Results

Introduction/Objective

This report presents the results of our self-initiated audit of the Evaluation of Contract Delivery Services (Project Number 25-136). Our objective was to evaluate the management, efficiency, and safety of Contract Delivery Services (CDS). See Appendix A for additional information about this audit.

Background

CDS is a contractual agreement between the U.S. Postal Service and an individual or company for the delivery and collection of mail to and from homes and businesses. The administration of CDS contracts requires close coordination between the Delivery Operations and Transportation Strategy offices. A CDS route may be operated personally by the supplier (owner-operator) or supported by employees hired by the supplier. CDS is designed to provide a cost-effective way for the Postal Service to extend its reach while maintaining control over business expenses. In many cases, these routes also provide an efficient method for delivering mail to communities, especially in rural or underserved areas. These suppliers perform similar functions to Postal Service rural carriers, but without the same oversight.

Supplier compliance and oversight of operational requirements for CDS are the responsibility of the local administrative official (AO) at each delivery unit. Specifically, the AO is responsible for:

- Obtaining screening information from suppliers and the supplier's employees to verify their eligibility to access Postal Service facilities and deliver mail.
- Monitoring supplier's contract performance[1] to ensure compliance with contract requirements and Postal Service policy.
- Documenting any unsatisfactory service or irregularities,[2] such as late or missed trips and vehicle issues.
- Certifying[3] extra trips and detours.
- Performing quarterly inspections of supplier vehicles to ensure vehicles meet the minimum cargo space requirements[4] of the contract.
- Providing the appropriate training for suppliers.

About 13 percent of the Postal Service's 30,866 delivery units (4,079 units) operated 8,273 CDS routes, which cost approximately $593 million. Due to new contract agreements and mailbox expansion associated with housing development growth, the number of CDS contracts in FY 2025 increased by 176 contracts (about 2 percent) and costs increased by $23 million (about 4 percent) compared to FY 2024. See Table 1 and Table 2.

Table 1. FYs 2023-2025 CDS Contract Counts

Fiscal Year	Contracts	Change	% Change
2023	7,984		
2024	8,097	113	1.4%
2025	8,273	176	2.2%

Source: Postal Service Enterprise Data Warehouse (EDW).

Table 2. FYs 2023-2025 CDS Base Contract Costs

Fiscal Year	Contract Costs	$ Change	% Change
2023	$ 540,847,948		
2024	$ 569,376,893	$ 28,528,946	5.3%
2025	$ 592,666,753	$ 23,289,860	4.1%

Source: Postal Service EDW.

1 AOs monitor performance using Postal Service (PS) Form 5399, *Contract Route Performance Record*.
2 AOs document unsatisfactory service or irregularities using PS Form 5500, *Contract Route Irregularity Report*.
3 AOs certify extra trips and detours using PS Form 5429, *Certification of Exceptional Contract Service Performed*.
4 Most contracts require cargo space between 120 and 150 cubic feet.

Managing CDS suppliers properly is key to reducing the risk of inefficiencies and costs to the Postal Service. Additionally, if the Postal Service does not enforce proper safety and security measures, there is an increased risk of lost, damaged, or stolen mail and an increased risk of accidents and injuries.

To accomplish our objective, we invited 213 AOs to take part in an U.S. Postal Service Office of Inspector General (OIG) survey.[5] We surveyed AOs on contractual obligations, operational requirements of CDS routes, and administrative functions related to performance of CDS operations (see Appendix B).

Findings Summary

We identified issues with the management and execution of CDS impacting mail security, employee safety, and operational efficiency. Inconsistent security screening and badging created risks for unauthorized access to Postal Service facilities, while the lack of processes for motor vehicle accident reporting and insufficient evaluation of English proficiency further compromised safety and mail security. Additionally, AOs did not consistently manage CDS operations according to policy and some AOs made extra trip payments using the incorrect rate, primarily due to inadequate training and inconsistent headquarters (HQ) guidance. Finally, HQ management's limited oversight and reliance on manual processes resulted in restricted visibility into local operations and performance accountability, leading to inefficiencies and increased costs.

5 Our survey response rate was 54 percent (114 of 213). Ninety-three percent of AOs surveyed (106 of 114) indicated that they manage local CDS operations.