

Assessment of Changes to Air Transportation Contracts

AUDIT REPORT

Report Number 25-022-R25 | June 23, 2025



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Highlights

Background

The U.S. Postal Service transitioned its primary air cargo contract from one carrier to another on September 30, 2024, to further align its transportation strategy with anticipated Delivering for America network changes. This new agreement, valued at approximately \$10 billion for the contracting period, is expected to streamline operations by consolidating volumes and reducing overall transportation costs. During the first quarter of fiscal year (FY) 2025, the Postal Service assigned 7 percent less volume to the air network and reduced spending by 43 percent compared to FY 2024.

What We Did

Our objective was to evaluate the U.S. Postal Service's air transportation network changes under its new air agreement. Specifically, we compared key provisions of the new carrier agreement to the previous carrier agreement, focusing on cost and service performance, and reviewed execution of services by both the new carrier and the Postal Service. We also conducted site visits at the new carrier's hub, seven processing facilities, and 11 post offices to observe and validate performance related to processing, scanning, hazardous material (HAZMAT) mail acceptance, loading and unloading of containers, and surface transportation.

What We Found

The new contract allows lower contract rates and improved supplier flexibility, while providing opportunities to increase service performance. However, we could not determine whether the new carrier met the service performance requirement because the Postal Service's Air Carrier Performance report does not provide accurate service performance scores. We also found packages identified as HAZMAT were mistakenly entering the new carrier's network. Acceptance of HAZMAT to the wrong network could risk physical damage to air cargo transportation. Additionally, Postal Service employees at the surface feeder sites failed to perform required scans. These issues could limit the Postal Service's ability to assess performance, ensure timely mail delivery, and maintain mail visibility.

Recommendations and Management's Comments

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

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

June 23, 2025

MEMORANDUM FOR: PETER ROUTSOLIAS
SENIOR VICE PRESIDENT, LOGISTICS

TERRENCE TOWNSEND
SENIOR DIRECTOR, TRANSPORTATION STRATEGY

ROBERT CINTRON
VICE PRESIDENT, LOGISTICS

ELVIN MERCADO
CHIEF RETAIL & DELIVERY OFFICER AND EXECUTIVE
VICE PRESIDENT

STEPHEN DEARING
VICE PRESIDENT, CHIEF DATA & ANALYTICS OFFICER

DANE COLEMAN
VICE PRESIDENT, PROCESSING OPERATIONS

Mary H. Lloyd

FROM: Mary Lloyd
Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Audit Report – Assessment of Changes to Air Transportation Contracts
(Report Number 25-022-R25)

This report presents the results of our audit of Assessment of Changes to Air Transportation Contracts.

All recommendations require U.S. Postal Service Office of Inspector General's (OIG) concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. All recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Laura Roberts, Director, Transportation, 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 Assessment of Changes to Air Transportation Contracts (Project Number 25-022). Our objective was to evaluate the U.S. Postal Service's air transportation network changes under its new air agreement. Specifically, we compared key provisions of the new carrier agreement to the previous carrier agreement, focusing on cost and service performance, as well as reviewed execution of services by both the new carrier and the Postal Service. See [Appendix A](#) for additional information about this audit.

Background

A core strategy of the Postal Service's Delivering for America plan, published March 23, 2021, is to optimize and improve transportation efficiency, decrease dependence on air transportation, and increase use of surface transportation. To support this strategy, the Postal Service entered into a new air transportation agreement to better align with future Delivering for America network changes.

With this redesign and its prior primary agreement set to expire on September 29, 2024, the Postal Service awarded its new primary air cargo contract to a new carrier. The new agreement, effective September 30, 2024, through March 2030, has a total estimated value of over \$10 billion for the contract period.¹ Under the new agreement, the

Postal Service transitioned its First-Class Mail, Priority Mail, and some Priority Mail Express from the previous carrier to the new carrier. However, the previous carrier still transports mail requiring special handling, such as hazardous material (HAZMAT), live animals, and perishable goods. The Postal Service expects this new agreement will help achieve its operational and financial sustainability goals, by consolidating volumes and reducing overall transportation costs.

Air Network Assignments

In its efforts to decrease dependence on air transportation, the Postal Service has initiated air to surface changes, which resulted in more mail moving on its surface network. In the first quarter of fiscal year (FY) 2025, the Postal Service assigned about 327 million pounds to the air network. This is a reduction of 7 percent compared to the same period in FY 2024 (see Table 1).

Additionally, the new air cargo agreement transferred most air volume from the previous carrier to the new carrier. Prior to FY 2025, the previous carrier was the main air cargo carrier for the Postal Service, carrying over 984 million pounds of air mail (71 percent) in FY 2024. For the same period, the new carrier was assigned 244 million pounds (18 percent).² However, in the first quarter of FY 2025 under the new agreement, the Postal Service assigned over 279 million pounds (85 percent) to the new carrier and about 13 million pounds (4 percent) to the previous carrier (see [Figure 1](#)).

