

Service Optimization: Post Office Boxes

AUDIT REPORT

Report Number 24-017-R24 | September 6, 2024



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Highlights

Background

The U.S. Postal Service manages over 21 million Post Office (PO) Boxes throughout the country, collecting \$1.5 billion in revenue in fiscal year (FY) 2023. As part of its Delivering for America plan, the Postal Service is focused on improving PO Box revenue, mainly through price increases. Vacancy rates continue to grow, however, and changes in customer preferences and operations pose unique challenges going forward.

What We Did

Our objective was to assess the management of the Postal Service's PO Box program, including growth strategies. We reviewed Postal Service policies, growth strategies, and performance data, and observed PO Box operations at 12 retail units nationwide.

What We Found

Management oversight of key PO Box program components was inadequate. In FY 2023, 84 percent of districts did not meet delivery timeliness targets; 31 percent of units did not complete required annual PO Box audit reviews; and staff failed to collect about \$5.2 million in unpaid reactivation fees. Our visits to 12 units corroborated these issues and identified others, such as staff not completing required PO Box closure procedures, up-time scans, or semi-annual overflow mail reviews. Postal Service officials attributed these collective issues to their focus on other local operational priorities or a lack of staff awareness around requirements. These oversight shortcomings negatively impact program revenues, operational efficiency, and the customer experience.

Regarding program growth, Postal Service efforts to drive PO Box revenues by raising rental prices at select units resulted in a 21 percent increase from FY 2021 through FY 2023. However, nearly 49 percent of all PO Boxes nationwide remain vacant, and future revenues and utilization are at risk based on price increases and changing customer preferences. As PO Boxes are a main access point for many residential and small business customers, it would be beneficial for the Postal Service to conduct a comprehensive review of the PO Box program to analyze how key elements — prices, utilization, service, and marketing — impact current and prospective customer segments across the country.

Recommendations and Management's Comments

We made two recommendations to improve the PO Box program. Postal Service management agreed to both, and the corrective actions should resolve the issues identified in the report. A summary of management's comments and our evaluation are at the end of each finding. See [Appendix B](#) for the comments in their entirety.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

September 6, 2024

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

MARGARET PEPE
EXECUTIVE DIRECTOR, PRODUCT SOLUTIONS

A handwritten signature in black ink, reading "Amanda H. Stafford", is positioned below the names of the recipients.

FROM: AMANDA H. STAFFORD
Deputy Assistant Inspector General
for Retail, Marketing & Supply Management

SUBJECT: Audit Report – Service Optimization: Post Office Boxes (Report
Number 24-017-R24)

This report presents the results of our audit of the U.S. Postal Service's Post Office Box program, including growth strategies.

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. The two recommendations will 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 Josh 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 U.S. Postal Service’s Post Office (PO) Box program (Project Number 24-017). Our objective was to assess the management of the Postal Service’s PO Box program, including growth strategies. See [Appendix A](#) for additional information about this audit.

Background

The Postal Service’s PO Box service offers business or residential customers a secure and flexible way to receive their mail. The Postal Service manages 21 million PO Boxes at over 30,000 facilities¹ throughout the country. PO Boxes come in five sizes and rental rates and service offerings vary by facility. Most customers prepay for PO Boxes at 3-, 6-, or 12-month increments.²

Postal Service facilities providing rentable PO Boxes are classified as either “competitive” or “market dominant” in accordance with Postal Regulatory Commission (PRC) criteria on the “availability of

“Postmasters or other local Postal Service staff manage day-to-day PO Box operations, service, and customer interactions.”

competitive alternatives in the nearby geographic area”³ and other considerations. PO Boxes in the competitive fee group generally have higher rates but offer more enhanced services than those in the market dominant group. For example, customers paying competitive PO Box fees can receive packages from merchants that require a

street address (and not a standard PO Box address).⁴ The Postal Service collected \$1.5 billion in PO Box revenues in FY 2023 (see Table 1).

Table 1. PO Box Data, FY 2023

Category	Market Dominant	Competitive	Total
Facilities	21,831	8,704	30,535
PO Boxes			21.0 million
Revenue	\$322 million	\$1.14 billion	\$1.46 billion

Source: U.S. Postal Service Office of Inspector General (OIG) analysis of data of USPS FY 2023 Annual Report to Congress; Revenue, Pieces, and Weights FY 2023; and Enterprise Data Warehouse – Retail Data Mart (EDW-RDM).

PO Box Program Responsibilities

The Postal Service has policies and processes for PO Box program management, oversight, and performance, including the timely availability of mail for PO Box customers and revenue collection controls. Headquarters, Area, and District staff have general program oversight and strategic responsibilities, such as determining pricing or revenue growth opportunities. For example, Post Office Operations sets policies and procedures, Product Management develops program enhancements, Pricing and Costing assesses related pricing, and Retail and Post Office Field Operations Support assists management by conducting onsite reviews to ensure policies are followed.

