



# OFFICE OF INSPECTOR GENERAL

## UNITED STATES POSTAL SERVICE

### Timeliness of Mail Processing at the Queens, NY, Processing and Distribution Center

### Audit Report

Report Number  
NO-AR-16-010

September 20, 2016





# OFFICE OF INSPECTOR GENERAL

## UNITED STATES POSTAL SERVICE

### Highlights

***The Queens P&DC processed about 78 million mailpieces and reported almost 22 million of those (or 28 percent) as delayed in quarters (Qs) 1 and 2 of fiscal year (FY) 2016.***

***Mail was delayed because the Queens P&DC did not have enough machine capacity for the volume of packages it needed to process.***

### Background

The U.S. Postal Service considers mail to be delayed when it is not processed in time to meet its established delivery day. Delayed mail can adversely affect Postal Service customers and harm the organization's brand.

We used our Performance and Results Information System model to identify the Queens, NY, Processing and Distribution Center (P&DC) as having over 25 percent more delayed mail than the national delayed mail percentage of about 0.5 percent.

The Queens P&DC processes small and irregularly shaped packages from the New York Morgan P&DC, local Priority Mail, and inbound international packages (IIP) received from the John F. Kennedy International Service Center (JFK ISC) for delivery throughout the country. The Queens P&DC processed about 78 million mailpieces and reported almost 22 million of those (or 28 percent) as delayed in quarters (Qs) 1 and 2 of fiscal year (FY) 2016. This was the highest delayed mail percentage in the nation during this period. Of the almost 22 million delayed mailpieces, about 17.8 million were IIP.

Our objective was to determine the cause of delayed mail at the Queens P&DC.

### What The OIG Found

Mail was delayed because the Queens P&DC did not have enough machine capacity for the volume of packages it needed to process. On average, the facility received about 82,000 more packages than it could process per day in Qs 1 and 2, FY 2016, when processing machines were operating at full operational performance levels (the optimal rate and time at which a machine processes mail). The plant manager initiated a project to divert IIPs to other facilities, which decreased delayed mail in Q3, FY 2016, by about 80 percent.

The plant manager stated two additional package processing machines are scheduled to be operational in September and October of 2016. During our site visit we observed adequate floor space for these machines. Our analysis shows the additional machines will provide about 10 percent excess machine capacity, assuming there is no change to current package volume. But, it is likely that volume will increase. The JFK ISC IIP volume has grown by over 200 percent in Qs 1 and 2, FY 2016, compared to the same period in FY 2014.

We also found package processing machines are not operating at full operational performance levels. They process, on average, about 8,100 packages per hour, which is about 25 percent below the full performance level of over 10,800 packages per hour. Even though the machines are not performing at full operational performance levels, they are running them more hours than they were designed to run in order to meet volume demand.



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During our site visit, we observed international labels without U.S. barcodes or with multiple barcodes. Employees had to manually key in ZIP Codes for each piece causing fewer packages to be processed per hour. Foreign mail requires additional preparation, which causes an inconsistent flow of packages to some of the processing machines. The plant manager initiated a project in April 2016 to improve package processing machine performance through service talks, training, and employee performance incentives. He also instituted a tour turnover sheet to monitor mail counts and the hourly count of machine processing at the end of every tour. However, further machine performance improvement is needed to meet performance targets.

Senior plant management had an inadequate operating plan because it did not reflect critical entry, clearance, and dispatch times. There have been ongoing changes to the original processing plan and the plant manager is currently working to finalize a new operating plan. These time schedules are critical in ensuring mail is processed on time.

In Qs 1 and 2, FY 2016, the Queens P&DC exceeded the Northeast Area's FY 2016 target of about 10 percent overtime. Specifically, of over 640,000 mail processing workhours used, more than 94,000 (or about 15 percent) were overtime hours. The plant manager said he has to pay overtime to staff that manually sort oversized packages. In addition, overtime is paid

to employees to consolidate mail transported to and from other facilities to maximize trailer capacity, which was not originally included in the P&DC's staffing plan.

The plant manager said staffing is not properly aligned to meet the required mail processing machine staffing requirements. As a result, the employees are paid overtime to work on their scheduled days off. The plant manager said that in June 2016 he submitted a proposal requesting additional staff to perform manual sort and mail consolidation functions and a proposal to realign positions for the two additional package processing machines. The plant manager has also requested additional package processing machines to process oversized packages more quickly and efficiently. We consider the nearly 29,000 overtime hours that exceeded the 10 percent budgeted overtime hours as excess, at a cost of about \$1.1 million. Increased overtime beyond the budgeted amount increases the Postal Service's costs.

When a facility does not have sufficient machine capacity, operating plans, and staffing, there is an increased risk that mail will not be processed in time to meet its established delivery day. This adversely affects service scores nationwide. Delayed packages reflect poorly on the Postal Service's brand and can cause customers to move to alternative service providers for package delivery, thereby reducing revenue. Excess overtime can also result in unnecessary costs to the Postal Service



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### What The OIG Recommended

We recommended the vice president, Northeast Area, develop a 2-5 year staffing and mail processing machine plan for the Queens P&DC to match processing capability with current and projected mail volume, reduce overtime to budgeted levels, and, in the interim, redirect volume to facilities with excess capacity where possible, and ensure a plan is established at the facility in the next 6 months for all packaging processing machine performance to meet targets.