Table 1. Air Network Assignments

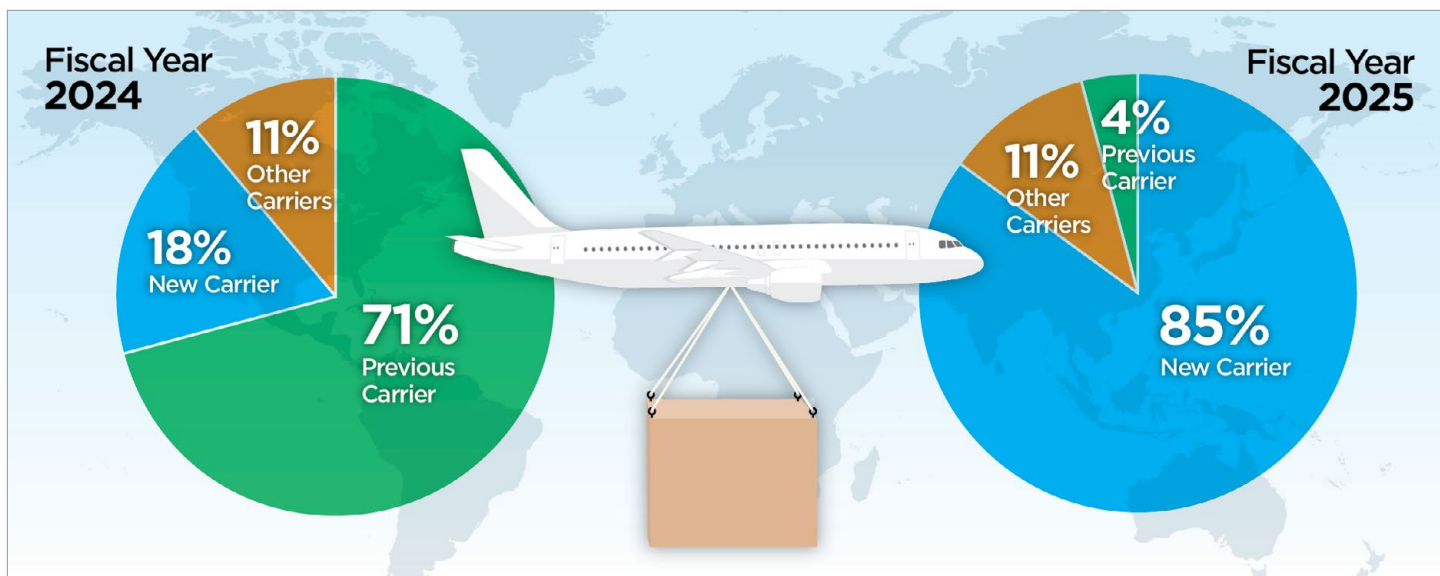
	FY 24-Q1	FY 25-Q1	Difference
Air Network Assignments (Pounds)	353,104,661	327,464,500	-7%

Source: U.S. Postal Service Office of Inspector General (OIG) review of air network assignments for quarter 1 of FY 2024 and FY 2025.

¹ According to the agreement, the dollar amount is an estimate only and may increase or decrease.

² The remaining 11 percent of air assignments were carried by supplemental or commercial carriers that were contracted by the Postal Service.

Figure 1. Air Mail Assignments by Carrier



Source: OIG review of air carrier assignments.

Air Transportation Costs

With its new air cargo agreement, the Postal Service realized an initial cost savings for the first quarter of FY 2025 following contract implementation. Specifically, the Postal Service spent about \$641 million on air transportation costs during the first quarter of FY 2024. During the first quarter of FY 2025, under the new agreement, the Postal Service spent about \$364 million³ on air transportation costs. This is a reduction of 43 percent compared to the same period in FY 2024 (see Table 2).

Prior Audit Issues

The OIG issued several reports addressing the reliance on the air transportation network over the last five years. Most recently, in November 2023, the OIG reported that the Postal Service did

not accurately plan air weight capacity on the specific lanes for the aviation supplier. As a result, the Postal Service paid the aviation supplier about \$25.7 million annually for unused capacity because it did not meet the minimum weight requirement. Additionally, the Postal Service did not reconcile minimum air weight commitments using its own calculation of actual weight tendered to the aviation supplier. Rather, it used the weight provided by the aviation supplier without verifying its accuracy. The OIG recommended the Postal Service (1) develop a process to confirm future transportation changes are incorporated into the forecast model, (2) reissue guidance for tendering mail, (3) update the instructions, and (4) reassess or redefine the responsibilities for the reconciliation process.

Table 2. Air Network Payments⁴

	FY 24-Q1	FY 25-Q1	Difference
Air Network Payments	641 million	364 million	-43%

Source: OIG review of air network payments in FY 2024 and FY 2025, quarter 1.

³ This payment amount does not include any increases or deductions as a result of the reconciliation process between the Postal Service and the new carrier. Reconciliation of scanning and payment records between the Postal Service and the supplier will be conducted on an Operating Period basis, starting not more than ninety (90) days after the close of an Operating Period, or a time frame as agreed mutually by the parties. At the time of our audit, the reconciliation process was not complete.
⁴ These figures include payments to supplemental or commercial carriers but exclude costs associated with Terminal Handling Services.

To address the recommendations, management conducted stand-up talks and reissued guidance reiterating the importance of tendering mail to the assigned aviation supplier. The Postal Service also issued updated Standard Operating Procedures for the new carrier's reconciliation process and duties and responsibilities for Postal Service employees working in the Transportation Strategy, Logistics Modeling and Analytics, Corporate Accounting, and Air Logistics groups.