Postmasters or other local Postal Service staff manage day-to-day PO Box operations, service, and customer interactions. This includes determining whether staff are conducting PO Box up-time scans and meeting targeted delivery times; completing annual audits and semi-annual overflow reviews; collecting reactivation and renewal fees; and following PO Box closure procedures. More information on each of these elements follows:

¹ These facilities consist of post offices and retail units.
² The Postal Service also offers no-fee PO Box service to customers who do not receive any form of carrier delivery. Postal Service data showed 1.3 million no-fee PO Boxes at approximately 12,400 retail units in fiscal year (FY) 2023.
³ On July 29, 2011, the PRC approved the Postal Service’s request to allow some retail locations to offer the same services offered by its competitors at comparable prices, resulting in the establishment of the competitive fee groups (Docket No. MC2011-25, Order No. 780). This designation factored in if sufficient competition existed from a private-sector alternative within five miles or less of the applicable Postal Service location. This range was extended in January 2023 to eight miles.
⁴ Premium PO Box services also include electronic notification of the receipt of mail, signature on file for delivery of certain accountable mail, and additional hours of access and/or earlier availability of mail in some locations.

- **Performing PO Box Scans and Achieving Service Up-Times.** Each unit must have a scheduled time (“PO Box up-time”) for PO Box mail to be finalized and available to the customers. The local postmaster, with district approval, is responsible for establishing the local PO Box up-time. Staff are required to complete a “PO Box up-time scan” to reflect daily delivery to the PO Box. The Postal Service tracks PO Box up-time scan completion and timeliness using the Scan Point Management System (SPMS). Postal Service policy states that mail should be delivered to PO Boxes “as early as operationally possible,” and the Postal Service has set a performance target of meeting the PO Box up-time target 90 percent of the time.
- **Completing Annual Audits.** On-site management must complete a PO Box audit by July 1 of each year, which includes validating program data (such as numbers of occupied and/or vacant boxes and payment status) in the Web Box Activity Tracking System (WebBATS);⁵ identifying and correcting discrepancies; and certifying audit completion.
- **Completing Semi-Annual Overflow Reviews.** Local management must complete semi-annual reviews to see if PO Boxes are consistently accumulating more mail than the box can hold (for example, overflow).⁶ Employees must complete Postal Service (PS) Form 1532, Semiannual Check of Overflow Mail to record these reviews. When overflow conditions are observed during the review, staff are required to notify customers about the overflow status, available options, and the potential for service disruption if the situation is not addressed. Customers have five days to

Competitive PO Box Price Increases (average by FY)

- FY 2021: 23 percent
- FY 2022: 18 percent
- FY 2023: 6 percent

Source: OIG analysis of Postal Service and PRC data.

respond once receiving a notification. Local staff are required to keep completed PS Forms 1532 on file for one year.

- **Collecting Reactivation Fees.** When customers are late making their PO Box rental payments, the Postal Service suspends service to their PO Box and annotates the box as “Issued-Delinquent” in WebBATS. If payment is not received in 10 days, the box status is automatically changed to “closed.” To resume PO Box service, a customer needs to pay any unpaid box fees and a \$25 reactivation fee. Postal Service policy allows for the reactivation fee to be waived in instances where the original payment was received on time and the Postal Service failed to process it timely.
- **Following PO Box Closure Procedures.** When customers stop making their PO Box rental payments (after the 10-day grace period⁷), WebBATS annotates the PO Box as “closed”

and Postal Service policy stipulates employees must perform applicable PO Box closure procedures, including blocking customer access to the PO Box, changing the lock, returning mail to the sender, and annotating the PO Box is available for a new rental in WebBATS.

These responsibilities, policies, and related controls help promote PO Box program efficiency, service, and revenue protection.

Delivering for America PO Box Strategies

The Postal Service identified (and has since completed) two initiatives as part of its 2021 Delivering for America plan⁸ specifically aimed at improving and enhancing PO Box revenue and contribution:

- **Get-It-Right Initiative #859** — led by the Vice President, Pricing and Costing — sought to

5 WebBATS is the primary Postal Service application for tracking PO Box program data. WebBATS generates more than 40 reports to help management effectively oversee box activity, vacancy rates, delinquent PO Boxes, PO Box annual audit reviews, etc.

6 Mail overflow occurs when the mail accumulation for a customer’s PO Box is more than the box can hold on 12 of 20 consecutive business days, excluding Saturday, Sunday, and holidays. If so, the customer must change to a box of sufficient capacity or use another service.