We also recommended the vice president, Northeast Area, instruct the area in-plant support manager to ensure the Queens P&DC consistently uses an updated and complete mail processing operating plan.

# Transmittal Letter




OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

September 20, 2016

**MEMORANDUM FOR:** EDWARD PHELAN, JR.  
VICE PRESIDENT, NORTHEAST AREA

E-Signed by Michael Thompson  
VERIFY authenticity with eSign Desktop



**FROM:** Michael L. Thompson  
Deputy Assistant Inspector General  
for Mission Operations

**SUBJECT:** Audit Report – Timeliness of Mail Processing at the Queens,  
NY, Processing and Distribution Center  
(Report Number NO-AR-16-010)

This report presents the results of our audit of the Timeliness of Mail Processing at the Queens, NY, Processing and Distribution Center (Project Number 16XG028NO000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Margaret B. McDavid, director, Network Processing, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management  
Vice President, Network Operations

# Table of Contents

Cover	
Highlights.....	1
Background.....	1
What The OIG Found.....	1
What The OIG Recommended .....	3
Transmittal Letter.....	4
Findings.....	6
Introduction .....	6
Summary.....	6
Machine Capacity .....	7
Machine Performance.....	10
Operating Plan .....	11
Overtime Hours.....	12
Recommendations.....	14
Management’s Comments .....	14
Evaluation of Management’s Comments .....	15
Appendices.....	16
Appendix A: Additional Information .....	17
Background .....	17
Objective, Scope, and Methodology .....	17
Prior Audit Coverage.....	18
Appendix B: Management’s Comments.....	20
Contact Information .....	23

# Findings

***We used our Performance and Results Information System (PARIS) model to identify the Queens P&DC as having over 25 percent more delayed mail than the national delayed mail percentage of about 0.5 percent.***

***The mail was delayed because the Queens P&DC did not have enough machine capacity for all the packages it needed to process. On average, the facility received about 82,000 more packages than it could process per day in Qs 1 and 2, FY 2016.***

## Introduction

This report presents the results of our self-initiated audit of the timeliness of mail processing at the Queens, NY, Processing and Distribution Center (P&DC) (Project Number 16XG028NO000). Our objective was to determine the cause of delayed mail at the Queens P&DC. See [Appendix A](#) for additional information about this audit.

The U.S. Postal Service considers mail to be delayed when it is not processed in time to meet its established delivery day. Delayed mail can adversely affect Postal Service customers and harm the organization's brand.

We used our Performance and Results Information System (PARIS)<sup>1</sup> model to identify the Queens P&DC as having over 25 percent more delayed mail than the national delayed mail percentage of about 0.5 percent.

The Queens P&DC processes small and irregularly<sup>2</sup> shaped packages from the New York Morgan P&DC, local Priority Mail, and inbound international packages (IIP) received from the John F. Kennedy International Service Center (JFK ISC) for delivery throughout the country. The Queens P&DC processed about 78 million mailpieces<sup>3</sup> and reported almost 22 million mailpieces (or about 28 percent) as delayed in quarters (Qs) 1 and 2 of fiscal year (FY) 2016. This was the highest delayed mail percentage in the nation during this period. Of the almost 22 million delayed mailpieces, about 17.8 million were IIP.

## Summary

The mail was delayed because the Queens P&DC did not have enough machine capacity for all the packages it needed to process. On average, the facility received about 82,000 more packages than it could process per day in Qs 1 and 2, FY 2016, when processing machines are operating at full operational performance levels (the optimal rate and time at which a machine processes mail). The plant manager initiated a Lean Six Sigma<sup>4</sup> (LSS) to divert IIPs to other facilities, which decreased delayed mail in Q3, FY 2016, by about 80 percent.

The plant manager stated two additional Small Package Sorter Systems (SPSS)<sup>5</sup> are scheduled to be operational in September and October of 2016. During our site visit we observed adequate floor space for the additional machines.

Our analysis shows that the additional machines will provide about 10 percent excess machine capacity, assuming there are no changes to current package volume. However, it is likely that volume will increase. The JFK ISC IIP volume has grown by 206 percent in Qs 1 and 2, FY 2016, compared to the same period in FY 2014.

Additionally, current package processing machines are not operating at target performance.<sup>6</sup> The average number of packages processed per hour was about 8,100 (or about 25 percent) below the full performance level of over 10,800 packages per hour. Even though the machines are not performing at full operational performance levels, the Queens P&DC is running them more hours than designed to try to meet volume demands.

<sup>1</sup> The PARIS risk model identifies facilities at risk from an operational standpoint.

<sup>2</sup> A non-machinable parcel that does not meet the size, shape, and weight that a parcel sorting machine can process, including rolls and tubes up to 26 inches long.

<sup>3</sup> Total pieces fed minus any reworks or rejects.

<sup>4</sup> A methodology that relies on a collaborative team effort to improve performance by systematically removing waste.

<sup>5</sup> A commercial off-the-shelf system adapted to incorporate barcode and optical character reading capability for sorting packages.

<sup>6</sup> The rate at which a machine processes mail, usually designated in pieces per hour.