Findings Summary

The new air cargo agreement is more favorable to the Postal Service than its prior agreement in terms of cost, number of airstops, and flexibility. However, we found opportunities for improvement in

Postal Service operations under the new agreement. First, the Postal Service cannot accurately measure the new carrier's performance because the current report reflects mailpieces that should have been excluded from performance measurements in accordance with the contractual terms. In addition, postal employees are accepting and tendering packages identified as HAZMAT to the new carrier's network, resulting in delayed mail and potentially dangerous conditions. Finally, postal employees are not performing the required scans of mail moving on surface feeder⁵ trips to the new carrier's hub, thereby reducing the Postal Service's visibility over the mail and its associated ability to efficiently schedule employees and operations.

⁵ A surface feeder is a location where mail for the new carrier network is loaded and unloaded using surface transportation.

Finding #1: Air Cargo Agreement Changes

The key provisions in the new air carrier agreement⁶ are more favorable to the Postal Service than corresponding provisions in its prior agreement with the previous carrier.⁷ Specifically, with the new carrier, the Postal Service lowered costs, consolidated airstops, and increased flexibility with lower volume commitments and more planned capacity. Additionally, the new contract increases the required percent of mail and packages transported on time, compared with the last contract. (see Table 3).

The Postal Service faced increasing costs as the air cargo industry raised rates in the aftermath of e-commerce growth from the COVID pandemic. In its award decision – which applied the Postal Service’s Supplying Principles and Practices to obtain best value⁸ – the Postal Service considered supplier

capability, contract duration, and financial stability. This award allows the Postal Service to reduce air transportation costs through lower contract rates and improved supplier flexibility, while also improving service performance.

We consider the changes in provisions with the new air cargo agreement to be beneficial to the Postal Service; therefore, we are not making a recommendation at this time.

Postal Service Response

Postal Service management did not provide official comments on, or state whether it agreed with, this finding.

Table 3. Comparison of Key Provisions in Air Cargo Contracts

Provision	Previous Carrier	New Carrier	Change
Linehaul Rate ⁹	[REDACTED]	[REDACTED]	[REDACTED]
Airstops ¹⁰	[REDACTED]	[REDACTED]	[REDACTED]
Planned Minimums ¹¹	[REDACTED]	[REDACTED]	[REDACTED]
Planned Capacity ¹²	[REDACTED]	[REDACTED]	[REDACTED]
Service Performance	[REDACTED]	[REDACTED]	[REDACTED]

Source: OIG analysis of air cargo contracts.

6 ACN-24-the new carrier Statement of Work.
 7 ACN-13-the previous carrier Statement of Work.
 8 Postal Service Supplying Principals and Practices Website, “Principles.”
 9 Linehaul is the transporting of mail between origin and destination locations. The rate is for comparable pricing rates for the previous carrier and the new carrier.
 10 Airstops are service points where the supplier must hand off mail to the Postal Service.
 11 The minimum volume that the Postal Service agrees to tender to the new carrier in relation to its planned volume.
 12 Volume that the new carrier and the Postal Service have agreed to.

Finding #2: Service Performance Reporting

We found that the Air Carrier Performance report used by the Postal Service to measure air carrier performance does not provide accurate service performance scores. Therefore, we were unable to determine whether the new carrier met the [REDACTED] percent service performance requirement for the operating periods¹³ in quarter 1 of FY 2025.

The Air Carrier Performance report measures performance by calculating the percentage of handling units¹⁴ delivered on time to their destination, compared to the total number of handling units. According to the report, the new carrier's performance was [REDACTED] percent for quarter 1 of FY 2025. However, the report includes units waived under agreed "Force Majeure" activities, which account for circumstances beyond the supplier's control.¹⁵ Additionally, it overlooks a clause in the air carrier contract that allows a later delivery time for a part of the mail tendered¹⁶ on Saturdays.

Regarding Force Majeure procedures,¹⁷ if declared by the Postal Service or the new carrier, certain service performance requirements may be adjusted, and penalties waived. Once approved, a Force Majeure excuses both parties from their obligations regarding volume guarantees or service performance. Additionally, the contract specifies that part of the volume tendered and flown into any destination for Saturday operating plans will be scheduled for delivery on Saturday, while the remaining volume will be committed to delivery on Sunday.¹⁸

If the new carrier's calculated performance is less than the [REDACTED] percent requirement, a reduction in payment can be assessed for the late handling units. At the time of our audit, the Postal Service had not completed the reconciliation process for quarter 1 operating periods. As a result, we were unable to determine if any reductions in payment

should have occurred for service performance below [REDACTED] percent. Postal Service Headquarters officials stated that they added a new reporting tool in January 2025 to more accurately reflect the new carrier's performance and facilitate the reconciliation process beginning in quarter 2. This report is expected to be updated weekly by the end of April 2025 and will be shared with internal stakeholders.

“When Air Carrier Performance reports do not provide accurate service performance scores, potential issues may remain undetected or improperly addressed, perpetuating inefficiencies.”

