

# Efficiency of Operations at the Phoenix Processing and Distribution Center, Phoenix, AZ

## AUDIT REPORT

Report Number 25-045-R25 | April 1, 2025



# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

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April 1, 2025

**MEMORANDUM FOR:** FELIPE FLORES JR.  
WESTERN DIVISION DIRECTOR, PROCESSING OPERATIONS  
  
KYLE WALSH  
WESTERN DIVISION DIRECTOR, LOGISTICS

A handwritten signature in black ink, reading "Sean Balduff", is centered below the memorandum text.

**FROM:** Sean Balduff  
Director, Field Operations, Central & Southern

**SUBJECT:** Audit Report – Efficiency of Operations at the Phoenix Processing and Distribution Center, Phoenix, AZ (Report Number 25-045-R25)

This report presents the results of our audit of the Efficiency of Operations at the Phoenix Processing and Distribution Center.

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. 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 Jennifer Schneider, Audit Manager, or me at 703-248-2100.

Attachment

cc: Postmaster General  
Chief Processing and Distribution Officer and Executive Vice President  
Chief Logistics and Infrastructure Officer and Executive Vice President  
Vice President, Processing and Maintenance Operations  
Vice President, Logistics  
Vice President, Western Regional Processing Operations  
WestPac Regional Director, Logistics  
Corporate Audit Response Management

# Results

## Background

The U.S. Postal Service needs effective and productive operations to fulfill its mission of providing prompt, reliable, and affordable mail service to the American public. It has a vast transportation network that moves mail and equipment among approximately 315 processing facilities and 31,200 post offices, stations, and branches. The Postal Service is transforming its processing and logistics networks to become more scalable, reliable, visible, efficient, automated, and digitally integrated. This includes modernizing operating plans and aligning the workforce; leveraging emerging technologies to provide world-class visibility and tracking of mail and packages in near real time; and optimizing the surface and air transportation network. The U.S. Postal Service Office of Inspector General (OIG) reviews the efficiency of mail processing operations at facilities across the country and provides management with timely feedback to further the Postal Service’s mission.

This report presents the results of our self-initiated audit of the efficiency of operations at the Phoenix Processing and Distribution Center (P&DC) in Phoenix, AZ (Project Number 25-045). We judgmentally selected the Phoenix P&DC based on factors affecting delivery and customer service at five delivery units it services.<sup>1</sup> We reviewed several P&DC performance indicators during fiscal years (FY) 2024-2025, including first and last mile failures;<sup>2</sup> workhours; scanning compliance;<sup>3</sup> and late, canceled, and extra trips. The Phoenix P&DC is in the Western Processing Division and processes letters. The Phoenix P&DC services multiple 3-digit ZIP Codes in urban and rural communities<sup>4</sup> (see Table 1).

Table 1. Population Demographics

3-Digit ZIP Codes	Urban Population	Rural Population	Total Population
850-853	4,818,139	237,386	5,055,525
855	47,973	49,713	97,686
859-860	145,335	131,944	277,279
863	163,190	70,469	233,659

Source: Postal Service National Distribution Labeling List and 2020 Census Bureau data.

As of December 9, 2024, the Phoenix P&DC’s employee availability<sup>5</sup> was 92.5 percent for processing and 91.2 percent for logistics. The Postal Service’s Employee Availability goal for FY 2024 was 89 percent for processing and 92.9 percent for logistics, placing the Phoenix P&DC above the processing goal but below the logistics goal.

## Delivering for America Initiatives in the Phoenix Region

As part of the Postal Service’s ten-year plan, Delivering for America, it is making changes to its delivery, processing, and logistics networks.<sup>6</sup> As part of these network changes, select regions of the country have opened Regional Processing and Distribution Centers (RPDC), including one in Phoenix, AZ. RPDCs manage the flow of mail and packages originating from or destined to their respective service areas. The Phoenix RPDC is still undergoing construction, but it is already an active Regional Transfer Hub (RTH) site. RTHs are facilities where mail volume is consolidated before dispatch to the network and inbound volume is sorted for distribution to other processing facilities in the region. The Phoenix P&DC will be converted into a local processing center (LPC) in the future. LPCs handle the sorting of letters,

1 The five delivery units were Boulder Hills Station, Phoenix, AZ (project number 25-046-1); Mesa Four Peaks Station, Mesa, AZ (project number 25-046-2); Avondale Goodyear Main Post Office, Goodyear, AZ (project number 25-046-3); Scottsdale Airpark Station, Scottsdale, AZ (project number 25-046-4); and Sunnyslope Carrier Annex, Phoenix, AZ (project number 25-046-5).

