Manual Parcel Processing Operations at the Harrisburg, PA, Processing and Distribution Center

December 2, 2019

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MEMORANDUM FOR: DEBORAH GLESS
MANAGER, CENTRAL PENNSYLVANIA DISTRICT

E-Signed by Matthew B. Hartshorn
VERIFY authenticity with eSign Desktop

Matthew B. Hartshorn

FROM: Matthew B. Hartshorn
Director, Plant Evaluation Team

SUBJECT: Audit Report – Manual Parcel Processing Operations at the Harrisburg, PA, Processing and Distribution Center (Report Number 20-064-R20)

This report presents the results of our audit of Manual Parcel Processing Operations at the Harrisburg, PA, Processing and Distribution Center.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Jeff Giordano, Operations Manager, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit and Response Management
Acting Vice President, Processing and Maintenance Operations
Vice President, Eastern Area Operations

Background

This report presents the results of our self-initiated audit of manual parcel processing operations at the Harrisburg Processing and Distribution Center (P&DC) in Harrisburg, PA (Project Number 20-064). We conducted this audit to provide U.S. Postal Service management with timely information on operational risks at the Harrisburg P&DC.

The Harrisburg P&DC is in the Central PA District of the Eastern Area. During fiscal year (FY) 2019, it manually processed 86.9 million letters, 11.4 million flats, and 1.6 million parcels. Mail is processed manually when its dimensions or address quality prevent it from being processed on mail processing equipment. It is much more cost effective for mail to be processed on mail processing equipment. In FY 2019, the average productivity[1] for parcels processed on mail processing equipment was 278 parcels per hour while the average productivity for manually processed parcels was 74 parcels per hour.

We selected the Harrisburg P&DC for review based on our analysis of manual parcel productivity as measured by the Management Operating Data System (MODS).[2] The Postal Service uses MODS data to plan workload, project workhours and mail volume, track mail processing activities, evaluate the efficiency of facilities, and estimate staffing requirements. In addition to its operational uses, the Postal Service uses MODS workhour data to calculate totals for many of the cost pools[3] within the Clerks and Mail Handlers Cost Segment. Postal Service management and the Postal Regulatory Commission rely on accurate and precise product cost estimates to set postal prices and to reliably determine whether revenue for products and mail classes cover attributable costs. The Harrisburg P&DC's FY 2019 manual parcel productivity of 7,898 mailpieces per hour[4] was significantly higher than the national average productivity of 74 mailpieces per hour.

Scope and Methodology

Our objective was to assess the manual parcel processing operations at the Harrisburg P&DC.

To accomplish our objective, we analyzed manual parcel processing productivity metrics for FY 2019. During our October 7-10, 2019 site visit , we interviewed P&DC management and employees, conducted observations of manual parcel operations, and analyzed manual parcel workhours and volumes. We also reviewed the P&DC's

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[1] The Postal Service calculates productivity by taking the total mail volume and dividing it by the total workhours.
[2] A web-enabled application that provides a systematic approach to gathering, storing, and reporting data on workload, workhours, and machine utilization by operation number and facility type.
[3] A cost pool represents the cumulative costs incurred from related activities performed within an organization. Examples of Postal Service cost pools include Manual Priority, Dispatch, and Mail Processing Support.
[4] Manual Parcel Volume of 1,626,941/Manual Parcel Workhours of 206.

operating plan to ensure it included the correct information for manual parcel processing operations.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW).[5] Although we did not test the validity of controls over these systems, we assessed the accuracy of the data by reviewing existing information, comparing data from other sources, observing operations, and interviewing Postal Service officials knowledgeable about the data. Therefore, we determined the data were sufficiently reliable for the purposes of this report.

We conducted this audit from October through December 2019, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on November 12, 2019, and included their comments where appropriate.

Finding # 1: Manual Parcel Processing Workhours

The Harrisburg P&DC's manual parcel processing workhours were understated, which caused the manual parcel productivity to be overstated. During our review, we observed employees working in the manual parcel processing operations who were clocked into other operations. Specifically, on October 7, we observed two employees working in the operation, but neither were clocked into it. Although we immediately discussed the errors with P&DC management, we observed six employees again working in the manual parcel operation on October 8, but they were not clocked into the operation.

The time clock errors occurred because the P&DC's supervisors did not always review MODS data and time charges to ensure employees charged their workhours to the operation that corresponded to the work they performed. According to Postal Service policy[6], managers at field offices and mail processing facilities are responsible for ensuring data integrity, including accurate recording of workhours and mail volume in the proper operation number. Additionally, management is responsible for correcting data reporting errors. The Harrisburg P&DC's FY 2019 manual parcel productivity of 7,898 mailpieces per hour[7] was significantly higher than the national average productivity of 74 mailpieces per hour. When employees do not attribute workhours to the correct operation and supervisors do not correct the errors, the Postal Service cannot accurately track mail processing activities, estimate staffing requirements, and evaluate productivity to identify opportunities to reduce workhours and costs. In addition,

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[5] A repository intended for all data and the central source for information on retail, financial, and operational performance. Mission-critical information comes to EDW from transactions that occur across the mail delivery system, points-of-sale, and other sources.
[6] Handbook 32, *Management Operating Data Systems.*
[7] Manual Parcel Volume of 1,626,941/Manual Parcel Workhours of 206.

persistent errors in MODS data, if significant, would cause the Postal Service to improperly allocate costs to cost pools and postal products.