When Air Carrier Performance reports do not provide accurate service performance scores, potential issues may remain undetected or improperly addressed, perpetuating inefficiencies. Misrepresentation of performance, whether by overstating or understating the carrier's actual results, can significantly affect decision-making and accountability. Inaccurate data may also obscure true performance trends, hindering efforts to identify areas for improvement or replicate successful strategies, ultimately leading to inefficient operations. Furthermore, trust from customers, partners, and stakeholders, who rely on precise performance metrics to evaluate reliability and efficiency, may be compromised due to incorrect reporting. These inaccuracies can result in resource misallocation, such as focusing on non-existent problems or neglecting critical issues.

¹³ A scheduled period ranging from four to five weeks as agreed to between the Postal Service and supplier.

¹⁴ A handling unit is an individual piece of mail or a receptacle that contains multiple pieces of mail (such as loose sacks, pouches, trays, and flat tubs).

¹⁵ A Force Majeure excuses the Postal Service and the new carrier from their contract obligations when conditions beyond their control exist, such as local and national weather and airport closures.

¹⁶ The drop-off, at an origin service point, of mail assigned by the Postal Service to the aviation supplier.

¹⁷ According to Attachment 21, a Force Majeure declaration must occur within 24 hours of the event, accompanied by a written summary justifying the claim.

¹⁸ Attachment 3 outlines provisions for adjusting required delivery times on Saturdays.

Recommendation #1

We recommend the **Vice President, Logistics**, in coordination with the **Vice President, Chief Data and Analytics Officer**, determine whether the Air Carrier Performance report should be used as the official record of the new carrier's service performance and update performance reporting, as appropriate, to ensure stakeholders have timely and accurate performance data.

Postal Service Response

Postal Service management agreed with finding 2 and recommendation 1. Regarding the recommendation, management stated that the Air Carrier Performance report should not be used as the official record of the new carrier's service performance and therefore will not be updated. Management stated that data obtained from its new reporting tool will be used to calculate the air carrier performance achievement. It provided a target implementation date of June 30, 2025.

OIG Evaluation

Regarding recommendation 1, we consider management's comments responsive, and corrective actions should resolve issues identified in the report.

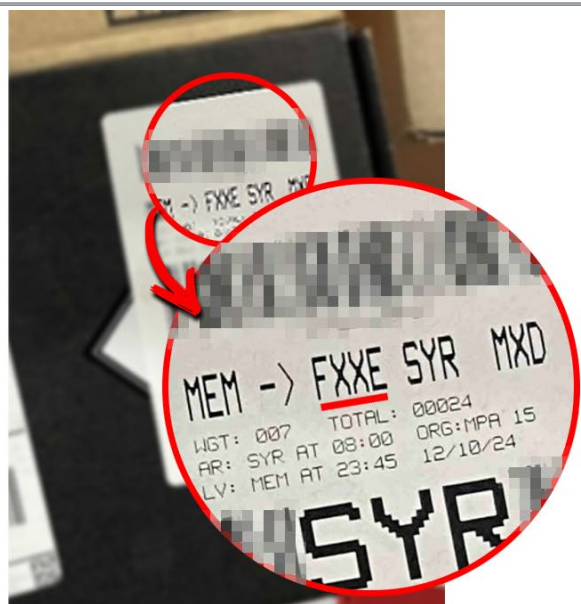
Finding #3: Handling of Potentially Hazardous Material

We found that packages potentially containing HAZMAT were entering the new carrier's network. According to Postal Service management, mailable HAZMAT packages may only be sent to the previous carrier for transport by air or planned surface transportation. Specifically, during our audit, we observed packages identified as HAZMAT that were incorrectly sent to the new carrier's hub for processing or were tendered to the new carrier network, when assigned to the previous carrier.

When Postal Service packages arrive at the new carrier's hub, the new carrier's employees identify and remove packages with HAZMAT markings

from their operations and send them to a local Postal Service processing facility for reprocessing and distribution. The new carrier sends daily reports to the Postal Service on HAZMAT packages found at its facility. In the first quarter of FY 2025, the new carrier reported a total of 2,411 HAZMAT-marked packages at the new carrier's hub. Of the 2,411 packages reported by the new carrier, we observed 70 packages with HAZMAT markings during our site visit. These 70 packages included HAZMAT with the previous carrier's labels and re-used packages with improperly removed HAZMAT markings (see Figures 2 and 3).

Figure 2. Missent HAZMAT at the New Carrier's Hub and HAZMAT With the Previous Carrier's Label



Source: OIG photos taken December 10, 2024.

Figure 3. Package at the New Carrier’s Hub With Improperly Removed HAZMAT Markings



Source: OIG photo taken December 10, 2024.

We also found that during the first quarter of FY 2025, 84 out of about 29,000 HAZMAT packages assigned to the previous carrier’s network erroneously moved end-to-end through the new carrier’s network. These packages, which originated in different locations, received “break” scans¹⁹ at a destinating Postal Service facility. While we recognize that this represents a small percentage of the total HAZMAT packages assigned to the previous carrier’s network, tendering HAZMAT to the wrong network poses a risk to the security of the mail. We also noted that the number of packages declined from October 2024 through December 2024; therefore, we are not making a recommendation to address HAZMAT tendered to the wrong network.

Postal Service officials recognized the importance of addressing HAZMAT issues and significantly increased efforts to enhance oversight in this critical area. As part of these initiatives, the Postal Service implemented advanced technology solutions, including new software on mail processing machines in plants to detect HAZMAT markings on

packages. To ensure frontline employees are well-equipped, the Postal Service also conducted in-person training sessions for retail clerks on proper HAZMAT acceptance procedures. Additionally, the Postal Service anonymous retail customer experience survey evaluates HAZMAT acceptance.