2 First mile failures occur when a mailpiece is collected and does not receive a processing scan at the origin processing facility on the day that it was intended. Last mile failures occur after the mailpiece has been processed at a processing facility on a final processing operation and is not delivered to the customer on the day it was intended.

3 Scans include load, depart, unload, close, assign, and arrive.

4 We obtained ZIP Code information related to population and urban/rural classification from 2020 Census Bureau information.

5 Data that compares straight workhours to the workhours that would have been recorded if all employees reported to work as scheduled.

6 <https://about.usps.com/what/strategic-plans/delivering-for-america/>



flats, and packages for designated ZIP Codes within their regions, dispatching them to delivery units.

In addition, the Postal Service launched Local Transportation Optimization (LTO) in the greater Phoenix area in 2024. In LTO, the Postal Service consolidates pickup and drop-off activities at locations more than 50 miles from the servicing LPC. We did not go to delivery units impacted by LTO, but the P&DC was processing LTO mail. When we were on-site at the Phoenix P&DC, the facility was processing letter mail and Priority Mail Express.

Objective, Scope, and Methodology

Our objective was to evaluate the efficiency of operations at the Phoenix P&DC.

To accomplish our objective, we focused on five audit areas: mail clearance times;<sup>7</sup> delayed mail; late, canceled, and extra outbound trips; dock scanning; and security of registry items. We reviewed Surface Visibility Web (SVWeb)<sup>8</sup> data for late, canceled, and extra trips, as well as scan compliance for the period from December 1, 2023, to November 30, 2024. Further, we identified mail clearance time goals for the Phoenix P&DC and compared them with operations shown in the Run Plan Generator report.<sup>9</sup> During our site visit the week of January 13, 2025, we interviewed P&DC management and observed mail processing and dock operations.

During this time, the OIG also audited five delivery units serviced by the Phoenix P&DC and the West Valley P&DC in Phoenix, AZ. We will provide the results of those audits to Postal Service management in separate reports. See [Appendix A](#) for additional information about our scope and methodology.

Results Summary

We identified deficiencies with three of the five areas we reviewed that affected the efficiency of operations at the Phoenix P&DC (see Table 2).

Table 2. Summary of Results

Audit Area	Issues Identified	
	Yes	No
Clearance Times		X
Delayed Mail	X	
Late, Canceled, and Extra Outbound Trips	X	
Scan Compliance	X	
Security of Registry Items		X

Source: Results of OIG data reviewed from fiscal year 2024 and fieldwork conducted from January 13 to 17, 2025.

For the audit areas where issues were not identified, we performed the following:

- Clearance Times — We analyzed mail processing schedules and data to verify the plant was meeting the scheduled clearance times.
- Security of Registry Items — We observed registry cage conditions and interviewed personnel to determine if procedures over the handling and security of registered mail were being followed. We did not identify any systemic issues.

7 The latest time committed mail can clear an operation for proper dispatch or delivery.  
8 A website dedicated to the Surface Visibility program, which provides real-time transportation updates and reports on the movement of trailers in the surface network. The data captured to identify early, on-time, late, or canceled trips is also used to evaluate and improve transportation schedules.  
9 An application mail processing facilities use to plan machine utilization based on volume, clearance times, and other criteria.

