs are operated by a supplier, such as a retailer, convenience store operator, or library. The Postal Service contracts⁴ with a supplier to provide postal services⁵ at the supplier's location, with each contract stipulating the hours, products, services, and termination processes, which

can vary for each contract. The exterior of some CPUs and VPOs look like private businesses (for example, a convenience or grocery store) while others look more like a typical post office. Similarly, in the interior, postal services could be purchased at a separate counter like one found at a typical post office or at the same cash registers that are used for the supplier's own retail transactions.

[Appendix B](#) has additional information on the types of CPUs and VPOs used by the Postal Service.

The Postal Service has a variety of policies and processes for overseeing CPU and VPO operations and ensuring the suppliers fulfill their contractual obligations and promote positive customer experiences. District managers have general oversight responsibilities, whereas postmasters or other Postal Service staff at nearby post offices typically provide direct, day-to-day oversight as the designated “host administrative office” (HAO).⁶ HAOs manage and oversee CPU and VPO operations, including verifying supplier

1 U.S. Postal Service, *Delivering for America, Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence*, March 2021.

2 The universal service obligation is a requirement broadly outlined in several statutes that encompasses multiple dimensions: geographic scope, range of products, access to services and facilities, delivery frequency, affordable and uniform pricing, service quality, and security of the mail. The Postal Service is obligated to provide all the various aspects of universal service at affordable prices.

3 Other alternate access channels include self-service kiosks, Stamps to Go, Click-N-Ship, and Approved Shipper sales.

4 These contracts can either be performance-based or fixed-firm price contracts. Under performance-based contracts, the Postal Service pays the supplier an agreed upon percentage of sales. Under fixed-firm price contracts, the Postal Service pays the supplier a set amount monthly over the term of the contract, regardless of their revenue. Both contracts are established for an indefinite period until terminated.

5 Prices for these services should reflect Postal Service prices.

6 An HAO is appointed at the time of contract award and may not necessarily be the same office that provides delivery and collection services to the supplier. Determination of which office would be a suitable HAO is made by district management. Whenever responsibility for a CPU or VPO transfers, whether to new post office management or to a different post office, it is the responsibility of the current HAO to ensure that all parties are instructed regarding the importance of their new HAO responsibility.

adherence to contractual obligations, conducting periodic performance reviews, ensuring suppliers are trained, recording accurate program data, and retaining administrative files.⁷ More information on each of these elements follows:

- **Quality Performance Reviews (QPR).** QPRs are on-site, operational reviews of the CPU's postal product and service offerings, sales skills and product knowledge, store environment, security of accountable items, etc., to help ensure the CPU is performing satisfactorily and meeting contract requirements. Examples of QPR questions include the following:
 - Posting of Hours: Are the hours of operation prominently displayed, visible to the public, and in accordance with the contract?
 - Postal Door Decal: Is the "Approved Postal Provider" door decal displayed at or near eye level on the main entrance?

QPRs are required at least once annually for most CPUs,⁸ with the frequency of these reviews based on the CPU's annual revenue. Lower revenue offices (under \$50,000) should have a QPR conducted once a year in October; middle-revenue offices (between \$50,000 and \$249,999) should have a QPR conducted twice a year (in October and May); and higher-revenue offices (those equal to or over \$250,000) should have a QPR conducted three times a year (in October, May, and July). HAOs are to document the results of the QPR and upload the signed and dated QPR certification page in CPUT, the web system used to manage, monitor, and report on the performance and compensation of CPUs and VPOs.

- **Annual Performance Reviews (APRs).** APRs are a two-step contract performance review process meant to ensure CPUs and VPOs are achieving program and revenue goals. The first step requires the assigned HAO to review the financial and performance program data in CPUT and submit an analysis for additional review by a district-level designee.⁹ The second step consists of a district-level designee reviewing the analysis and making a recommendation to the district office to either close or continue operating the contracted unit.

APRs are required to be completed for all CPUs and VPOs every year from March 1 to March 31.

- **Supplier training.** To help provide a consistent customer experience, the Postal Service requires CPU and VPO personnel (the supplier and its employees) to complete a series of training courses related to customer service, product knowledge, and equipment. CPU and VPO suppliers are responsible for ensuring staff complete required trainings and providing completed certification documentation to the Postal Service.¹⁰ After the documentation is uploaded into CPUT, HAOs must certify that they have verified the documentation is complete and valid (that is, the data is accurate and reflects the correct training).
- **Program data.** HAOs are required to collect, record, and ensure the accuracy of key CPU and VPO program data, such as hours of operation, contact information, employees, and products and services.¹¹ This data is used when assessing individual CPU and VPO performance and other management and oversight activities, such as knowing how many functioning CPUs or VPOs are in a particular geographic area.
- **Administrative files.** HAOs are required to retain key administrative documents related to each CPU and VPO agreement within a file. These documents must include a copy of the contract, contract modifications, reviews and audits, and the supplier's training records.