Regardless of these initiatives, HAZMAT packages still erroneously moved via the new carrier because either retail employees did not consistently screen packages for HAZMAT markings at acceptance before sending them to the processing facility or because employees at processing plants did not separate packages with HAZMAT markings or did not follow the designated transportation routings for mailable HAZMAT packages. The Postal Service requires employees to ask or prompt customers to indicate whether a package contains HAZMAT. Additionally, the Postal Service and Postal Inspection Service have issued education materials, including a counter guide for employees on HAZMAT acceptance procedures and signage to be displayed in the customer-accessible areas.²⁰ Further, mail processing employees are required to identify and remove prohibited HAZMAT from the mail before it is sorted on a processing machine.

For example, the U.S. Postal Inspection Service regularly tests HAZMAT acceptance procedures to determine whether employees consistently inspect packages for HAZMAT markings before sending them to the processing facility. During a recent test of 630 retail clerks, less than 80 percent demonstrated the correct HAZMAT procedures.²¹ While 491 of the 630 clerks (78 percent) asked about HAZMAT, only 461 of the 491 clerks (73 percent) asked the entire question, which specifically references lithium batteries.²² Additionally, only 182 of the 630 clerks (29 percent) demonstrated the correct procedure for accepting a HAZMAT package (see [Table 4](#)). Remedial training is given when the clerks fail the test.

¹⁹ Break scans occur when mail is unloaded at destinating facilities.

²⁰ *Standard Operating Procedures Handling and Processing of Hazardous Materials*, 505 HAZMAT Job Aids, March 2024.

²¹ The Postal Service’s HAZMAT question performance goal is 99 percent.

²² The Postal Service Publication 52, *Hazardous, Restricted, and Perishable Mail*, September 7, 2023.

Table 4. HAZMAT Retail Acceptance Test Results

Assessment	Yes	No	Percent Correct
Asked partial HAZMAT question	491	139	78
Asked complete HAZMAT question	461	169	73
Inspected six sides of package	182	448	29

Source: Postal Service data for October 2024 through January 2025.

While conducting site visits at processing facilities²³ that send mail on the new carrier’s network, we visited 11 nearby post offices. At these post offices, we observed HAZMAT instructions and signage for employees and customers were not always present or visible. For example, clerks at two of the post offices were not aware of the retail acceptance counter guide recently issued by the Postal Service. Further, at four of the 11 offices visited, required signage was not posted, including the instructions on correctly removing HAZMAT labels from reused packages.

When HAZMAT is incorrectly accepted and processed, mail may not be properly routed, requiring additional handling and causing the mail to be delayed. This impacts the Postal Service’s ability to meet service standards and customer expectations. For example, we reviewed delivery information for 779 packages incorrectly tendered to the new carrier network by the Postal Service. These packages were separated at the new carrier’s hub and then sent to the nearby processing facility for reprocessing. We determined that the average days of delivery for this mail was 17 days. Further, improperly marked HAZMAT tendered to the air network when it should be on the surface network can contribute to catastrophic incidents during flight or upon landing,²⁴ as well as cause fire or safety hazards in the delivery, sorting, and processing facilities.

“When HAZMAT is incorrectly accepted and processed, mail may not be properly routed, requiring additional handling and causing the mail to be delayed.”

Recommendation #2

We recommend the **Chief Retail and Delivery Officer and Executive Vice President**, implement additional accountability measures for retail units with clerks who fail retail acceptance testing more than once.

Recommendation #3

We recommend the **Chief Retail and Delivery Officer and Executive Vice President**, require retail and delivery units to certify that all current hazardous material signage and counter guides be displayed and accessible.

Postal Service Response

The Postal Service disagreed with this finding but agreed with recommendations 2 and 3. Regarding the finding, management stated that the OIG focused only on results taken from a very small sampling of just 630 employees rather

²³ Birmingham Annex and Birmingham, Reno, and Sacramento Processing and Distribution Centers.

²⁴ A fire caused by Lithium-type batteries, which are HAZMAT, contributed to the September 3, 2010, crash of one of the new carrier’s international cargo planes and the loss of its crew. Federal Aviation Administration, Boeing 747-44AF: The new carrier Flight 6, N571UP. https://www.faa.gov/lessons_learned/transport_airplane/accidents/N571UP accessed January 22, 2025.

than using FY 2025 year-to-date results from over 41,000 evaluations by external reviewers and 13,000 Postal Service-conducted evaluations.

Regarding recommendation 2, management stated that they implemented a robust system that requires units to retrain all retail employees and certify completion any time a potentially hazardous mail piece is identified from a specific origin ZIP Code. Regarding recommendation 3, management stated they implemented an Annual HAZMAT Certification in March 2025 as part of a separate initiative having all 30,005 retail units certify that current HAZMAT signage and counter guides are displayed and accessible. Management provided a target implementation date for both recommendations of July 31, 2025.