# Finding #1: Delayed Mail

## What We Found

On the morning of January 15, 2025, we identified 68 potentially delayed Priority Mail Express pieces that were not dispatched timely (see Figure 1) and were not reported as delayed in the Mail Condition Visualization (MCV)<sup>10</sup> system. The manager stated this mail was scheduled to be dispatched at 6:20 p.m. the prior evening, but the plant did not receive the mail from the delivery unit before the truck left for the airport. He stated that the mail would be dispatched with the Express Mail truck the evening of January 15, 2025. The manager further stated that there are generally two to three containers of Priority Mail Express pieces that arrive late from delivery units each day.

We also identified 2,569 delayed letters in the manual operation unit (see Figure 1). Management properly reported this mail in the MCV system.

**Figure 1. Delayed Letters and Priority Mail Express**



Source: Photos were taken by OIG January 15, 2025.

## Why Did It Occur

Management stated it did not know where to report potentially delayed Priority Mail Express in the MCV system. It further stated that it did not communicate this ongoing issue through the Mail Arrival Quality/

Plant Arrival Quality (MAQ/PAQ) system because it only used the system to address concerns input by the delivery units. It stated that there was a daily phone call with the district to discuss plant issues.

<sup>10</sup> MCV provides near real-time visibility of a facility's on-hand volume, delayed processing volume, delayed dispatch volume, and oldest mail date by mail category and processing operation and stores historical trailer information.

The delayed letter mail we identified was caused by a lack of management oversight in the manual processing section. The clerks were not following the first-in-first-out (FIFO) procedures to process the oldest mail first, and management was not monitoring for compliance. Management stated that this has been an ongoing problem, and the clerks have been instructed several times to process the oldest mail first. Management stated that there was not a supervisor assigned to that operation during first shift because it is mostly a second shift operation.

### What Should Have Happened

As part of Postal Service practice, a delayed mail count should be performed and accurately reported in the MCV system daily.<sup>11</sup> In addition, management should use the MAQ/PAQ system to communicate and resolve issues with late arriving mail. Postal Service policy<sup>12</sup> also states that management should continually gauge how well it is managing the flow of mail and has control over the workload, personnel, and equipment needed for a well-run operation. Also, policy<sup>13</sup> states mail should be placed in the order it is received to ensure a FIFO treatment of the mail.

### Effect on the Postal Service and Its Customers

When mail is delayed, there is an increased risk of customer dissatisfaction, which may adversely affect the Postal Service brand.

#### Recommendation #1

We recommend the **Western Division Director, Processing Operations**, verify that delayed Priority Mail Express pieces are documented in the Mail Condition Visualization system daily.

#### Recommendation #2

We recommend the **Western Division Director, Processing Operations**, and the **Western Division Director, Logistics**, verify Priority Mail Express delays are entered in the Mail Arrival Quality/Plant Arrival Quality system and coordinate with the Arizona - New Mexico District Manager to resolve Priority Mail Express issues.

#### Recommendation #3

We recommend the **Western Division Director, Processing Operations**, provide stand-up talks to management and employees on the importance of following first-in-first-out procedures and monitor for compliance.

#### Postal Service Response

The Postal Service agreed with this finding and the associated recommendations. Regarding recommendation 1, management stated it will manually enter Priority Mail Express in the MCV system daily and monitor for compliance. Regarding recommendation 2, management stated it will verify that Priority Mail Express delays are entered in MAQ/PAQ daily and monitor for compliance. Regarding recommendation 3, management stated it posted visual aids in the manual sections as guidance on processing mail according to FIFO procedures. Management will also provide stand-up talks to reiterate the requirement and monitor daily for compliance. The target implementation date for all three recommendations is May 31, 2025. See [Appendix B](#) for management's comments in their entirety.

#### OIG Evaluation

The OIG considers management's comments responsive to the recommendations.

<sup>11</sup> Mail Condition Visualization Manual Line Item Entry Job Aid, updated October 26, 2020.

<sup>12</sup> Handbook PO-413, *Platform Operations*, Section 2-4.4, dated December 2013.

<sup>13</sup> Stand-up Talk, *The FIFO Treatment*, January 15, 2022.

# Finding #2: Late, Canceled, and Extra Outbound Trips

## What We Found

From December 1, 2023, through November 30, 2024, there was a total of 15,442 outbound late trips, 15,006 outbound canceled trips, and 2,171 outbound extra trips at the Phoenix P&DC. These trips represented about 27.3 percent of all outbound trips at the facility (see Table 3).