While CPUs and VPOs remain viable options to help serve America's need for retail postal services, they have declined in number over recent years (see [Table 2](#)). Postal Service staff stated these closures were mostly initiated by the supplier for cost-related reasons¹² or other factors, such as staffing issues, retirement, or focusing on other business ventures.¹³ Unlike post offices, which have extensive closure processes, CPUs and VPOs can be closed based solely on supplier decisions. Closure decisions, therefore, may not consider potential service implications or input from the community and customers, including that certain customers may need to travel further distances to access Post Office (PO) boxes, purchase money orders, or conduct other

7 *Host Administrative Office Guide for Managing Contract Postal Units* (August 2020).

8 Fee-for-Service CPUs and VPOs are excluded from QPRs.

9 This review is currently being conducted by Alternate Access District Designees (district designee) - also known as designated district support or District Support Representative. This designee can be in a local or district office.

10 Suppliers that sign up for the Postal Service's Business Customer Gateway online platform download mandatory training requirements and then upload the certification form. For suppliers that are not signed up or unable to upload the certification form, HAOs need to collect and upload the form through CPUT.

11 *Host Administrative Office Guide for Managing Contract Postal Units* (August 2020).

12 The Postal Service identified that seven percent (11 of the 147) of the CPU and VPO closures in FY 2022 were initiated by the supplier due to cost.

13 Prior to 2019, a Postal Service and American Postal Workers Union agreement limited onboarding new CPUs and VPOs. Specifically, the 2015-2018 American Postal Workers Union National Agreement imposed a moratorium whereby the Postal Service could not enter into contractual agreements for any CPUs, VPOs, and Approved Shipper outlets. This moratorium expired on September 20, 2018.

postal-related transactions. For example, in 2020, a supplier in Spanish Fort, AL, decided to terminate its Community Post Office (a type of CPU) contract with the Postal Service. The City of Spanish Fort appealed the decision to the Postal Regulatory Commission

(PRC) raising concerns about the closure process, including that other Postal Service options were too distant to serve the community and questioning the removal PO boxes. The PRC considered, but eventually dismissed, the appeal.¹⁴

Table 2. Number of CPUs and VPOs at the End of FYs 2019-2022

Type	FY 2019	FY 2020	FY 2021	FY 2022	Percent Change (FY19-FY22)
CPUs	2,499	2,386	2,247	2,129	-15%
VPOs	548	441	409	377	-31%
Total	3,047	2,827	2,656	2,506	-18%

Source: OIG analysis of CPUT data.

The Postal Service is developing a new CPU growth strategy, as part of its 10-year plan to support financial viability, to be completed by September 2023. The corresponding *Get it Right Initiative #160* emphasizes creating and onboarding more CPUs.¹⁵ The Postal Service plans to onboard 15 new CPUs by the end of FY 2023.¹⁶

Finding #1: Opportunities to Administer Effective CPU and VPO Oversight

While CPUs and VPOs support nationwide retail service, we found the Postal Service has issues in providing effective oversight and customer service. First, nationwide Postal Service CPUT data showed incomplete reviews of supplier performance and HAO certifications of supplier trainings. Second, our fieldwork observations found instances of incorrect program data and missing administrative files.

Performance Reviews and Supplier Trainings

Our review of national CPUT data found a significant percentage of the required¹⁷ quality and annual performance reviews and HAO certifications of supplier trainings were not completed. This included:

- **Incomplete Performance Reviews – QPRs.** Eighteen percent (709 of 3,870) of required¹⁸ QPRs for CPUs were not completed during FY 2022 (see Table 3).

Table 3. CPU QPRs, FY 2022

Month	Required QPRs	Incomplete QPRs	Percent Incomplete
October	2,191	201	9%
May	1,227	393	32%
July	452	115	25%
Total	3,870	709	18%

Source: OIG analysis of CPUT data.