OIG Evaluation

Regarding management's disagreement with finding 3, we acknowledge that the Postal Service is conducting ongoing external and internal

customer experience surveys; however, the results of the Inspection Service's HAZMAT acceptance testing from October 2024 to January 2025 aligned with the timing of our observations. These results showed that less than 80 percent of retail clerks demonstrated correct HAZMAT acceptance procedures, despite the Postal Service's HAZMAT performance goal of 99 percent.

Regarding recommendations 2 and 3, we consider management's comments responsive, and corrective actions should resolve the issues identified in the report.

Finding #4: Scanning at Surface Feeder Sites

We found problems at all nine surface feeder sites we reviewed with Postal Service employees not performing the required build and/or break scans. While build scans are performed to load the handling units into the trailers, break scans are performed to unload the handling units from the trailers. These scans provide end-to-end tracking and provide greater visibility into the mail moving through the air

cargo network. At three of the surface feeder sites we visited,²⁵ we observed mail handlers not performing the required scans of handling units while loading and unloading trailers. Additionally, we reviewed scanning data for quarter 1 of FY 2025 and found that employees at surface feeder sites failed to perform build scans 93 percent of the time, and break scans 97 percent of the time (see Table 5 and 6).

Table 5. Surface Feeder Missed Build Scans FY 2025 Quarter 1

Origin	Tendered Handling Units	Handling Units Missing Build Scan	Percent Handling Units Missing Build Scan
Birmingham, AL (BHM)	59,418	58,003	97.62%
Nashville, TN (BNA)	134,622	77,633	57.67%
Columbus, OH (CMH)	163,355	160,645	98.34%
Charleston, WV (CRW)	58,141	57,644	99.15%
Cincinnati, OH (CVG)	243,674	239,892	98.45%
Indianapolis, IN (IND)	171,179	167,482	97.84%
Louisville, KY (SDF)	186,032	183,190	98.47%
Saint Louis, MO (STL)	125,199	123,142	98.36%
Knoxville, TN (TYS)	100,906	90,582	89.77%

Source: OIG review of Postal Service scanning data October 1 through December 31, 2024.

Table 6. Surface Feeder Missed Break Scans FY 2025 Quarter 1

Surface Feeder Destination	Destinating Handling Units	Handling Units Missing Break Scan	Percent Handling Units Missing Break Scan
Birmingham, AL (BHM)	88,482	86,827	98.13%
Nashville, TN (BNA)	126,597	121,963	96.34%
Columbus, OH (CMH)	132,865	131,142	98.70%
Charleston, WV (CRW)	61,376	60,549	98.65%
Cincinnati, OH (CVG)	121,373	119,706	98.63%
Indianapolis, IN (IND)	224,481	215,112	95.83%
Louisville, KY (SDF)	182,617	179,186	98.12%
Saint Louis, MO (STL)	179,562	177,587	98.90%
Knoxville, TN (TYS)	86,388	80,798	93.53%

Source: OIG review of Postal Service scanning data October 1 through December 31, 2024.

²⁵ Louisville Processing and Distribution Center, Birmingham Annex, and the St. Louis Network Distribution Center.

Under the Postal Service’s new agreement, all nine surface feeder sites send and receive mail to and from the new carrier’s hub via surface transportation. Postal Service employees are responsible for performing build scans on handling units loaded onto trucks destined for the new carrier’s hub, and break scans when unloading trailers from the new carrier’s hub. The Postal Service requires that handling units moving on the new carrier’s network be scanned during movement.²⁶

The proper scanning did not occur because of network connectivity issues and a lack of consistent communication and direction from headquarters to the field. Specifically, a headquarters official stated that ongoing network connectivity issues at one surface feeder site have limited the extent that build and break scores were recorded.²⁷ Further, while air transportation operations issued Standard Work Instructions detailing how to perform build and break scans, headquarters processing officials stated that they were not aware of poor build and break scan performance because the air transportation operations group does not consistently share performance data, and the processing officials do not have access to the data.

When handling units are not scanned, plant management at processing facilities lose visibility over mail moving through the air cargo network. Additionally, knowing when mail arrives and departs prepares plant management to schedule employees and operations more efficiently.

“When handling units are not scanned, plant management at processing facilities lose visibility over mail moving through the air cargo network.”

Recommendation #4

We recommend the **Vice President, Logistics**, in coordination with the **Vice President, Processing Operations**, require surface feeder sites to report out on daily scan performance with a plan for improving scan performance.

Recommendation #5

We recommend the **Vice President, Processing Operations**, develop a process to monitor and evaluate scanning performance to determine if required daily scans are performed at the surface feeder sites.

Postal Service Response

Management did not state whether it agreed with finding 4, but agreed with recommendations 4 and 5. Regarding the recommendations, management stated that existing processes and reports are in place to improve scanning performance, and network connectivity issues have been mitigated where identified. Management also stated that they monitor and evaluate scanning performance, and that corrective action is part of the daily cadence. Management provided a target implementation date of November 30, 2025, for both recommendations.

OIG Evaluation

Regarding recommendations 4 and 5, we consider management’s comments responsive, and corrective actions should resolve issues identified in the report.

²⁶ Air Cargo Network Contract ACN-24-new carrier Part 1: Statement of Work. Delivery performance will be measured for all unit load devices and handling units receiving at least a possession scan by the supplier. Absent a possession and/or delivery scan from the supplier, the Postal Service will use the tender and/or break scan from its service point Terminal Handling Service provider as proof of supplier possession and delivery.