7 Customers are not charged handling and late fees during the first 10 days of the delinquent month.

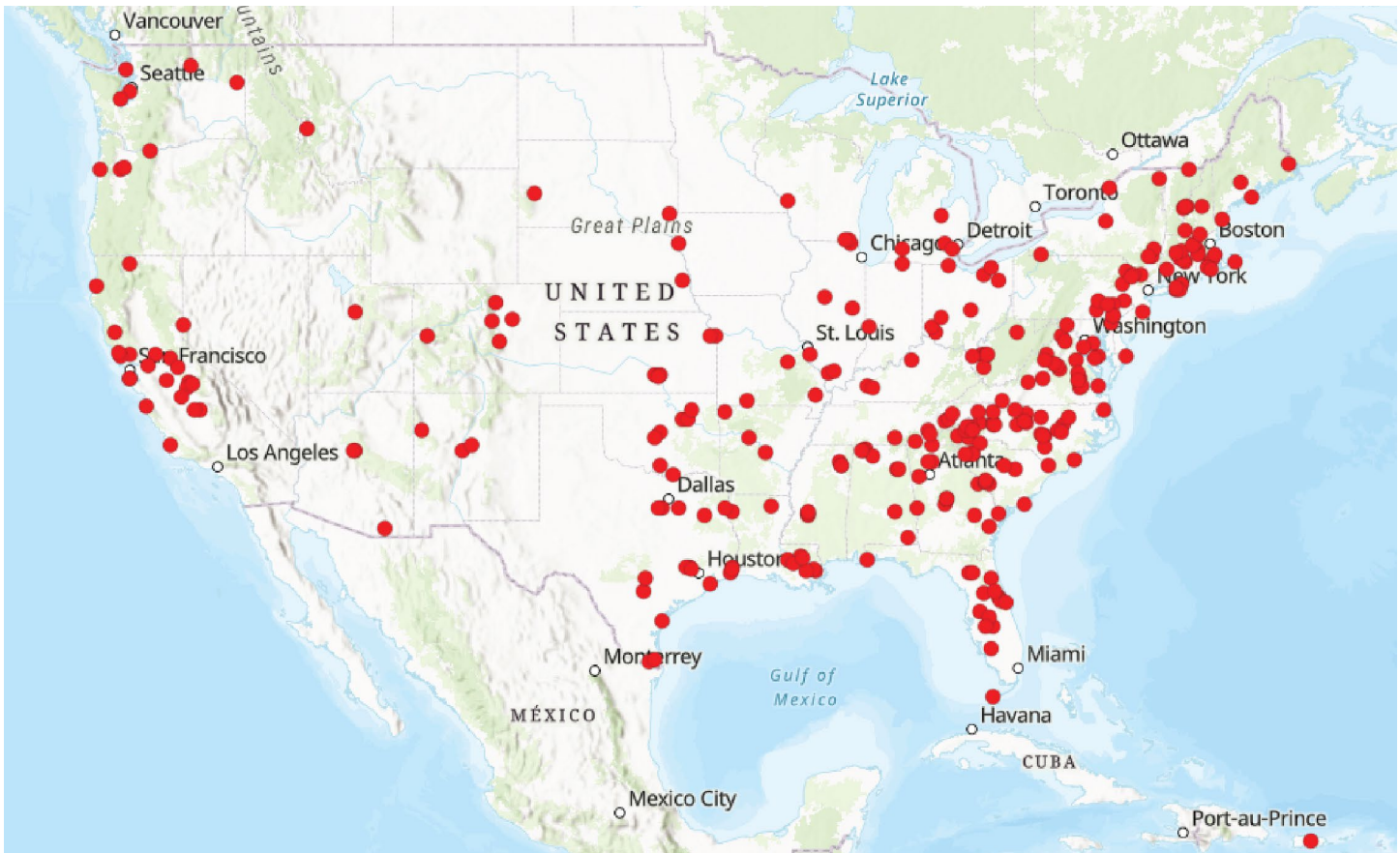
8 Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence, March 23, 2021. See https://about.usps.com/what/strategic-plans/delivering-for-america/assets/USPS_Delivering-For-America.pdf.

increase rates⁹ for competitive PO Boxes to capture new revenue and help bridge the pricing gap with competitors that are priced above the Postal Service. See [sidebar](#) for a summary of recent competitive PO Box prices.¹⁰

- **Get-It-Right Initiative #860** — led by the Vice President, Product Solutions — sought to expand the PRC’s previous five-mile criterion for assessing competitiveness by an additional three miles. The Postal Service subsequently transferred PO Boxes at 291 facilities to the competitive class (from market dominant) in January 2023 (see map of affected locations in Figure 1).

The Postal Service then introduced an additional PO Box initiative in FY 2023 — *Get-It-Right Initiative #446*, led by the Vice President, Product Solutions — aimed at modernizing PO Boxes to better align with the current economic landscape and meet customer demands. The Postal Service is evaluating the PO Box program based on changing demographics, industry standards, market capacity and demand, and PO Box utilization. The Postal Service is also considering other program adjustments including offering premium services to market dominant and no-fee PO Box customers (such as street style addressing that would allow them to receive packages from certain shippers) or focusing on larger sized PO Boxes.