To further assess the elements reviewed in the QPR, we performed site visits to analyze specific aspects of the customer experience and store environment at 25 judgmentally selected CPUs nationwide.¹⁹ While we found that most of the CPUs provided generally positive customer experiences,²⁰ almost all (23 of 25) did not prominently display the CPU's hours of operations for customers and/or display the "Approved Postal Provider" door decal at the main entrance.²¹

- **Incomplete Performance Reviews – APRs.** Six percent (161 of 2,523) of the required²² first-step HAO reviews and 47 percent of the required

¹⁴ Postal Regulatory Commission, Docket No. A2021-1.

¹⁵ *Get it Right Initiative #160, Leverage Alternate Access Offers to Improve Customer Experience in Retail Locations*, is part of the Postal Service's Get it Right portfolio of strategic initiatives through which the Postal Service has identified core strategies necessary for it to deliver its services while also being financially sustainable. While this initiative includes strategies for CPU growth, the Postal Service has no strategies directly related to VPO growth.

¹⁶ CPUs can take a minimum of 90-120 days from sourcing approval to be up and running.

¹⁷ *Host Administrative Office Guide for Managing Contract Postal Units* (August 2020).

¹⁸ *Retail Partner Quality Performance Review: District & Host Administrative Office Guide* (October 2019).

¹⁹ See *Appendix A* for additional insights on these sites and analyses.

²⁰ We evaluated the CPU employee's greeting, inquiry of customer needs, attentiveness during the transaction, and overall professionalism.

²¹ Although some CPUs did not display the Approved Postal Provider door decal, they did have other signage publicly displayed indicating their affiliation with the Postal Service.

²² *Retail Partner Annual Performance Review & Revenue: District & Host Administrative Office Guide* (March 2020).

second-step district-level designee reviews were not completed in FY 2022 (see Table 4).

- *Incomplete HAO Certifications of Supplier Trainings.* HAOs did not complete required²³

certifications for 10 percent of CPU supplier trainings and 20 percent of VPO supplier trainings in FY 2022 (see Table 5), with some specific trainings having lower compliance.

Table 4. CPU and VPO APRs, FY 2022

Type	First Step – HAO			Second Step – District-Level Designee		
	Required APRs	Incomplete APRs	Percent Incomplete	Required APRs ^a	Incomplete APRs	Percent Incomplete
CPU	2,142	128	6%	2,142	958	45%
VPO	381	33	9%	381	219	57%
Totals	2,523	161	6%	2,523	1,177	47%

Source: OIG analysis of CPUT data.

Note: APRs should be completed during March of the following fiscal year, so the APRs conducted in March of FY 2022 review FY 2021 data and performance. However, overdue APRs can still be completed before the end of the fiscal year.

^a Five of the APRs completed by HAOs were exempted at the second-step review with the justification that the CPU had been active for less than one quarter in the fiscal year.

Table 5. CPU and VPO Supplier Trainings, FY 2022

Training	CPUs			VPOs		
	Required	Incomplete	Percent Incomplete	Required	Incomplete	Percent Incomplete
Dangerous Goods Export Compliance ^a	2,196	272	12%	388	77	20%
Bank Secrecy Act ^b	640	0	0%			
Products & Services ^c	23	4	17%	1	1	100%
Retail Systems Software Business Partners ^d	14	3	21%			
Totals	2,873	279	10%	389	78	20%

Source: OIG analysis of CPUT data.

^a CPU and VPO employees must complete this specific training, similar to Postal Service employees, as required by federal aviation security prior to a CPU's or VPO's opening and annually thereafter.

^b If the CPU offers Postal Service money orders, suppliers must complete training prior to selling the product and annually thereafter.

^c If the Postal Service introduces a new product or service, additional training may be required.

^d The Retail Systems Software Business Partners (RSSBP) system is used to conduct package transaction and report transactional and financial data to the Postal Service for tracking and compensation purposes. Only CPUs under a performance-based contract with their compensation based on their revenue may qualify for a RSSBP system. CPUs that are provided the RSSBP system must receive this training.

²³ HAO Guide to Training & Certification for Retail Partners (July 2018).

Program Data and Administrative Files

We also found program data and administrative file issues during site visits at 28 judgmentally selected CPUs and VPOs throughout the country.²⁴ Specifically,

- *Incorrect program data.* Ninety-six percent (27 of 28) of CPUs and VPOs we visited had inaccurate or missing data in CPUT. Specific examples included incorrect addresses, operational hours, or HAO assignments; outdated contact information and employee listings; and/or incorrect product and service offerings. As stated earlier, Postal Service policy requires HAOs to collect, record, and ensure the accuracy of key program data.
- *Missing administrative files.* HAOs of 18 percent (5 of 28) of CPUs and VPOs we visited stated that they did not have the required administrative files, which contain key contract and oversight documents. As stated earlier, HAOs are required to retain key administrative documents related to each CPU and VPO agreement within a file.