***In Qs 1 and 2, FY 2016, the Queens P&DC exceeded the Northeast Area's FY 2016 target of about 10 percent overtime. Specifically, of over 640,000 mail processing workhours used, more than 94,000 (or about 15 percent) were overtime hours.***

During our site visit, we observed international labels without U.S. barcodes or with multiple barcodes. Employees had to manually key in ZIP Codes for each piece causing fewer packages to be processed per hour. Foreign mail requires additional preparation to open shipping sacks and separate machinable<sup>7</sup> from nonmachinable outsides (NMO),<sup>8</sup> which causes an inconsistent flow of packages to some of the processing machines. The plant manager initiated an LSS project in April 2016 to improve package processing machine performance through service talks, training, and employee performance incentives. He also instituted a tour turnover sheet to monitor mail counts and the hourly count of machine processing at the end of every tour in addition to the normal tour turnover sheet. However, further machine performance improvement is needed to meet performance targets.

In addition, management had an inadequate operating plan because it did not reflect critical entry,<sup>9</sup> clearance,<sup>10</sup> and dispatch times.<sup>11</sup> There have been ongoing changes to the original processing plan and the plant manager is currently working to finalize a new operating plan. These time schedules are critical in ensuring mail is processed on time.

In Qs 1 and 2, FY 2016, the Queens P&DC exceeded the Northeast Area's FY 2016 target of about 10 percent overtime. Specifically, of over 640,000 mail processing workhours used, more than 94,000 (or about 15 percent) were overtime hours. The plant manager said he has to pay overtime to staff performing the manual NMO and surface transportation center<sup>12</sup> (STC) functions that were not originally included in the P&DC's staffing plan. Additionally, the plant manager said staffing is not properly aligned to meet the mail processing machine staffing requirements. As a result, the employees are paid overtime to work on their scheduled days off. The plant manager said that in June 2016, he submitted a proposal requesting new positions be authorized to staff the NMO and STC functions and a proposal to realign positions for the two additional SPSS machines. The plant manager has also requested additional package processing machines to process NMO volume more quickly and efficiently. We consider the almost 29,000 overtime hours that exceeded the 10 percent budgeted overtime hours as excess, at a cost of about \$1.1 million. Increased overtime beyond the budgeted amount increases the Postal Service's costs.

When a facility does not have sufficient machine capacity, operating plans, and staffing, there is an increased risk that mail will not be processed in time to meet its established delivery day. This adversely affects service scores<sup>13</sup> nationwide. Delayed packages reflect poorly on the Postal Service's brand and can cause customers to move to alternative service providers for package delivery, thereby reducing revenue. Excess overtime can also result in unnecessary costs to the Postal Service.

## **Machine Capacity**

The Queens P&DC processed about 78 million mailpieces from Qs 1 through 2, FY 2016, and reported almost 22 million of those mailpieces (or about 28 percent) as delayed. This was the highest delayed mail percentage in the nation during this period. The average national delayed mail percentage was about 0.5 percent (see [Table 1](#)). Of the almost 22 million delayed mailpieces, 17.8 million were IIP.

7 The physical capacity of a mailpiece to be sorted by mail processing equipment because its size, shape, configuration, and weight are within the specifications and tolerances of the equipment.

8 A parcel or mailpiece that, because of size, weight, or other characteristic, cannot be sorted by mechanized mail processing equipment and must be handled manually.

9 The latest time that committed mail can be received in an operation and still be processed.

10 The latest time that mail can pass through an operation to make the proper dispatch time.

11 The last dispatch of the day that is loaded on transportation in time to meet the service standard for the mail class or destination.

12 Mail consolidation and redistribution facility with the primary function of achieving increased vehicle cubic capacity and use.

13 Measurements of how well the Postal Service performs to meet its service standards. Service standards are a stated goal for service achievement for each mail class.



***The Queens P&DC does not have sufficient machine capacity to meet the growing package volume. Due to this insufficient capacity, management diverted as many as 23 trailers of IIP a day to other facilities for processing and delayed mail has decreased.***

**Table 1. Queens P&DC Delayed Mail Percentage, Qs 1 and 2, FY 2016, Compared to National Percentage**

Queens NY P&DC Total Mailpieces Processed	Qs 1 and 2, FY 2016		National Delayed Mail Percentage
	Queens NY P&DC Delayed Mailpieces	Queens NY P&DC Delayed Mail Percentage	
78,444,356	21,823,510	27.82%	0.48%

Source: U.S. Postal Service Office of Inspector General (OIG) Network Processing PARIS model.

This occurred because the Queens P&DC does not have sufficient machine capacity to meet the growing package volume when processing machines are operating at full performance levels. We calculated a package processing machine capacity shortfall of 19 percent. On average, the facility received about 82,460 more packages than it can currently process per day (see Figure 1 and Table 2). For example, it received as many as 27 trailers of IIP from the JFK ISC per day. Due to this insufficient capacity, the plant manager initiated an LSS project to divert excess IIP mail to other facilities for processing. The area in-plant support manager and operational support specialist diverted as many as 23 trailers a day to other facilities for processing and delayed mail at the Queens P&DC has decreased.

In Q3, FY 2016, the Queens P&DC processed about 43.7 million packages and reported about 4.4 million packages (or about 10 percent) as delayed. This was a decline in delayed packages of about 80 percent from Qs 1 and 2, FY 2016. The plant manager instituted daily and weekly meetings with the area in-plant support manager and operational support specialist to discuss the root causes of delayed mail.