Figure 1. Location of the 291 Facilities Where PO Boxes Were Transferred to the Competitive Class in FY 2023



Source: Federal Register Document Number 2022-26752, Citation 87-FR 75673, December 9, 2022.

⁹ The Postal Service evaluates multiple factors, which differ for market dominant and competitive boxes, when assessing potential price increases. Market dominant PO Box rate increases are allocated within a set rate cap authority, which factors in consumer price inflation, retirement, and density, as determined by the PRC. Competitive PO Box rate increases are based on Postal Service analysis of competitive rates and surveys and price elasticities.

¹⁰ Although not affiliated with a specific initiative, market dominant PO Box prices also were increased during these FYs: 10 percent in FY 2021, 7 percent in FY 2022, and 9 percent in FY 2023.

Finding #1: Inadequate PO Box Program Oversight

“Nationally, in FY 2023, 84 percent of districts did not meet PO Box delivery timeliness targets.”

Management oversight of key PO Box program components was inadequate. Nationally, in FY 2023, 84 percent of districts did not meet PO Box delivery timeliness targets; 31 percent of units did not complete required annual PO Box audit reviews; and staff failed to collect \$5.2 million in unpaid reactivation fees. Locally, our visits to 12 units¹¹ corroborated these issues and identified others, such as staff not completing required

PO Box closure procedures, up-time scans, or semi-annual overflow mail reviews. Continued oversight shortcomings will negatively impact PO Box program finances, operations, customer service, and the Postal Service’s brand.

National Performance

We reviewed national Postal Service FY 2023 PO Box data and found the following concerns:

- 84 percent of districts did not meet PO Box delivery timeliness targets.
- Almost a third of units (31 percent) did not complete required annual PO Box audit reviews (see Table 2). Of the 10,051 units that did not complete the FY 2023 audit, 5,152 units (51 percent) also had not completed an audit in FY 2022.

Table 2. FY 2023 PO Box Service Annual Audit Completion

Organizational Level	Retail Units	Percent Complete	Percent Not Complete
Atlantic	8,988	64%	36%
Central	10,944	76%	24%
Southern	7,378	62%	38%
Western-Pacific	5,440	74%	26%
Nationwide	32,750	69%	31%

Source: OIG analysis of Postal Service WebBATS data. Note: Audits were considered “Not Completed” if there was no record of the audit or the audit was incomplete.

- Staff did not collect about \$5.2 million in unpaid reactivation fees; instead, these fees were waived (see Table 3).

Table 3. PO Box Reactivation Fee Collection, FY 2023

Organizational Level	Reactivations	Reactivations With \$25 Fee Collected	Reactivations With \$25 Fee Not Collected	Estimated Revenue Impact of \$25 Fee Not Collected
Atlantic	179,705	129,887	49,818	\$1,245,450
Central	131,208	81,657	49,551	\$1,238,775
Southern	271,306	226,779	44,527	\$1,113,175
Western-Pacific	215,538	151,950	63,588	\$1,589,700
Nationwide	797,757	590,273	207,484	\$5,187,100

Source: OIG analysis of EDW-RDM data.

¹¹ See Appendix A for additional information on the 12 selected sites.

Local Performance (Site Visits)

Our visits to 12 units corroborated these issues — for example, not meeting timeliness targets, incomplete audit reviews, and failing to collect unpaid reactivation fees — but also identified others related to staff not completing required PO Box closure procedures, up-time scans, or semi-annual overflow mail reviews, as follows:

- **PO Box closure procedures.** Staff at 10 of 12 units did not complete PO Box closure procedures, as required. Some units either (a) provided service to PO Box customers not current on their payments, or (b) did not provide service to PO Box customers to active boxes (see examples in Figure 2).
- **PO Box up-time scans.** Staff at each of the 12 units were not completing all required up-time scans (used to assess delivery timeliness). Notably, the Highland Springs Branch and Richmond – Montrose Height Station locations did not record a PO Box up-time scan for the two-month period between May and June 2024.¹²
- **Semi-annual overflow mail review.** Staff at each of the 12 units did not complete any of the required semi-annual overflow mail reviews. We also observed overflow conditions at 10 of the sites visits (see examples in Figure 3). Some of the overflow boxes we observed had mail postmarked more than 30 days prior to our visit.

Figure 2. Examples of Improper PO Box Closure Procedures



Unit: Richmond – Southside

Issue: Serving Closed PO Boxes

Details: Of the 377 “closed” PO Boxes, we observed 368 that were not “plugged” as required and still able to receive mail. We observed mail in 352 of these PO Boxes.