Postal Service CPU and VPO program officials we spoke with acknowledged the oversight shortfalls related to incomplete reviews of supplier performance and HAO certifications of supplier trainings; incorrect program data; and missing administrative files. They attributed these oversight shortfalls to various reasons including:

- *Lack of information and/or awareness.* A few district designees and many HAOs we spoke with stated they were unaware of their oversight roles and requirements, including receiving minimal guidance and instructions on related processes. Some HAOs indicated that non-compliance was due to their lack of awareness on how to enforce supplier compliance.
- *Conflicting priorities.* Some HAOs we spoke with stated they did not perform these oversight requirements as they were overburdened and focused on other work at their own offices that they deemed to be a higher priority (providing CPU or VPO oversight was not their primary duty).

Postal Service leadership stated they have already initiated corrective actions to begin addressing oversight issues, such as additional training, communications, and meetings. The Postal Service has also updated its internal website with information for managing CPUs and VPOs, including guidance, forms, and a list of district designees. While we recognize these corrective actions, continued operational oversight shortfalls remain concerning. For example,

- HAO first-step APR completion declined to 88 percent (2,113 of 2,400) as of July 7, 2023 (down from 94 percent in FY 2022).
- District-level designee second-step APR completion declined to 39 percent (928 of 2,400) as of July 7, 2023 (down from 53 percent in FY 2022).²⁵
- One of our selected site visits, a VPO shown as active in CPUT, had been closed without requisite data updates.
 - The VPO had been closed for at least six months – an example of inaccurate program data.
 - The HAO was initially unaware the VPO was closed and was not aware of the proper termination process – an example of an incomplete performance review.
 - The Postal Service was still making payments to the VPO.²⁶

These CPU and VPO oversight shortfalls may also have contributed to negative customer experiences. Reviews of FY 2021–2022 OIG Hotline and Postal Service Customer 360²⁷ data identified customer complaints associated with some customer service facets included in the QPRs, such as overcharging of Postal Service products, unprofessional or discourteous behavior toward customers, or unsecure mail. Conducting proper and timely QPRs could potentially have helped identify and correct issues before they contributed to negative customer experiences.

²⁴ We judgmentally selected 28 CPUs and VPOs at each of the four Postal Service retail areas. Additional information on this methodology and the corresponding results are provided in [Appendix A](#).

²⁵ Two of the APRs completed by the HAOs were exempted at the second level review with the justification that the CPU was either active for less than one quarter in this fiscal year or had already been terminated.

²⁶ Overpayments amounted to less than \$100. The Postal Service took corrective action to terminate the VPO in CPUT after being briefed by the audit team.

²⁷ This serves as the primary application for creating, handling, and resolving customer issues and inquiries.

As CPUs and VPOs are to be representative of Postal Service retail service (and customers may not be aware of contractual differences between CPUs and VPOs and typical post offices), continued oversight shortfalls of CPU and VPO operations may lead to negative customer experiences, which

put Postal Service revenues, costs, and brand at risk. Taking actions to help reinforce CPU and VPO oversight processes and priorities, particularly related to performance reviews, supplier training, program data, and administrative files, could help address these oversight issues and mitigate these risks. As the

“As the Postal Service looks to further expand these access points, reinforcing consistent practices will help ensure CPUs and VPOs meet contractual obligations and provide a good customer experience.”

Postal Service looks to further expand these access points, reinforcing consistent practices will help ensure CPUs and VPOs meet contractual obligations and provide a good customer experience.

Recommendation #1

We recommend the **Vice President, Retail and Post Office Operations**, develop strategies for reinforcing Contract Postal Unit and Village Post Office oversight processes and priorities, particularly related to performance reviews, supplier training, program data, and administrative files.

Finding #2: Opportunities to Enhance Implementation of CPU and VPO Growth Strategies

CPUs and VPOs are cost-effective ways for the Postal Service to provide nationwide customer retail service. The Postal Service is updating its strategy for promoting CPU growth as part of its Delivering for America plan.²⁸ This new strategy could help offset recent CPU declines, with management setting a September 2023 completion goal.