**Figure 1. Containers of Delayed Mail**



Source: OIG photograph taken April 19, 2016, at 6:30 a.m.

**Table 2. Average Daily Package Processing Capacity Shortfall**

Package Processing Machine	Number of Machines	Daily Mailpiece Processing Capacity	Average Actual Mailpieces Processed per Day	Difference
Automated Parcel and Bundle Sorter (APBS) <sup>14</sup>	4	300,672 <sup>15</sup>	273,413	27,259
SPSS	2	141,246 <sup>16</sup>	153,391 <sup>17</sup>	(12,145)
Delayed Mail Not Processed Timely			97,574	(97,574)
<b>Total</b>	<b>6</b>	<b>441,918</b>	<b>524,378</b>	<b>(82,460)<sup>18</sup></b>

Source: Application System Reporting (ASR),<sup>19</sup> Web Mail Condition Reporting System (WebMCRS),<sup>20</sup> Web End of Run (WebEOR),<sup>21</sup> and OIG calculations. Our analysis was from October 1, 2015, to March 31, 2016 (182 days).

The plant manager said that two additional SPSS machines are scheduled to be fully operational in September and October of 2016. Our analysis shows with these additional machines, the facility will have 10 percent excess machine capacity, assuming no changes to current package volume (see Table 3).

**Table 3. Planned Average Daily Package Processing Capacity**

Package Processing Machine	Number of Machines	Daily Mailpiece Processing Capacity	Average Actual Mailpieces Processed per Day	Difference
APBS	4	300,672	273,413	27,259
SPSS	4	282,492 <sup>22</sup>	153,391	129,101
Delayed Mail Not Processed Timely			97,574	(97,574)
<b>Total</b>	<b>8</b>	<b>583,164</b>	<b>524,378</b>	<b>58,786<sup>23</sup></b>

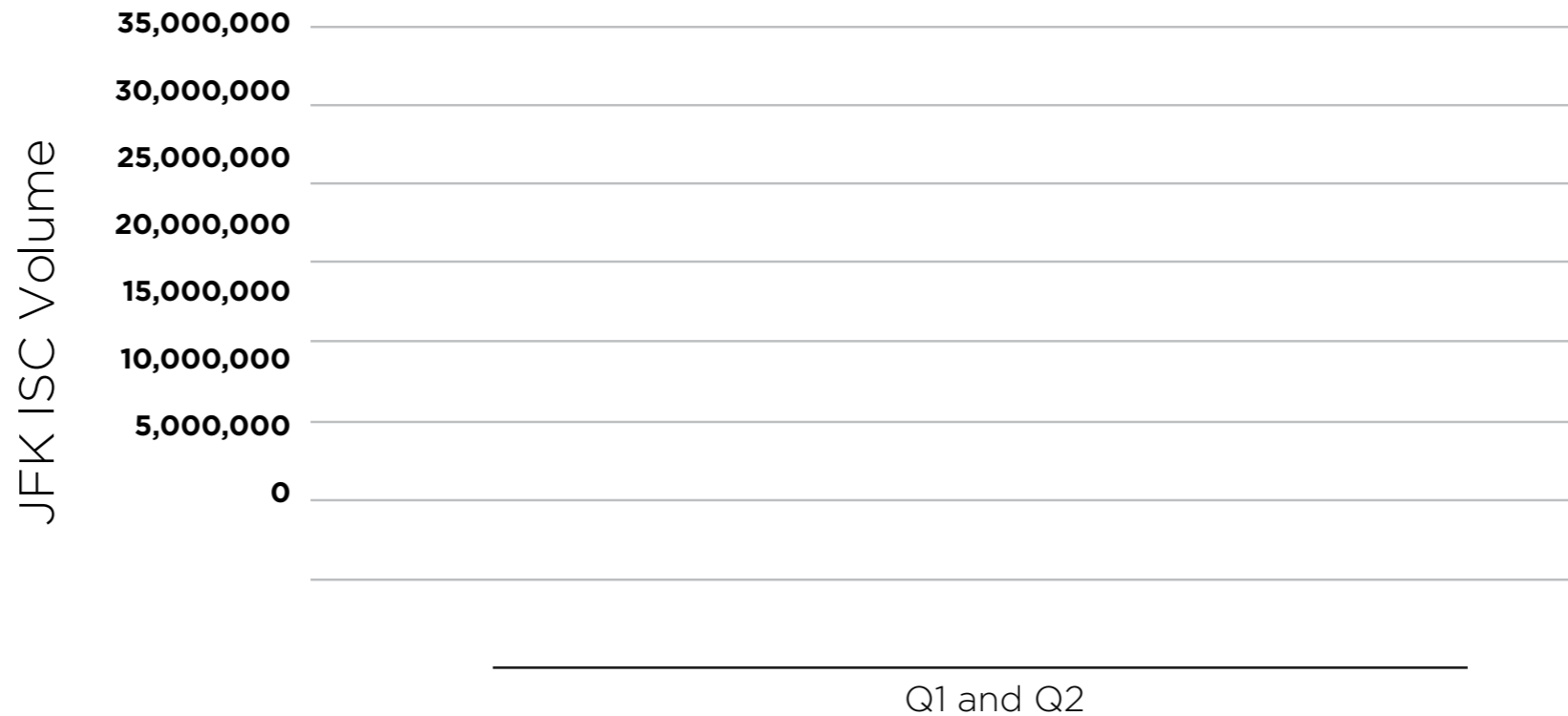
Source: ASR, WebMCRS, WebEOR, and OIG calculations.