²⁷ According to a Postal Service Headquarters official, the issue was resolved March 28, 2025.

Looking Forward

Reducing reliance on air carriers is a central focus of the Postal Service's Delivering for America air transportation network initiative. Historically, the Postal Service has spent over \$3 billion annually across multiple air carriers to support mail movement. However, with a new air cargo contract in place, the Postal Service has secured a more favorable agreement, one that offers increased flexibility at a reduced rate. To fully optimize these benefits, the Postal Service must ensure that air network planning remains consistent and accounts for all network changes. Similarly, the Postal Service must track accurate performance for all network changes. Inaccurate performance reporting can significantly affect decision-making while hindering efforts to identify areas for improvement or replicate successful strategies.

While the new agreement is favorable to the Postal Service, improper handling and lack of visibility over the mail moving through the air cargo network could degrade service performance and customer expectations. As the Postal Service continues to rely on the air network for mail transportation, we will continue our oversight to enhance efficiency and accountability, focusing on air network planning, service performance, and supplier reconciliations.

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Appendix A: Additional Information

Scope and Methodology

Our audit scope included reviewing the previous and current air cargo contracts with the previous carrier and the new carrier.

We attempted to assess the accuracy of the new carrier's service performance data and to determine whether reductions in payments were properly applied when service performance was not met. We were unable to determine the service performance of the air carriers because the current reports do not accurately reflect true service performance. Additionally, we could not determine if any reductions in payments have occurred as the reconciliation process had not been completed.

To accomplish our objective, we:

- Reviewed Postal Service initiatives, which may impact the air cargo network.
- Identified, reviewed, and evaluated Postal Service air transportation strategies, policies, procedures, and responsibilities.
- Obtained, reviewed, and evaluated Air Cargo Contracts with the new carrier and the previous carrier, including the Terms and Conditions, as well as related attachments to determine how the key provisions of the agreements related to projected air transportation cost savings and service initiatives. These provisions included, but were not limited to:
 - Ordering process
 - Volume commitments
 - Airstops
 - Surface Feeder Sites
 - Relevant rates (including linehaul, tiered, and group pricing)
 - Service commitments and Force Majeure
 - Reconciliation process
 - Period of performance
- Obtained and analyzed air network assignment and transportation payment data for quarter 1 of FY 2025 from the Enterprise Data Warehouse and compared this data to the same period last year.
- Obtained and analyzed surface feeder site scanning data for quarter 1 of FY 2025.
- Conducted site visits at the new carrier's hub, three processing facilities, three feeder sites, one terminal handling site, and 11 post offices to observe and validate:
 - Delivery and retail HAZMAT acceptance process
 - Mail processing HAZMAT sorting procedures
 - Processing and tendering of mail to the correct network
 - Scanning performance
 - Loading of Unit Load Devices
 - Surface feeder loading and unloading of trailers to include the scanning process
- Interviewed Postal Service officials responsible for contract oversight to understand:
 - Air transportation costs
 - Air Carrier Performance reporting
- Obtained, reviewed, and evaluated the Postal Service Air Cargo Network Purchase Plan, Supplier Assessment, and Award Decision to understand the rationale for awarding the air cargo network contract to the new carrier.

We conducted this performance audit from November 2024 through June 2025 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 objective. We discussed our observations and conclusions with management on May 27, 2025, and included its comments where appropriate.

In planning and conducting the audit, we obtained an understanding of the Air Cargo Contracts for the new carrier and the previous carrier 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 components were significant to our audit objective: control environment, risk assessment, control activities, information and communication, and monitoring.

We developed our audit work to ensure that we assessed these controls. Based on the

work performed, we identified internal control deficiencies related to control activities, 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 the data by obtaining and reviewing the new carrier Air Cargo contract and reviewing air assignment and scanning data from the Enterprise Data Warehouse. We also reviewed service performance scores and HAZMAT retail acceptance testing results using data provided by the Postal Service. We assessed the reliability of the data by interviewing Postal Service officials, testing selected data fields by applying logical tests to electronic data files, and tracing selected data to the source documents. We determined that the data were sufficiently reliable for the purposes of this audit.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Effectiveness of Planning Mail Capacity on Air Transportation</i>	Evaluate the U.S. Postal Service's effectiveness in planning air capacity on specific lanes (pair of originating and destinating air stops).	23-095-R20	11/30/2023	\$31.5 Million
<i>Changes in the Usage of the Modes of Transportation</i>	To evaluate the U.S. Postal Service's plan to change modes of transportation for First-Class Mail.	21-260-R22	6/21/2022	\$258,420
<i>Nationwide Service Performance</i>	To assess the U.S. Postal Service's service performance for all mail classes over an 18-month period and determine the most common failure points in the mail flow process.	21-120-R21	9/20/2021	\$0
<i>Peak Season Air Transportation</i>	Assess the U.S. Postal Service's efforts to reduce Peak Season air transportation operational costs while maintaining service during fiscal year (FY) 2019 and FY 2020.	20-215-R21	2/25/21	\$8.2 Million
<i>Air Cargo Contract Compliance</i>	Assess contractual compliance and oversight of the U.S. Postal Service's air transportation agreement with the previous carrier (aviation supplier or supplier).	20-127-R20	9/30/2020	\$0
<i>Transportation Network Optimization and Service Performance</i>	Assess opportunities to optimize the U.S. Postal Service's transportation network and meet service performance goals.	20-144-R20	6/5/2020	\$199.6 Million

Appendix B: Management's Comments



June 12, 2025

VICTORIA SMITH
ACTING DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: *Assessment of Changes to Air Transportation Contracts (25-022-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, *Assessment of Changes to Air Transportation Contracts*.