Specifically, the Postal Service is updating the existing framework and resources associated with supporting this new CPU growth strategy, including the following:

- **Analytic tools.** The Postal Service is developing enhanced analytic tools for identifying potential CPU growth opportunities. Analysis would be performed on key factors such as population changes, local mailing and shipping activities, and other considerations (for example, customer wait time in line and number and types of transactions at nearby Postal Service retail facilities) to determine (a) if a CPU could result in financial, operational, or service benefits and (b) what businesses could be targeted as prospective partners.
- **Marketing and promotion.** The Postal Service is creating its promotional materials and business/partner outreach to enhance the marketing and promotion of CPUs to prospective local businesses. This information would include highlighting potential benefits from partnering with the Postal Service on a CPU.
- **Roles and responsibilities.** The Postal Service is redefining roles and responsibilities for staff involved in CPU growth activities. Following a late 2021 organizational restructuring, the Postal Service started centralizing its retail support function in the field to headquarters. To address resulting gaps in oversight and growth of CPUs and VPOs that developed, the Postal Service created a district designee role and provided initial training in April 2022. Additionally, they began developing management processes for initiating and reviewing CPU requests; providing support and materials to field staff for soliciting and onboarding new locations; and communicating and coordinating changes in roles, responsibilities, and priorities with local staff. The Postal Service has already selected some district designees to help solicit interested suppliers for CPU growth.

The Postal Service began setting CPU growth targets, including 15 new CPUs planned in FY 2023.²⁹ [Table 6](#) outlines key intermittent strategic milestones.

²⁸ Postal Service officials stated that while they are not focusing on VPO growth as part of this new strategy, they would solicit new access point locations regardless of contract category (for example, CPU or VPO).

²⁹ By July of the fiscal year, the Postal Service achieved only 40 percent (6 out of 15) of its CPU growth targets for FY 2023.

Table 6. CPU Growth Strategy Key Milestones

Milestone Description	Completion/Estimated Completion Date
Submit follow up proposal for positions to address gaps in Alternate Access ^a process flow and maintenance of program	10/28/22
Develop training notifications process for HAOs and CPUs	12/9/22
CPUs complete “Hazardous Materials and Compliance for Retail Partners” updated training for 2022	1/20/23
Create an Alternate Access Retail Analytics Tool to use for onboarding	3/3/23
Create promotional material for Alternate Access solicitation	4/14/23
Implement nationwide “Get to Know Your Business Partner Days”	5/26/23
All Alternate Access locations setup on Business Customer Gateway ^b	7/14/23
Complete evaluation for Retail Support Specialist roles and responsibilities for Alternate Access Support	8/18/23
Submit “Lessons Learned” for Alternate Access Program to Vice President	9/29/23

Source: Postal Service documentation on *Get it Right Initiative #160*.

^a The Retail Experience team oversees the alternate access programs, which includes CPUs and VPOs.

^b The Business Customer Gateway provides mailers a single-entry point for accessing Postal Service online business services, including onboarding Retail Business Partners.

Postal Service management stated they are continuing to develop analytic tools, create marketing and promotion materials, and evaluate the new roles and responsibilities for pursuing growth in the program. Management, however, acknowledged that staffing gaps remain, particularly at the district and unit levels. These gaps were consistent with our interviews with local HAOs and district designees, which confirmed coordination and communication shortcomings for CPU growth-related roles and responsibilities and balancing workloads, as follows:

“Multiple HAO officials and district designees we spoke with voiced concerns about balancing new CPU growth responsibilities – managing additional CPUs and soliciting for new CPUs – with their existing workloads and priorities.”

we interviewed were under the impression that they were individually responsible for soliciting new CPUs and VPOs, rather than the HAOs. Further, 18 percent of districts (9 of 50) did not have an assigned district designee³⁰ as of March 2023 (although all districts eventually were assigned a district designee by May 2023, during the course of the audit) and retaining staff has proven challenging as nearly a third of designees (18 of 57) have recently turned over.³¹ Most HAOs also stated they were unaware of their district designee – either that the role existed or who filled the position.

- **Unaware of role in key growth activities.** Multiple HAO officials and district designees we spoke with stated they were unaware of roles, responsibilities, or guidance for key growth activities including soliciting and onboarding CPUs and VPOs. Headquarters officials indicated that HAOs would be responsible for advertising new CPU contract opportunities. Many of the district designees

- **Workload balancing and input.** Multiple HAO officials and district designees we spoke with voiced concerns about balancing new CPU growth responsibilities – managing additional CPUs and soliciting for new CPUs – with their existing workloads and priorities. Some HAO officials we spoke with raised concerns that adding more CPUs would stress their operational

³⁰ This role involves collateral duties for these employees to perform in conjunction with their main duties. Most of the current district designees are unit level management. While some had HAO experience, others were not initially familiar with the CPU and VPO programs and/or were at other levels such as the district office.