- 14 A machine with barcode and optical character reader technology that sorts small parcels and packages or bundles of letters and flats to specific bins for either delivery or processing.
- 15 We calculated daily capacity for the APBS based on target performance established by the Northeast Area in-plant support manager of 5,220 pieces per hour and a machine run rate of 16 hours per day as established by the machine certification at a 90 percent efficiency rate (5,220 x 16 x .90 x 4).
- 16 We calculated daily capacity for the SPSS based on target performance established by the Northeast Area in-plant support manager of 5,605 pieces per hour and a machine run rate of 14 hours per day as established by the decision analysis report at a 90 percent efficiency rate (5,605 x 14 x .90 x 2).
- 17 The Queens P&DC processed more than the daily capacity by exceeding the suggested 14 hours per day runtime.
- 18 The package processing machine capacity shortfall is 19 percent (82,460/441,918).
- 19 A collection of data from many sources stored in a single place for reporting and analysis.
- 20 A system of reports that identifies and monitors problems in mail processing at a postal facility.
- 21 An application used to collect operational data from automated and mechanized mail processing equipment.
- 22 We calculated daily capacity for the SPSS based on target performance established by the Northeast Area in-plant support manager of 5,605 pieces per hour and a machine run rate of 14 hours per day as established by the decision analysis report at a 90 percent efficiency rate (5,605 x 14 x .90 x 4).
- 23 The package processing machine capacity excess is 10 percent (58,786/583,164).

However, management must take additional action to reduce delayed mail volume. Although, the Queens P&DC average delayed percentage declined from 27.8 in Qs 1 and 2, FY 2016, to 10.15 percent in Q3, FY 2016, it is still over the average national delayed mail percentage of about 0.12 percent. Additionally, package volume is expected to increase during the FY 2017 peak season. For example, the JFK ISC IIP volume has grown by 206 percent in Qs 1 and 2, FY 2016, compared to the same period in FY 2014 (see Figure 2).

**Figure 2. Comparison of JFK ISC IIP Volume from Qs 1 and 2, FY 2014, to Qs 1 and 2, FY 2016**

Volume Received



***Additionally, package volume is expected to increase during the FY 2017 peak season. For example, the JFK ISC IIP volume has grown by 206 percent in Qs 1 and 2, FY 2016, compared to the same period in FY 2014.***

Source: Postal Service International Processing and Service Performance.

### Machine Performance

The Queens P&DC did not operate its package processing machines at target performance. The average number of packages processed per hour by the APBS and the SPSS was 4,557 and 3,571 packages, respectively, which was about 25 percent below the target performance of 10,825 packages per hour (see [Table 4](#)). Even though the machines are not performing at full operational performance levels, the Queens P&DC is running them more hours than they were designed to run to try to meet the volume demands. During our site visit we observed international labels without U.S. barcodes or with multiple barcodes requiring employees to manually key in ZIP Codes for each piece, causing fewer packages to be processed per hour. In addition, foreign mail requires additional preparation to open shipping sacks and separate machinable from NMOs. This causes an inconsistent flow of packages to some of the machines.

***The plant manager initiated a LSS project in April 2016 to improve package processing machine performance through service talks, training, and employee performance incentives. However, further machine performance improvement is needed to meet performance targets.***

The plant manager initiated an LSS project in April 2016 to improve package processing machine performance through service talks, training, and employee performance incentives. He also instituted a tour turnover sheet to monitor mail counts and hourly counts of machine processing at the end of every tour in addition to the normal tour turnover sheet. However, further machine performance improvement is needed to meet performance targets.

**Table 4. Comparison of Target and Actual Mailpieces Processed per Hour**

<b>Package Processing Machine</b>	<b>Target Mailpieces Processed per Hour</b>	<b>Average Actual Mailpieces Processed per Hour</b>	<b>Difference Between Target and Actual</b>
APBS	5,220	4,557	663
SPSS	5,605	3,571	2,034
<b>Total</b>	<b>10,825</b>	<b>8,128</b>	<b>2,697</b>

Source: WebEOR, and OIG calculations.

### **Operating Plan**

The Queens P&DC operating plan was last updated on January 21, 2014. During our site visit the facility in-plant support manager provided an updated working operating plan; however, the plan was not fully approved and did not include critical entry times, clearance times, dispatch of value, scheduled trips, and the estimated IIP volume received from the JFK ISC. There have been ongoing changes to the original processing plan for the Queens P&DC and the plant manager said he is responsible for updating the plan to reflect those changes and is working with the area operations support specialist to finalize a new operating plan. These time schedules are critical in ensuring mail is processed on time.

Additionally, when operating plans are not updated, it can affect management’s understanding of operations and their ability to properly schedule machines and employees to meet operational goals. For example, during our site visit we observed pallets of letter trays received at the co-located business mail entry unit (BMEU)<sup>24</sup> that had been broken down and separated at the Queens P&DC; these pallets should have been sent to the Brooklyn, NY, P&DC for processing (see [Figure 3](#)). After we brought this to management’s attention, they modified the working operating plan to reflect dispatching BMEU letter trays to the Brooklyn P&DC for processing.