**Table 3. Outbound Transportation Metrics - Phoenix P&DC**

Transportation Metric	Number	Percent of Total Trips
Late Trips	15,442	12.9%
Canceled Trips	15,006	12.6%
Extra Trips	2,171	1.8%

Source: SVWeb.

## Why Did It Occur

Late and canceled outbound trips occurred primarily because the Phoenix P&DC was short on drivers. These shortages were due to changes in the transportation network occurring in the Phoenix area. Over the past year, a new RPDC started processing mail, which added network trips between existing P&DCs and the new facility.

A zero-base study (also referred to as a PVS schedule review) was conducted in late November 2024, and this review determined that the Phoenix P&DC could hire 16 additional drivers. Management stated that the drivers were hired in December 2024 and are in the onboarding process. Late, canceled, and extra trips have improved since the zero-base study was conducted. Therefore, we are not making a recommendation due to the improvement shown at the Phoenix P&DC.

## What Should Have Happened

According to Postal Service policy,<sup>14</sup> key elements to effective dispatch and routing include evaluating transportation performance to planned schedules and ensuring that planned dispatches are compatible with an effective mail arrival profile at the destination.

## Effect on the Postal Service and Its Customers

When there are late, canceled, and extra trips, there is an increased risk the mail will not be delivered on time, which can adversely affect Postal Service customers, harm the brand, send mailers to competitors, increase operating costs, and cause the Postal Service to lose revenue.

## Postal Service Response

The Postal Service agreed with this finding.

<sup>14</sup> Handbook M-22, *Dispatch and Routing Policies*, dated July 2013.



# Finding #3: Unload Scanning

## What We Found

The Phoenix P&DC did not consistently meet the unload scanning goal. From December 1, 2023, to November 30, 2024, the average score for unload scanning was 89.69 percent (see Table 4). This is below the Postal Service’s goal of 93.25 percent in FY 2024.

**Table 4. Unload Scanning Compliance at the Phoenix P&DC From December 2023 to November 2024.**

Month	Percentage Scanned
December 2023	91.64
January 2024	90.23
February 2024	89.81
March 2024	91.00
April 2024	90.27
May 2024	89.96
June 2024	88.98
July 2024	89.03
August 2024	89.18
September 2024	90.42
October 2024	88.81
November 2024	87.57

Source: SVWeb.

## Why Did It Occur

The acting plant manager stated that unload scans were not being performed consistently due to a lack of management oversight and enforcement. Management stated that it had weekly meetings to discuss scanning and to identify opportunities to

improve. However, those meetings stopped during the 2024 peak season because processing and dispatching mail took priority.

## What Should Have Happened

Postal Service policy<sup>15</sup> states that employees are required to perform outbound and inbound scans of containers and trailers to ensure 100 percent mail visibility.

## Effect on the Postal Service and Its Customers

Low scanning compliance could contribute to inaccurate utilization data, missent mail, and operational inefficiencies. Management uses scanning data to streamline outbound container operations, enhance dispatch quality, and increase efficiency in the use of transportation containers and trailers. When scans are not made, management may not have the information needed to make accurate operational decisions.

## Recommendation #4

We recommend the **Western Division Director, Processing Operations**, coordinate with the **Western Division Director, Logistics**, to develop and implement a plan to verify scanning at the Phoenix P&DC is consistently completed in accordance with policy.

## Postal Service Response

The Postal Service agreed with this finding and the associated recommendation. Management stated it has implemented daily checks and provides a scorecard with areas of scanning improvement. Management will also conduct reviews to monitor for compliance. The target implementation date is July 31, 2025.

## OIG Evaluation

The OIG considers management’s comments responsive to the recommendations.

<sup>15</sup> Surface Visibility Program User booklet, updated January 10, 2023.



# Appendix A: Additional Information

We conducted this audit from December 2024 through April 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 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 March 7, 2025, and included its comments where appropriate.