³¹ Turnover calculated between the position creation in April 2022 and May 2023. Some districts had more than one assigned designee, but not all districts had a designee selected for the April 2022 training.

capacity. Some district designees, including one who is also an HAO, raised concerns that actively soliciting for new CPUs and VPOs on top of their existing HAO and primary duties would be difficult due to time constraints in running their own retail and delivery operations. HAO officials stated it will be important to consider input from potentially impacted HAOs before establishing new CPUs under HAOs or create other oversight options (for example, such as placing HAO responsibility with a different unit).

Postal Service management stated that the growth strategies started with top level leadership and are now being communicated with district designees who then will share them with local officials at existing HAOs and other post offices.

While the Postal Service continues to address gaps related to staff roles and responsibilities, and balancing workloads prior to its planned September 2023 completion date, we determined that limited field staff awareness and input into these future roles and responsibilities could put implementation timeliness and effectiveness at risk. Leading government practices note the importance of organizations directly and continuously involving their employees in the development of any major reforms, and that doing so helps facilitate reform goals and objectives.³² The Postal Service's ability to effectively coordinate and communicate roles and responsibilities and balancing workloads will be crucial to a successful CPU growth strategy.

Recommendation #2

We recommend the **Vice President, Retail and Post Office Operations** develop strategies for coordinating and communicating staff roles and responsibilities, and balanced workloads under the new Contract Postal Unit growth strategy.

Looking Forward

CPUs and VPOs remain a key part of the Postal Service's retail network. These alternative access points are cost-effective ways for the Postal Service to provide nationwide customer retail service. CPU and VPO success will remain predicated on the Postal Service's ability to effectively partner with local businesses and organizations in a manner that is financially and operationally viable to both parties; coordinate efforts with other key stakeholders, such as unions and communities;

and perform effective program management and support.

The issues we identified related to insufficient oversight and other staffing-related gaps threaten the effectiveness of the CPU and VPO programs. These threats become even more pronounced considering the interrelated nature of these activities; any existing difficulties with providing effective oversight under the current CPU and VPOs structure may impact new sites as well. The Postal Service's ability to address and overcome these issues will be key to ensuring that CPUs and VPOs remain beneficial to the Postal Service, the suppliers, and local customers, particularly as the Postal Service embarks on a new CPU growth strategy as part of the Delivering for America plan.

Management's Comments

Management agreed with the findings and recommendations.

Regarding finding 1 and recommendation 1, management agreed there were some incomplete reviews of supplier performance and HAO certifications of supplier trainings. In response, they created a policy letter and work standards to increase awareness of new CPU and VPO policy processes and changes. Specifically, management addressed (1) new workflow processes to improve oversight of CPU and VPO operations and (2) work standards for each role to provide more effective oversight and customer service for their business partners. Management also provided refresher training to managers from each Postal Service district and area at a two-day conference in early October 2023. This training reinforced CPU and VPO processes and priorities for APRs, supplier training, program data, and administrative file handlings. The target implementation date is January 31, 2024.

Regarding finding 2 and recommendation 2, management stated they are updating the existing framework, resources, analytic tools, marketing and promotions, and roles and responsibilities associated with supporting CPU growth strategies. Additionally, they are developing a new CPU growth strategy. As part of this strategy, process improvements will be through *Get it Right Initiative #153: Reinforce the USPS Brand to Provide a World-Class Customer Experience*. This initiative "emphasizes enhancing the Postal Service brand and maximizing retail revenue at CPUs and Approved Shipper locations by developing,

³² U.S. Government Accountability Office. *Government Reorganization: Key Questions to Assess Agency Reform Efforts*, GAO-18-427, June 2018.

maintaining, and implementing strategic plans to transform the retail experience for Postal Service customers, employees, and business partners, while fostering standardization in appearance, competency, and professionalism for a world-class experience.” Management also stated that they hosted a two-day district designee refresher training during the first week of October 2023 to assist support staff with procedural concerns, communication barriers, and defining staff roles and responsibilities. The target implementation date is January 31, 2024.

See [Appendix C](#) for management’s comments in their entirety.

Evaluation of Management’s Comments

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

All recommendations require OIG concurrence before closure. 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 the recommendations can be closed.