<sup>24</sup> The area of a postal facility where mailers present bulk, presorted, and permit mail for acceptance.

**Figure 3. Pallets of Letter Trays**



***Excess packages will continue to be sorted manually at the Queens PD&C due to growing package volume and capacity shortfalls if steps are not taken to address the situation.***

Source: OIG photograph taken April 20, 2016, at 5:25 a.m.

### **Overtime Hours**

In Qs 1 and 2, FY 2016, the Queens P&DC incurred excess overtime hours to process mail. Specifically, of the 640,031 mail processing workhours, 94,763 (or about 15 percent) were overtime hours. The Northeast Area's FY 2016 target overtime percentage is about 10 percent. The plant manager said he has to pay employees overtime to staff the manual NMO and STC functions that were not originally included in the staffing plan. Additionally, the plant manager said he does not have proper staffing alignment to meet the machine staffing requirements and has to pay employees overtime to work on their scheduled days off. The plant manager said that in June 2016, he requested new positions to staff the NMO and STC functions and submitted a new mail processing staffing proposal to realign positions for the two additional SPSS machines. Excess packages will continue to be sorted manually at the Queens PD&C due to growing package volume and capacity shortfalls if steps are not taken to address the situation. The plant manager has requested a Low Cost Universal Sorter<sup>25</sup> and an additional APBS to process NMO volume more quickly and efficiently. We consider the 28,840 hours over the target 10 percent overtime hours as excess, at a cost of about \$1,098,563 (see [Table 7](#)). Overtime hours that go beyond the budgeted amount increase the Postal Service's costs.

<sup>25</sup> A system made up of barcode scanners, belt conveyor, and electric pushers for diverting the parcels and containers into bins that replaces the manual sortation of parcels, NMOs, sacks, trays, and tubs.

***When a facility does not have sufficient machine capacity, operating plans, and staffing, there is an increased risk mail will not be processed in time to meet its established delivery day, which adversely affects service scores nationwide.***

**Table 7. Overtime Hours**

<b>Total Workhours</b>	<b>Total Overtime Hours</b>	<b>Ratio of Total Overtime Hours to Total Workhours</b>	<b>10 Percent Target Overtime Hours</b>	<b>Excess Overtime Hours</b>	<b>Excess Overtime Costs</b>
640,031	94,763	15%	65,923	28,840	\$1,098,563

Source: Enterprise Data Warehouse (EDW)<sup>26</sup> and OIG calculations.

When a facility does not have sufficient machine capacity, operating plans, and staffing, there is an increased risk mail will not be processed in time to meet its established delivery day, which adversely affects service scores nationwide. Delayed packages reflect poorly on the Postal Service’s brand and can lead customers to move to alternative service providers for package delivery, thereby reducing revenue. We estimated that, based on over 15.9 million delayed IIPs in Qs 1 and 2, FY 2016, \$4,983,919 of revenue associated with delayed mail is due to the causes identified in our report.

<sup>26</sup> A repository intended for all data and the central source for information on retail, financial, and operational performance.

# Recommendations

We recommend the vice president, Northeast Area:

1. Develop a 2-5 year staffing and mail processing machine plan for the Queens, NY, Processing and Distribution Center to match processing capability with current and projected mail volume, reduce overtime to budgeted levels, and, in the interim, redirect volume to facilities with excess capacity where possible.
2. Ensure a plan is established at the Queens, NY, Processing and Distribution Center within the next 6 months for all package processing machine performance to meet targets.
3. Instruct the area in-plant support manager to ensure the Queens, NY, Processing and Distribution Center consistently uses an updated and complete mail processing operating plan.

## Management's Comments

Management agreed with the findings and recommendations. Subsequent to providing their comments, management informed us they agreed with the reported excess overtime costs.

Regarding recommendation 1, management stated that they developed a staffing and mail processing machine plan for the Queens P&DC. The plan includes:

- Installing a low-cost universal sorter at the P&DC. The target implementation date is September 23, 2016.
- Increasing the amount of IIP processed at the Nassau, NY, P&DC. The target implementation date is October 31, 2016.
- Repurposing the Stamford, CT, P&DC with two SPSS machines for IIP processing. The target implementation date is November 18, 2016.

Management also stated that Northeast Area management will continue to monitor IIP and shift volumes as required to stay within the Queens P&DC's daily processing capability.

Regarding recommendation 2, management stated that the Queens P&DC initiated a restaffing of the facility. Additionally, the JFK ISC will implement a standard dispatch schedule to provide the Queens P&DC a consistent mail arrival profile. Finally, the Northeast Area will conduct weekly performance reviews with Queens P&DC management for 60 days or until the facility is stable. The target implementation date is October 31, 2016.

Regarding recommendation 3, management stated that they will require a new mail processing operating plan at the Queens, P&DC, including comprehensive information on processing, transportation, and overall handling of IIP. The target implementation date is September 30, 2016.

See [Appendix B](#) for management's comments in their entirety.

## Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations in the report and corrective 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 recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.