In planning and conducting the audit, we obtained an understanding of the mail processing 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. Additionally, we assessed the internal control components and underlying principles, and we

determined that the following three components were significant to our audit objective:

- Control Activities
- Information and Communication
- Monitoring

We developed 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 MCV and Surface Visibility Web<sup>16</sup> data by reviewing existing information, comparing data from other sources, observing operations, and interviewing Postal Service officials knowledgeable about the data. We determined that the data were sufficiently reliable for the purposes of this report.

## Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Delayed Mail at the Phoenix, AZ, Processing and Distribution Center</i>	To determine the cause of delayed mail at the Phoenix, AZ, P&DC.	21-114-R21	May 12, 2021	None

<sup>16</sup> A website dedicated to the Surface Visibility program. Surface Visibility Web provides real time transportation updates and reporting on the movement of trailers in the surface network. The data captured to identify early, on time, late or canceled trips is also used to evaluate and improve transportation schedules.

# Appendix B: Management's Comments



March 11, 2025

BRIAN NEWMAN  
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Efficiency of Operations at the  
Phoenix Processing and Distribution Center, Phoenix, AZ.  
(Report Number 25-045-DRAFT)

Thank you for providing the Postal Service an opportunity to review and comment on the findings contained in the draft audit report, *Efficiency of Operations at the Phoenix Processing and Distribution Center, Phoenix, AZ*.

Management agrees with the findings in the report on delayed mail, scan compliance and other issues.

Following are our comments on each of the four recommendations.

Recommendation 1:

We recommend the Western Division Director, Processing Operations, verify that delayed Priority Mail Express pieces are documented in the Mail Condition Visualization system daily.

Management Response/Action Plan: Management agrees with this recommendation.

Management will enter Priority Mail Express on the Outgoing Packages On-Hand Manual line item in the Mail Condition Visualization system daily and monitor for compliance.

Target Implementation Date: 5/31/2025

Responsible Official:

Western Division Director, Processing Operations

Recommendation 2:

We recommend the Western Division Director, Processing Operations, and the Western Division Director, Logistics, verify Priority Mail Express delays are entered in the Mail Arrival Quality/Plant Arrival Quality system and coordinate with the Arizona - New Mexico District Manager to resolve Priority Mail Express issues.

Management Response/Action Plan: Management agrees with this recommendation.

Management will verify Priority Mail Express delays are entered in the Mail Arrival Quality/Plant Arrival Quality system daily and monitor to ensure compliance.

Target Implementation Date: 5/31/2025

Responsible Official:

Western Division Director, Processing Operations

Recommendation 3:

We recommend the Western Division Director, Processing Operations, provide stand-up talks to management and employees on the importance of following first-in-first-out procedures and monitor for compliance.

Management Response/Action Plan: Management agrees with this recommendation.

Management has posted Visual Aids in the Manual Sections as guidance on working mail first-in-first-out. In addition, management will provide stand-up talks to reiterate the requirement and will monitor daily for compliance.

Target Implementation Date: 5/31/2025

Responsible Official:

Western Division Director, Processing Operations

Recommendation 4:

We recommend the Western Division Director, Processing Operations, coordinate with the Western Division Director, Logistics, to develop and implement a plan to verify scanning at the Phoenix P&DC is consistently completed in accordance with policy.

Management Response/Action Plan: Management agrees with this recommendation.

Management has implemented daily quality checks and provides a daily SV Scorecard with areas of scanning opportunity. In addition, management will conduct reviews to monitor compliance.

Target Implementation Date: 7/31/2025

Responsible Official:

Western Division Director, Processing Operations  
Western Division Director, Logistics



E-SIGNED by FELIPE FLORES JR  
on 2025-03-13 10:21:56 EDT

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Felipe Flores JR.

WESTERN DIVISION DIRECTOR, PROCESSING OPERATIONS

E-SIGNED by Kyle.A Walsh  
on 2025-03-11 12:55:06 EDT

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Kyle walsn

WESTERN DIVISION DIRECTOR, LOGISTICS

cc: Vice President, Regional Processing Operations (WEST-PAC)  
*Corporate Audit Response Management*

# OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE



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