Appendices

Appendix A: Additional Information	13
Scope and Methodology.....	13
Prior Audit Coverage.....	14
Appendix B: Postal Service CPUs and VPOs	15
Appendix C: Management’s Comments	16

Appendix A: Additional Information

Scope and Methodology

Our objective was to assess the Postal Service’s CPU and VPO programs. Specifically, we (1) assessed the Postal Service’s oversight of CPUs and VPOs, and (2) evaluated Postal Service strategies for establishing new CPUs and VPOs. To accomplish our objectives, we:

- Reviewed applicable laws, policies, procedures, and relevant guidance for establishing, managing, and providing oversight of CPUs and VPOs.
- Reviewed CPUT data on CPU and VPO performance reviews, supplier training, and operations (for example, hours, staffing, locations, etc.).
- Reviewed customer complaints and customer satisfaction information on CPUs and VPOs in the OIG’s hotline complaint system and the Postal Service’s Customer 360 application.
- Reviewed Postal Service policies, processes, and initiatives for establishing new CPUs and VPOs, including potential growth strategies in the 10-year plan (including related Get It Right plans and initiatives) and other supporting documents.
- Conducted two sets of site visits. The first set focused on evaluating specific aspects of the customer experience and store environment. We visited 25 CPUs across the nation, judgmentally selected based on revenue, geography, and customer complaints. We performed mystery test shops and made observations — such as assessing the accuracy of the postage charged during the transaction, the professionalism and attentiveness of the sales associate, and the display of hours of operation.

The second set focused on assessing the Postal Service’s oversight of CPU and VPO operations and understanding field staff perspectives of potential growth strategies and opportunities. For this effort, we visited 28 judgmentally selected CPUs and VPOs and their corresponding HAOs. The CPUs and VPOs were selected across the Postal Service’s four retail and delivery areas — Atlantic, Central, Southern,

and Western-Pacific — using a variety of factors including the different types of CPUs, urban and rural designations, and geographic clustering. Our site selection universe included select CPUs (specifically regular, CPO, and public service) and all VPOs active in CPUT, as of February 2023, regardless of size and revenue. We also interviewed CPU, VPO, and relevant HAO and district designees.

- Interviewed various Postal Service Headquarters officials, such as members of the Retail Experience team and the Alternate Access team,³³ to discuss oversight tools, performance measures, and strategies for establishing and maintaining CPUs and VPOs.
- Interviewed American Postal Workers Union officials to gain an understating of their role with CPUs and VPOs.

We conducted this performance audit from November 2022 through October 2023 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 September 18, 2023, and included their comments where appropriate.

In planning and conducting the audit, we obtained an understanding of the CPU and VPO programs’ 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 three components were significant to our audit objective: control environment, control activities, and information and communication.

³³ The Alternate Access team, consisting of a team lead and purchasing and supply management specialists, falls under the Customer Products and Fulfillment Category Management Center, which supports internal business partner initiatives including alternate access.

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

We assessed the reliability of CPUT data by interviewing agency officials knowledgeable about the data, conducting logical tests on the data, and validating the data through site observations. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Payments to Contract Postal Unit and Village Post Office Suppliers</i>	Our objective was to determine if the U.S. Postal Service timely terminated payments to CPU and VPO suppliers when services were no longer provided.	20-157-R21	February 19, 2021	\$61,521

Appendix B: Postal Service CPUs and VPOs

The Postal Service has different types of CPUs and VPOs, including:

Contract Postal Units. CPUs are typically located in retail establishments and are staffed by the supplier's employees. The Postal Service considers CPUs to be one of the lowest cost-to-serve retail programs and allows customer access to postal services outside of normal business hours and locations. In addition, CPUs can reduce customer wait-time-in-line, retain and increase Postal Service market share, reduce operational costs, improve customer satisfaction, and grow retail revenue.

The Postal Service reported 2,129 CPUs at the end of FY 2022 (see Table 7) divided among the following six types:

- *Regular CPUs.* Provide similar products and services as a local post office. The nearly 1,600 Regular CPUs at the end of FY 2022 represented over half of all CPUs.
- *Community Post Offices (CPO).* Provide postal services in rural communities where independent post offices were discontinued. CPOs usually bear the community's name and ZIP Code. CPOs are stand-alone facilities operated by a supplier.
- *Public Service CPUs.* Provide postal services for community convenience or business reasons. Public service CPU payments may not exceed \$100 annually.
- *Seasonal CPUs.* Provide postal services where seasons dictate the need, such as ski resorts open only during winter or areas open only during summer in a warm weather area.
- *Temporary (Emergency) CPUs.* Provide postal services when a previous contract is terminated on short notice and the lack of a CPU creates a hardship on the community. Temporary CPUs may not exceed six months.
- *Fee-for-Service CPUs.* Provide a specific service for the community, such as providing mail to the homeless or PO box distribution only.