# Appendices

*Click on the appendix title  
to the right to navigate  
to the section content.*

Appendices.....	16
Appendix A: Additional Information .....	17
Background .....	17
Objective, Scope, and Methodology .....	17
Prior Audit Coverage.....	18
Appendix B: Management’s Comments.....	20

## Appendix A: Additional Information

***The Queens P&DC processes small packages and rolls from the NY Morgan P&DC, local Priority Mail, and IIP from the JFK ISC. The JFK ISC receives, processes, and dispatches inbound and outbound international mail.***

### Background

The Postal Service considers mail to be delayed when it is not processed in time to meet its established delivery day. Delayed mail can adversely affect Postal Service customers and harm the organization's brand.

The Queens P&DC processes small packages and rolls from the NY Morgan P&DC, local Priority Mail, and IIP from the JFK ISC. The JFK ISC receives, processes, and dispatches inbound and outbound international mail. We used our PARIS model to identify the Queens P&DC as having over 25 percent more delayed mail than the national percentage.

### Objective, Scope, and Methodology

Our objective was to determine the cause of delayed mail at the Queens P&DC. To accomplish our objective we:

- Conducted observations at the Queens P&DC the week of April 18, 2016.
- Interviewed the plant manager, in-plant support manager, and the transportation manager to determine the reasons for delayed mail and corrective actions taken or planned.
- Evaluated PARIS model data and data obtained from ASR to identify delayed mail trends as a percentage of total pieces fed.
- Analyzed the facility's operating plan to determine critical entry times, clearance times, dispatch of value, and transportation schedules.
- Evaluated the operating plan and made observations to determine if mail was arriving at the facility from other facilities in an already delayed condition or arriving after critical entry times.
- Determined if mail was being properly staged and worked in first-in-first-out order.
- Evaluated procedures for counting daily mail volume and observed employees performing daily mail counts.
- Determined if mail counts were accurate and complete and accurately entered into the WebMCRS.
- Inspected trailers at the site and determined if employees were improperly storing mail in trailers and not including it in WebMCRS reports.
- Assessed reports, performed observations, and evaluated the information to determine if machine capacity affected the facility's ability to process mail on time.
- Determined if P&DC management was properly preparing and following the run plan generator.<sup>27</sup>
- Assessed complement reports, performed observations, and evaluated the information to determine if staffing (including the ratio of supervisors to employees) and scheduling impacted the facility's ability to process mail timely.
- Evaluated service reports to determine if delayed mail impacted service.

<sup>27</sup> The run plan generator software gives the floor supervisors a guide on how many machines should be started and what sort plans should be run based on the volume of mail expected.

We conducted this performance audit from April through September 2016, in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on August 23, 2016, and included their comments where appropriate.

We used computer-processed data from ASR, EDW, WebMCRS, WebEOR, and Web Complement and Information Systems when performing our analysis. We assessed the reliability of computer-generated data by interviewing agency officials knowledgeable about the data. We determined the data were sufficiently reliable for the purposes of this report.

## Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Timeliness of Mail Processing at the North Houston, TX, Processing and Distribution Center</i>	<a href="#">NO-MT-16-002</a>	2/29/2016	None
<p><b>Report Results:</b> The report determined the North Houston P&amp;DC had difficulty processing mail on time. From September 1 through November 30, 2015, the North Houston P&amp;DC had about 54 million delayed mailpieces, compared to about 20 million for a similar-sized facility with the second most delayed mail during that period. In addition, the North Houston P&amp;DC had almost twice as much delayed mail as a percentage of first-handling pieces (FHP) when compared to similar-sized facilities. We recommended, among other things, that management, continue to monitor and mitigate delayed mail to ensure mail is processed on time, fill staff vacancies and management positions to ensure adequate staffing and supervision, and update the mail processing operating plan to reflect the impacts of recent major changes to operations resulting from the consolidation and operational window change. Management agreed with the recommendations.</p>			
<i>Timeliness of Mail Processing at the Denver Processing and Distribution Center</i>	<a href="#">NO-MT-16-001</a>	12/3/2015	None
<p><b>Report Results:</b> The report determined the Denver P&amp;DC had difficulties processing mail on time. From July 1 through August 7, 2015, the Denver P&amp;DC's delayed mail increased by 15.4 million mailpieces compared to the SPLY. When compared to similar-sized facilities, the Denver P&amp;DC had the most delayed mail as a percentage of FHP. We recommended management continue to monitor and mitigate delayed mail processing as appropriate, assign appropriate staffing and conduct training to ensure timely processing of the mail, ensure appropriate transportation is in place to help meet the new service standards, and establish criteria for determining if the network has stabilized and ensure the criteria are met prior to resuming the Phase II consolidations or conducting any other optimization efforts. Management agreed with the recommendations.</p>			