Unit: Sacramento – Oak Park Station

Issue: Not Serving Current PO Boxes

Details: We observed a “plugged” PO Box, where service would not be provided to eight customers that were current in their payments.

Source: OIG analysis of WebBATS data and observations at the Richmond – Southside Post Office on April 3, 2024, and the Sacramento – Oak Park Station on April 16, 2024.

¹² We analyzed national and district data on PO Box up-time scan performance and over 2 percent of scans were not completed in FY 2023, and three districts did not complete over 10 percent of their scans during that period (New York 1, Alaska, and California 5).

Figure 3. Examples of Mail Overflow



Source: OIG photos taken April 3, 2024, at the Richmond – Southside Station.

Postal Service Position and Outlook

Postal Service leadership was already aware of some of these issues, as follows:

- **Overflow mail reviews:** Leadership sent a letter in March 2023 to notify all field staff about PO Box overflow mail concerns and reiterate the importance of completing the semi-annual reviews.
- **Incomplete annual audit reviews:** We issued a report in 2016 that raised concerns about incomplete annual audit reviews, and the Postal Service agreed to take corrective actions to “develop and implement controls to ensure the Post Office Box Annual Audit Review is completed properly and reviewed by higher level management.”¹³
- **Late PO Box up-times:** We recently issued two reports

“Postal Service officials attributed the collective issues to their focus on other local operational priorities or staff not being aware of these oversight requirements.”

highlighting late PO Box up-times, including concerning performance at units impacted by Sorting and Delivery Centers (S&DCs).¹⁴ Postal Service management agreed to evaluate PO Box up-time performance at impacted units, and has already begun actions to push back up-times at select units and notify affected customers. Most recently, in June 2024, Postal Service management standardized PO Box service up-times for all S&DCs and their downstream spoke offices. Up-times were adjusted based on operational needs to balance when customers can expect the final distribution of their PO Box mail against a more accurate alignment of mail transportation.

Postal Service officials attributed the collective issues to their focus on other local operational priorities or staff not being aware of these oversight requirements. While we recognize local staff often face competing operational priorities, the identified shortfalls resulted from insufficient management oversight of PO Box program performance. The Postal Service has an opportunity to address this insufficient oversight by implementing mechanisms

to better communicate and reinforce PO Box program priorities and oversight requirements related to completing PO Box up-time scans, annual audits, semi-annual overflow reviews, and box closures and collecting reactivation fees.¹⁵

Continued oversight shortcomings will negatively impact PO Box program performance. Financially, we estimated \$8.9 million in revenue shortfall from the Postal Service not collecting reactivation fees in FY 2023 and through the first three quarters of

¹³ USPS OIG, *Management of Post Office Box Service*, Report Number FT-AR-16-004, February 23, 2016.

¹⁴ The Postal Service has begun modernizing its network as part of its Delivering for America 10-year plan, and one of the key initiatives is to consolidate delivery operations from select post offices (local post offices or delivery units) into new, nearby S&DCs. The following OIG work references these S&DC changes, including reporting concerns on related PO Box up-times: USPS OIG, *Review of USPS Sorting and Delivery Centers Opened in Quarters 1 and 2 of FY 2023*, Report Number 23-062-R23, September 12, 2023, and *Sorting and Delivery Center Impacts in the Florida 1 District*, Report Number 23-171-R24, May 28, 2024.

¹⁵ In response to our September 2023 report, the Postal Service completed corrective actions in July 2024 to better identify the cause of late PO Box up-times, ensure up-times are met, and develop a plan to mitigate issues with PO Box up-times prior to opening future S&DCs. As such, we are not including any references to improving PO Box up-time performance in our recommendation.

FY 2024.¹⁶ Further, continued incomplete annual and overflow reviews will hinder the Postal Service's ability to identify operational and data reliability issues. Finally, untimely mail delivery, inadequate scanning, and incomplete box closures could lead to customer complaints and lost PO Box revenue and threaten the Postal Service's overall brand.

Recommendation #1

We recommend the **Vice President, Retail and Post Office Operations**, implement mechanisms to better communicate and reinforce Post Office Box program priorities and oversight requirements, including performing up-time scans, completing annual audit and semi-annual overflow reviews, collecting reactivation fees, and completing box closures.

Postal Service Response

Management agreed with the finding, monetary impact, and recommendation. Regarding the finding, management valued the OIG recognition that the Postal Service has taken proactive steps to address PO Box up-time service performance.

Regarding the monetary impact, management acknowledged there was opportunity for improvement of management processes relating to the unrecoverable revenue losses associated with the collection of PO Box closure and reactivation fees. Regarding recommendation 1, management stated it will communicate and reinforce PO Box program priorities and oversight requirements, including performing up-time scans, completing annual audit and semi-annual overflow reviews, collecting reactivation fees, and completing box closures. In subsequent correspondence, management provided an updated targeted implementation date of June 30, 2025.