Table 7. Count of CPUs (end of FY 2022)

Types of CPUs	Count
Regular	1,591
CPO	398
Public Service	100
Seasonal	26
Temporary (Emergency)	2
Fee for Service	12
Total CPUs	2,129

Source: OIG analysis of CPUT data.

Village Post Offices. The Postal Service introduced the concept of a VPO in July 2011 as a cost avoidance measure. Similar to CPUs, VPOs are located within existing communities in locations such as convenience stores, local businesses, and libraries, and are operated by the management of those locations. However, VPOs are usually located in rural areas and provide a more limited range of products and services when compared to CPUs, including PO Boxes, stamps, pre-paid packaging, and Priority Mail Flat Rate envelopes. This partnership can also ensure the community retains its town/city name and ZIP Code. The Postal Service reported 377 VPOs at the end of FY 2022.

Appendix C: Management's Comments



October 12, 2023

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Serving America: Contract Postal Unit and Village Post Office Operations (22-201-DRAFT)

Thank you for providing the Postal Service with an opportunity to review and comment on the findings and recommendations contained in the draft report: *Serving America: Contract Postal Unit and Village Post Office Operations*.

Finding #1:

Opportunities to Administer Effective CPU and VPO Oversight
Management agrees the CPUT data had some incomplete reviews of supplier performance and HAO certifications of supplier trainings.

Finding #2:

Opportunities to Enhance Implementation of CPU and VPO Growth Strategies
Management agrees with this finding. The Postal Service is updating the existing framework and resources associated with supporting CPU growth strategies which include analytic tools, marketing and promotions, and reassigning roles and responsibilities.

Following are our comments on the two recommendations.

Recommendation 1:

We recommend the **Vice President, Retail and Post Office Operations**, develop strategies for reinforcing Contract Postal Unit and Village Post Office oversight processes and priorities, particularly related to performance reviews, supplier training, program data, and administrative files.

Management Response/Action Plan:

Management **agrees** with this recommendation.

Management created a new Vice President (VP) Policy Letter and Leader Standard Work (LSW), to increase awareness of new CPU and VPO policy processes and changes.

This includes new workflow processes to improve oversight of CPU and VPO operations. A recent CPU Kaizen revealed gaps in the program that are closely correlated with fundamental roles which no longer exist within the USPS Districts. To close the gaps, an LSW has been created for each role to provide more effective oversight and customer service for our business partners. The VP Policy Letter for CPUs and VPOs and the LSW has been attached for reference. In addition, a two-day conference was held with Management October 3

and October 4, 2023, providing refresher training to managers from each USPS District and Area. This training included the reinforcement of CPU and VPO processes and priorities for Annual Performance Reviews (APRs), supplier training, program data and administrative file handlings. Therefore, Management requests this Recommendation be closed with the issuance of the final report.

Target Implementation Date: 1/31/2024

Responsible Official: Manager, Retail Experience

Recommendation 2:

We recommend the **Vice President, Retail and Post Office Operations**, develop strategies for coordinating and communicating staff roles and responsibilities, and balanced workloads, under the new Contract Postal Unit growth strategy.

Management Response/Action Plan:

Management **agrees** with this recommendation.

Management has been developing a new CPU growth strategy, as part of our recent CPU Kaizen project. Part of this process is through the Get it Right Initiative #153: *Reinforce the USPS Brand to Provide a World-Class Customer Experience*. This Initiative emphasizes enhancing the Postal Service brand and maximizing retail revenue at CPUs and Approved Shipper locations by developing, maintaining, and implementing strategic plans to transform the retail experience for USPS customers, employees, and business partners, while fostering standardization in appearance, competency, and professionalism for a world-class experience.

As management concluded a two-day District Designee refresher training the first week of October 2023 to assist support staff with procedural concerns, communication barriers and defining staff roles and responsibilities, we are requesting closure of this recommendation with the issuance of the final report.

Target Implementation Date: 1/31/2024

Responsible Official: Manager, Retail Experience

E-SIGNED by ELVIN MERCADO
on 2023-10-13 11:37:30 EDT

Elvin Mercado
Vice President, Retail & Post Office Operations

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.

1735 North Lynn Street, Arlington, VA 22209-2020
(703) 248-2100

For media inquiries, please email press@uspsig.gov or call (703) 248-2100