Finding #3: Handling of Potentially Hazardous Material

Management disagrees with this Finding:

Management appreciates that OIG acknowledges the significant efforts made by the Postal Service in the handling of Hazardous Materials (HAZMAT) and calls out the implementation of advanced technology solutions, the increased dissemination of employee educational materials and the reissuance of customers signage.

However, for HAZMAT performance evaluations – OIG chose to focus only on results taken from a very small sampling of just 630 employees rather than using the Fiscal Year (FY) 2025 Year to Date (YTD) results from more than fifty-five thousand evaluations conducted by both internal/external reviewers:

- 41,066 HAZMAT Retail Customer Experience: Overall HAZMAT compliance score is greater than 98 percent for FY 2025 YTD. (Based on external vendor conducted evaluations).
- 13,990 HAZMAT Customer Experience Assessments: Overall HAZMAT compliance score is greater than 94 percent. (Based on USPS Gemba Team conducted evaluations).

Following are our comments on each of the five recommendations.

Recommendation 1:

We recommend the Vice President Logistics, in coordination with the Vice President Chief Data and Analytics, determine whether the Air Carrier Performance report should be used as the official record of the new carrier's service performance and update performance reporting, as appropriate, to ensure stakeholders have timely and accurate performance data.

Management Response/Action Plan:

Management **agrees** with this recommendation.

The Postal Service has determined the Air Carrier Performance report should not be used as the official record of the new carrier's service performance and therefore will not be updated. The data obtained from SASS 2.0 will be used to calculate the air carrier performance achievement.

Target Implementation Date: 06/30/2025

Responsible Official: Director, Air Cargo Networks

Recommendation 2:

We recommend the Vice President, Retail and Delivery Operations, implement additional accountability measures for retail units with clerks who fail retail acceptance testing more than once.

Management Response/Action Plan:

Management **agrees** with this recommendation.

Beyond the current HAZMAT performance measurements already used by the Postal Service and the more than fifty-five thousand HAZMAT evaluations conducted, Management has additionally implemented a robust system that requires units to retrain all retail employees and certify completion any time a potentially hazardous mail piece is identified from a specific origin ZIP Code on the Mail Incident Reporting Tracker (MIRT) or on the Edge Compute Infrastructure Program (ECIP) machine-detectable Incident Report. Management will provide documentation to the OIG to validate the process.

Target Implementation Date: 07/31/25

Responsible Official:

Manager, Retail and Post Office Operations Policy & Practices

Recommendation 3:

We recommend the Vice President, Retail and Delivery Operations, require retail and delivery units to certify that all current hazardous material signage and counter guides be displayed and accessible.

Management Response/Action Plan:

Management **agrees** with this recommendation.

Management implemented an Annual HAZMAT Certification in March 2025 as part of a separate HAZMAT initiative having all retail units certify that current hazardous material signage and counter guides are displayed and accessible. All 30,005 locations have certified compliance. Management will provide documentation to the OIG to validate completion.

Target Implementation Date: 07/31/25

Responsible Official:

Manager, Retail and Post Office Operations Policy & Practices

Recommendation 4:

We recommend the Vice President, Logistics, in coordination with the Vice President, Processing Operations, require surface feeder sites to report out on daily scan performance with a plan for improving scan performance.

Management Response/Action Plan:

Management agrees with this recommendation. Existing processes and reports are in place to improve scanning performance. Network connectivity issues have been mitigated where identified.

Target Implementation Date: 11/30/25

Responsible Official: Sr Director Processing Operations

Recommendation 5:

We recommend the Vice President, Processing Operations, develop a process to monitor and evaluate scanning performance to determine if required daily scans are performed at the surface feeder sites.

Management Response/Action Plan:

Management agrees since we already monitor and evaluate scanning performance. Processes are in place and corrective action is part of the daily cadence.

Target Implementation Date: 11/30/25

Responsible Official: Sr Director Processing Operations

E-SIGNED by PETER ROUTSOLIAS
on 2025-06-12 17:31:46 EDT


Peter Routsolias
Senior Vice President, Logistics

E-SIGNED by ROBERT CINTRON
on 2025-06-13 06:33:29 EDT


Robert Cintron
Vice President, Logistics

E-SIGNED by TERENCE TOWNSEND
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Terrence Townsend
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 E-SIGNED by John Morgan
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Elvin Mercado
Chief Retail & Delivery Officer and Executive Vice President

 E-SIGNED by Steve Dearing
on 2025-06-13 09:19:40 EDT

Stephen Dearing
Vice President, Chief Data & Analytics Officer

 E-SIGNED by DANE COLEMAN
on 2025-06-13 14:45:31 EDT

Dane Coleman
Vice President, Processing Operations

cc: Corporate Audit & Response Management

OFFICE OF INSPECTOR GENERAL

UNITED STATES



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

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