OIG Evaluation

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

¹⁶ This estimate was calculated by taking the \$5,187,100 in lost revenue from not collecting pertinent reactivation fees in FY 2023 and the \$3,706,100 in lost revenue from not collecting pertinent reactivation fees in FY 2024, Quarters 1 through 3.

Finding #2: PO Box Program Growth Strategies

The Postal Service’s recent *Get-It-Right* strategies improved and enhanced PO Box revenue and contribution, but future revenues and PO Box utilization may be at risk based on price increases and changing customer preferences. PO Box revenues increased by more than \$250 million (21 percent) between FYs 2021 and 2023, largely due to Postal Service decisions to charge higher rental prices (with regulatory approval) at select units (see Table 4).

Table 4. PO Box Program, FYs 2021-2023

Fiscal Year	Revenues (in millions)			Percent Increase (from prior FY)
	Market Dominant	Competitive	Total	
2021	\$299	\$908	\$1,207	10.2%
2022	\$311	\$1,066	\$1,377	14.1%
2023	\$322	\$1,141	\$1,462	6.2%

Source: FY 2023 and FY 2022 Annual Reports to Congress and Revenue, Pieces & Weight FYs 2021 – 2023.

The revenue increases reflect the realization of the Postal Service’s *Get-It-Right Initiative* goals. However, the Postal Service’s pricing strategy may have put downward pressure on PO Box utilization rates. Nearly 49 percent of all PO Boxes nationwide were vacant in FY 2023, and vacancy rates slightly increased each year, particularly for PO Boxes in the competitive category (see Table 5).

Table 5. PO Box Vacancy Rates, FYs 2021-2023

Fiscal Year	Market Dominant	Competitive	Total
2021	43%	45%	44%
2022	45%	49%	47%
2023	45%	51%	49%

Source: Postal Service WebBATS data.

Postal Service officials recognized the negative pressure that rising prices — along with changing customer preferences and other external factors

— can have on PO Box utilization (see sidebar). The Postal Service also surveyed active and inactive PO Box customers in August 2023 to capture insights into the PO Box program. Inactive customers responded that price increases and changing customer needs drove abandonment of PO Boxes and that those who switched

to competitors’ private mailboxes were influenced by convenience, better pricing, and discounts.¹⁷ Active PO Box customers responded that better communication of PO Box features and benefits could help drive PO Box rentals and that they value the ability to receive packages from third party shippers at their PO Box and 24-hours access. We met with union officials who noted the importance of quality PO Box service and offerings and that if customers vacate their PO Box, it could become detrimental to customer visits and sales at Postal Service retail units.

As mentioned earlier, Postal Service officials stated they are continuing to analyze opportunities to modernize PO Boxes to better align with the current economic landscape and meet customer demands as part of its *Get-It-Right Initiative #446*. Postal Service officials stated they have begun preliminary reviews of key program components as part of this initiative but have yet to complete a more comprehensive strategy to guide the program going forward.

The absence of a comprehensive strategy is counter to leading practices, which suggest that for a key product line, such as PO Boxes, strategic assessments

PO Box Usage & Trends

- Three percent of U.S. households rented PO Boxes from the Postal Service in 2022, compared to one percent renting a similar box from a private company.
- PO Box use has declined sharply since early 2000, when 10 percent of U.S. households rented a PO Box.

Source: FY 2022 Household Diary Study Mail Use & Attitudes.

¹⁷ Both current and inactive customers expressed positive sentiment toward the idea PO Box customers could receive discounts on stamps/postage and shipping services, lock in current rates by signing multi-year PO Box contracts, or receive discounts on PO Box fees or services based on the length of the PO Box contract.

should be conducted periodically to assess program performance and outlook. Such an assessment could include analysis of key program elements including prices, utilization, service, and marketing and how they impact current and prospective customer segments throughout the country. The assessment could also review other program and operational considerations, including the extent to which widespread S&DC expansions could impact PO Box operations, customers, and PRC oversight.¹⁸

With PO Boxes being a crucial access point for many residential and small business customers and generating annual revenues of more than a billion dollars, conducting a comparable strategic assessment would provide leadership useful insights into the PO Box program's current performance and short- and long-term outlook. This information could then be leveraged into developing potential program enhancements to better serve PO Box customers, protect program revenues, enhance utilization, and ensure long-term program success.

Recommendation #2

We recommend the **Executive Director, Product Solutions**, develop a comprehensive, strategic assessment of the Post Office Box program, which would include analysis of how key program components, such as prices, utilization, service, and marketing, impact on current and prospective customer segments and demand across the country.