Report Title	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Substantial Increase in Delayed Mail</i>	<a href="#">NO-MA-15-004</a>	8/13/2015	None
<p><b>Report Results:</b> The report determined that mail was not being processed timely throughout the country. We found in the first 6 months of 2015 delayed processing increased by about 494 million mailpieces compared to the same period the previous year. We recommended management continue to monitor and mitigate delayed mail processing as appropriate, assign appropriate staffing and conduct training to ensure timely processing of the mail, ensure appropriate transportation is in place to help meet the new service standards, establish criteria for determining if the network has stabilized, and ensure the criteria are met prior to resuming the Phase II consolidations or conducting any other optimization efforts. Management agreed with the recommendations.</p>			
<i>Mail Processing Operations at the Southern Maine Processing and Distribution Center</i>	<a href="#">NO-MA-15-003</a>	5/11/2015	None
<p><b>Report Results:</b> The report determined the Southern Maine P&amp;DC experienced difficulties timely processing mail as a result of operational changes made in response to service standard revisions. Before the Southern Maine P&amp;DC made operational changes, delayed mail for the entire fiscal year was just 0.17 percent of total first-handling piece mail volume. However, the week the Southern Maine P&amp;DC made operational changes in response to the service standard revisions, delayed mail increased to 12.47 percent of total first-handling pieces volume. The week after the Southern Maine P&amp;DC made the operational changes, delayed mail decreased to 1.15 percent of total first-handling piece volume. We recommended management continue to monitor delayed mail to ensure mail is processed timely and update Southern Maine's official operating plan to reflect current operations and ensure it is kept updated. Management agreed with the recommendations.</p>			

## Appendix B: Management's Comments

EDWARD F. PHELAN, JR.  
VICE PRESIDENT, AREA OPERATIONS  
NORTHEAST AREA



September 8, 2016

LORI LAU DILLARD  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Timeliness of Mail Processing at the Queens, NY,  
Processing & Distribution Center  
(Report Number NO-AR-16-DRAFT)

Thank you for providing the Northeast Area with the opportunity to review and comment on the recommendations contained in Draft Report Timeliness of Mail Processing at the Queens, NY, Processing and Distribution Center (Report Number NO-AR-16-DRAFT).

Recommendation 1:

Develop a 2-5 year staffing and mail processing machine plan for the Queens, NY, Processing and Distribution Center to match processing capability with current and projected mail volume, reduce overtime to budgeted levels, and, in the interim, redirect volume to facilities with excess capacity where possible.

Management Response/Action Plan:

The Northeast Area agrees with this recommendation and developed a 2-5 year staffing and mail processing machine plan for the Queens NY Processing and Distribution Center. The objective of the plan is to meet current and projected mail volume and reduce overtime to budgeted levels.

The Northeast Area 2-5 year plan includes:

1. A low-cost universal sorter (LCUS) is being installed in the Queens, NY Processing and Distribution Center. This will aid in the processing of non-machinable pieces. Implementation date is September 23, 2016.
2. Outgoing First-Class SPR changes in Long Island District to allow Western Nassau P&DC to increase import IPP processing to 100,000 per day. Implementation date is October 31, 2016.

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3. Repurposing the Stamford P&DC with 2 SPSS machines for import IPP processing with capability of 180,000 per day. Completion date is November 18, 2016.

At the completion of these actions Northeast Area import IPP daily processing capacity will be:

Based on New York ISC / JFK processing 125K per day			
Processing Location	Number Trailers	Average Volume	IPP / ePacket
Queens P&DC	20	320K	100% ePacket Trailers*
Stamford P&DC	10	160K	100% ePacket Trailers*
Western Nassau P&DC	10	120K	IPP Only**
Bethpage P&DC	2	24K	IPP Only**
Greater Newark P&DC	2	24K	IPP Only**
Morgan P&DC	2	24K	IPP Only**
<b>TOTALS</b>	<b>46</b>	<b>797K</b>	<b>Total includes JFK</b>

\*Conversion for ePacket is 16K per trailer  
\*\*Conversion for IPP is 12K per trailer

The Northeast Area will continue to monitor and forecast long term IPP volumes following these actions. If additional daily processing capacity is required Bethpage Processing and Distribution Center and Northern New Jersey Metro Processing and Distribution Center will add required staffing to expand to handle an additional 4 trailers per day.

On a daily basis, the Northeast Area will continue to monitor IPP volume and expand offload as required utilizing existing package processing capacity within the Northeast Area to maintain volumes within Queens, NY, Processing and Distribution Center daily processing capability.

Responsible Official:

Ricardo Quental, Manager, In-Plant Support Northeast Area.

Recommendation 2:

Ensure a plan is established at the Queens, NY, Processing and Distribution Center within the next 6 months for all package processing machine performance to meet targets.

Management Response/Action Plan:

The Northeast Area agrees with this recommendation and will implement the following plan for Queens, NY, Processing and Distribution Center to meet machine performance targets.

Queens, NY, Processing and Distribution Center initiated a restaffing of the facility, with expected completion of October 31, 2016.

JFK International Service Center will implement a standard dispatch schedule to provide Queens, NY, Processing and Distribution Center a consistent arrival profile. Implementation date October 1, 2016.

The Northeast Area will conduct weekly performance reviews with Queens, NY, Processing and Distribution Center for 60 days or until facility is stable. Implementation date is September 15, 2016.

Responsible Official:

Ricardo Quental, Manager, In-Plant Support Northeast Area.

Recommendation 3:

Instruct the Area In-Plant Support Manager to ensure the Queens, NY, Processing and Distribution Center consistently uses an updated and complete mail processing operating plan.

Management Response/Action Plan:

The Northeast Area agrees and will require a new Operating Plan including comprehensive information on processing, transportation and overall handling of import IPP.

Target Implementation Date:

New Operating Plan will be submitted using Mail Processing Operating Plan System (MPOPS) by September 30, 2016.

Responsible Official:

Ricardo Quental, Manager, In-Plant Support Northeast Area.



Edward F. Phelan, Jr.



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