> **Recommendation #1:** We recommend **the District Manager, Central Pennsylvania District,** instruct Harrisburg Processing and Distribution Center management to ensure supervisors monitor mail processing productivity and correct employee operation number time charges on a regular basis.

Finding # 2: Operating Plan

We found that the P&DC's operating plan, which they last updated in September 2016, did not reflect current mail processing operations as depicted in the Run Plan Generator (RPG)[8]. For example, the operating plan's Clearance Time[9] for incoming manual parcel distribution was 2:30 a.m.; however, the RPG showed that the Automated Package Processing Sorter (APPS)[10] was not scheduled to finish with incoming primary transactions until 4:00 a.m. The manual section should not finish until the APPS operation is complete because there are parcels the APPS rejects and they must be processed manually. The P&DC manager stated that they were aware that the operating plan was not current and intended to update the plan. Postal Service policy requires accurate operating plans to assist management in the scheduling, processing, and delivery of mail. Operating plans are contained in the Mail Processing Operating Plan System and provide an approach for planning mail processing operations to meet service commitments. A facility uses its operating plan to efficiently process and move mail from one operation to the next. From a larger perspective, all network and logistics planning for the facility are based on the facility's critical entry clearance and critical entry times reflected in the operating plan.[11] Failure to maintain an updated operating plan can adversely impact employee and transportation scheduling and overall mail processing efficiency and service.

We previously identified issues with P&DCs not having operating plans that reflect current mail processing operations.[12] Because we are continuing to find similar issues in our current audits, we are planning to conduct future nationwide audit work to determine the impact of P&DCs having outdated operating plans and if there are more efficient tools which can be utilized for network and logistics planning.

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[8] The RPG is an Excel-based application used by mail processing facilities to plan machine utilization based on volume, clearance times, throughputs and other criteria.

[9] The clearance time is the latest time committed mail can clear an operation for proper dispatch or delivery.

[10] An APPS sorts packages and bundles.

[11] *Mail Processing Operating Plan System User Guide*, May 19, 2009.

[12] For example, see *Continuous Improvement of Mail Processing Operations* (Report Number NO-AR-16-012, September 29, 2016), *Timeliness of First-Class Flats* (Report Number NO-AR-17-001, October 6, 2016), and *Delayed Mail Reporting in the Great Lakes Area* (Report Number NO-AR-18-005, May 17, 2018).

> <u>**Recommendation #2:**</u> We recommend **the District Manager, Central Pennsylvania District,** instruct Harrisburg Processing and Distribution Center (P&DC) management to ensure the P&DC's operating plan is updated to reflect current mail processing operations.

Management's Comments

Management agreed with the report's findings and recommendations.

Regarding recommendation 1, management stated that they completed reassignment of employee base operation numbers and have implemented daily audits of employee operation number time charges. Management also stated they will conduct daily reviews of mail processing productivities. The target implementation date is December 6, 2019.

Regarding recommendation 2, management stated that the Eastern Area in-plant support staff is providing training and requiring all P&DCs to update their operating plans. The target implementation date is February 28, 2020.

See Appendix A for management's comments in their entirety.

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendations and planned actions should resolve the issues identified in the report.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. All recommendation 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.

APPENDIX A.MANAGEMENT'S COMMENTS

District Manager
Central Pennsylvania District

UNITED STATES
POSTAL SERVICE

November 29, 2019

MEMORANDUM FOR: Lazerick C. Poland
Director, Audit Operations

FROM: Deborah Gless
Manager, Central Pennsylvania District

SUBJECT: Response to 'Draft Audit Report – Manual Parcel Processing
Processing Operations at the Harrisburg, PA, Processing and
Distribution Center (Project Number 20-064)'

Thank you for your recent review of our Harrisburg P&DC operations and your subsequent report.
It's given us an opportunity to improve and serve our customers better.

Recommendation #1:

We recommend the District Manager, Central Pennsylvania District, instruct Harrisburg Processing
and Distribution Center management to ensure supervisors monitor mail processing productivity
and correct employee operation number time charges on a regular basis.

Management Response/Action Plan:

We completed reassignment of base operation numbers for all employees as of this date. In
addition, erroneous operation numbers have been made inactive at the Harrisburg P&DC and
proper operation numbers have been activated. Along with instruction and continual follow up on
PSS scanner association when working in manual parcel operations.

We've also implemented In-Plant support audits daily on each shift, observing employees and
validating that they are in the correct operation number. Minimally, 10 employees per shift with
reporting for each audit the same day issued to P&DC Managers and Supervisors with the
expectation that all employees will be clocked in to the operation number in which they are working
at all times indicated.

Additionally, Managers will conduct reviews of processing operations productivities with
supervisors daily during tour turnover meetings and audit clock ring accuracy throughout each
shift.

Target Implementation Date:

December 6, 2019

Responsible Official:

In-Plant Support Manager

1425 CROOKED HILL ROAD
HARRISBURG PA 17107

Recommendation #2:

We recommend the District Manager, Central Pennsylvania District, instruct Harrisburg Processing and Distribution Center (P&DC) management to ensure the P&DC's operating plan is updated to reflect current mail processing operations.

Management Response/Action Plan:

We recognize the need to update the Operating Plan with the Eastern Area In-Plant Support department setting this requirement for all P&DCs to validate as well as update operating plans by February 2020. The In-Plant Support Manager is assigned to the task and will verify completion with Area sponsored training occurring 11-26-2019.

Target Implementation Date:

February 28, 2020

Responsible Official:

In-Plant Support Manager

Please let me know if you have any questions.

Deborah Gless
Central PA District Manager