Postal Service Response

Management disagreed with the finding but agreed with recommendation 2. Regarding the finding, management stated that when compared to its direct competitors offering private mailboxes, PO Boxes in competitive markets were severely underpriced in 2019. It stated the rate increases in competitive PO Box offices were done to remain competitive in the market while offering a product that remained

cost effective and more affordable than the competitors. Management also stated pricing elasticity was favorable, and the Postal Service did not see a significant drop in utilization.

Regarding recommendation 2, management stated it has and will continue to evaluate and adjust to the lifecycle of PO Boxes through analysis of market trends, calculating pricing flexibility, and monitoring PO Box utilization. It stated customer sentiments are measured by conducting internal and external surveys, and it will work closely with internal stakeholders to develop strategies that provide quality service at competitive and fair prices. Management also stated *Get-It-Right initiative #446* will enhance the PO Box product by laying out a roadmap with assessments and the market demand that directly impact current and prospective customer segments. Lastly, management stated that through a continuous awareness campaign, it is continuing the effort to educate current and prospective PO Box customers across the country. In subsequent correspondence, management provided an updated targeted implementation date of August 28, 2025.

OIG Evaluation

Regarding the finding, the OIG maintains that the Postal Service's pricing strategy may have put downward pressure on PO Box utilization rates. This position aligns with what the OIG reported regarding Postal Service officials recognizing the negative pressure that rising prices — along with changing customer preferences and other external factors — can have on PO Box utilization. Regarding recommendation 2, we recognize that corrective actions remain in progress and that management stated they should be completed by August 2025. The OIG considers management's comments responsive to the recommendation, and corrective actions should resolve the issues identified in the report.

¹⁸ The Postal Service is required to seek a PRC advisory opinion in instances it makes a "change in the nature of postal services, which generally affect service on a nationwide or substantially nationwide basis."

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Appendix A: Additional Information

Scope and Methodology

Our objective was to assess the management of the Postal Service’s PO Box program, including growth strategies. To accomplish our objective, we:

- Reviewed applicable laws, regulations, policies, and procedures related to PO Box management and oversight.
- Reviewed PO Box data from SPMS, WebBATS, and EDW on service performance (PO Box up-time), inventory, vacancy rates, wait lists, revenue, and oversight (PO Box Audit Reviews and Semiannual Check of Overflow Mail).
- Conducted site visits to 12 judgmentally selected retail units (see Table 6) to observe and assess oversight of PO Box operations and understand field staff perspectives of potential PO Box revenue growth strategies and opportunities. The units were selected from a district within each of the Postal Service’s four retail and delivery areas — Atlantic, Central, Southern, and Western-Pacific — using a variety of factors including vacancy rates, PO Box fee groups (market dominant and competitive), and geographic clustering. In each of the selected districts, we chose units for fieldwork in each of the following three categories: (1) market dominant, (2) competitive, and (3) one of the 291 newly converted to competitive in January 2023.
- Interviewed various Postal Service Headquarters officials, such as members of the Headquarters Post Office Operations, Product Management, and Pricing and Costing staff, as well as District and local management to discuss oversight process and tools, performance measures, and strategies and initiatives to improve PO Box revenues, utilization, and occupancy.
- Reviewed PO Box service and pricing, customer complaints, and customer satisfaction information in the OIG’s hotline complaint system and the Postal Service’s C360 application.
- Reviewed Postal Service policies, processes, and initiatives for improving PO Box revenues, utilization, and occupancy, including potential growth strategies in the 10-year plan (including related *Get It Right* plans and initiatives) and other supporting documents.
- Reviewed past Postal Service OIG audit work.

Table 6. Retail Unit Site Selection, FY 2023 Data

Area/District	Facility Name	Classification	Total Boxes	Vacancy Rate
Atlantic Area Virginia District	Highland Springs Branch	Newly Competitive	368	46%
	Richmond - Montrose Heights	Market Dominant	997	49%
	Richmond - Southside	Competitive	824	54%
Central Area Ohio District	Canton - NE Waterworks Station	Market Dominant	450	70%
	Cleveland - Beachland Station	Newly Competitive	448	56%
	Cleveland - West Park Station	Competitive	887	79%
Southern Area Texas 1 District	Forreston Post Office	Market Dominant	200	35%
	Dallas Main Post Office	Competitive	2,267	20%
	Joshua Post Office	Newly Competitive	1,530	69%
Western-Pacific Area California 2 District	Sacramento - Oak Park Station	Competitive	718	37%
	Weimar Post Office	Market Dominant	896	19%
	Wilton Post Office	Newly Competitive	168	20%

Source: OIG site selection using WebBATS data. Note: Retail Units converted to the competitive classification on January 23, 2023.

We conducted this performance audit from January through September 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 August 6, 2024, and included their comments where appropriate.

In planning and conducting the audit, we obtained an understanding of the PO Box operations internal control structure to help determine the nature, timing, and extent of our audit procedures. We reviewed the management controls for overseeing the program and mitigating associated risks. We also assessed the internal control components and underlying

principles, and we determined the following five components were significant to our audit objective: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. We developed audit work to ensure that we assessed these controls. Based on this work, we identified internal control deficiencies related to Control Activities, Control Environment, Information and Communication, and Monitoring that were significant within the context of our objectives. Our recommendations, if implemented, should correct the weaknesses we identified.

We assessed the reliability of EDW-RDM, SPMS, and WebBATS data by performing tests for data completeness, reasonableness, accuracy, and validity. We compared data across systems, observed operations, evaluated differences in the data, and interviewed Postal Service officials knowledgeable of the data. We determined 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>Sorting and Delivery Center Impacts in the Florida 1 District</i>	To assess the impact of the Postal Service's S&DC implementation in the Postal Service's Florida 1 District.	23-171-R24	May 28, 2024	██████████
<i>Review of USPS Sorting and Delivery Centers Opened in Quarters 1 and 2 of FY 2023</i>	To assess the effectiveness of communications with stakeholders and identify successes, opportunities, and lessons learned during the launch of the new S&DCs.	23-062-R23	September 12, 2023	\$0
<i>Service Performance During the Fiscal Year 2023 Peak Mailing Season</i>	To evaluate the Postal Service's performance during the FY 2023 peak mailing season and the implementation of its peak season preparedness plan.	23-025-R23	July 13, 2023	\$0
<i>Management of Post Office Box Service</i>	To assess the management of PO Box rent revenue.	FT-AR-16-004	February 23, 2016	\$0

Appendix B: Management's Comments



August 27, 2024

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Service Optimization: Post Office Boxes (Report Number 24-017-DRAFT).

Thank you for providing the Postal Service with an opportunity to review and comment on the findings and recommendations contained in the draft audit report, Service Optimization: Post Office Boxes (Report Number 24-017-DRAFT).

The Postal Service acknowledges there is opportunity for improvement of management processes relating to the unrecoverable revenue losses associated with the collection of PO Box closure and reactivation fees. Management agrees with the monetary impact.

The following are our comments on both findings and recommendations.

Finding #1: PO Box Program Oversight

Management agrees with finding #1 and values the OIG's recognition that "The Postal Service has taken pro-active steps to address PO Box Up-time service performance."

Finding #2: PO Box Program Growth Strategies

Management disagrees with finding # 2. When compared to our direct competitors offering Private Mailboxes (PMB), PO Boxes in Competitive markets were severely underpriced in 2019. The rate increases in Competitive PO Box offices were done to remain competitive in the market while offering a product that remains cost effective and more affordable than the competitors. Pricing elasticity was favorable, and the USPS did not see a significant drop in utilization.

Recommendation 1:

We recommend the Vice President, Retail and Post Office Operations, implement mechanisms to better communicate and reinforce Post Office Box program priorities and oversight requirements, including performing up-time scans, completing annual audit and semi-annual overflow reviews, collecting reactivation fees, and completing box closures.

Management Response/Action Plan:

Management agrees with this recommendation.

Postal Management will communicate and reinforce priorities and oversight requirements to address performance for the following areas: PO Box Up-time scans, annual audits and semi-annual overflow reviews, reactivation fees, and PO Box closures.

Target Implementation Date: 06/27/25

Responsible Official: Manager, Post Office Operations Strategy, Planning, & Optimization

Recommendation 2:

We recommend the Executive Director, Product Solutions, develop a comprehensive, strategic assessment of the Post Office Box program, which would include analysis of how

key program components, such as prices, utilization, service, and marketing, impact current and prospective customer segments and demand across the country.

Management Response/Action Plan:

Management agrees with this recommendation:

- Product Management has and continues to evaluate and adjust to the lifecycle of PO Boxes. This includes analyzing market trends, calculating pricing flexibility, and monitoring PO Box utilization. Customer sentiments are measured by conducting internal and external surveys. We work closely with internal stakeholders to develop strategies that focus on providing quality service at competitive and fair prices for all PO Box customers.
- Get-It-Right initiative # 446 to enhance PO Box product lays out a roadmap with assessments of the product and the market demand that directly impact current and prospective customer segments.
- Through our continuous awareness campaign, as developed and shared in March 2024, we are continuing the effort to educate current and prospective PO Box customers across the country.

Target Implementation Date: 09/30/2025

Responsible Official: Director, Product Management (Special Services)

E-SIGNED by ELVIN MERCADO
on 2024-08-27 18:54:28 EDT

Elvin Mercado
Vice President, Retail and Post Office Operations

E-SIGNED by MARGARET.M PEPE
on 2024-08-28 09:20:25 EDT

Margaret Pepe
Executive Director, Product Solutions

cc: Corporate Audit & Response Management

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