



# OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

## Timeliness of First-Class Mail Flats

### Audit Report

Report Number  
NO-AR-17-001

October 6, 2016





# OFFICE OF INSPECTOR GENERAL

## UNITED STATES POSTAL SERVICE

### Highlights

***The Postal Service has taken steps to address these delays and, as of Q3, FY 2016, 3-5 day and 2-day FCM flats service scores were within 1 percentage point of Q3, FY 2014, service scores.***

### Background

In fiscal year (FY) 2015, the U.S. Postal Service delivered about 154.2 billion pieces of mail and packages, 62.4 billion of which were First-Class Mail (FCM). During the same fiscal year in Quarters (Q) 2 through 4, the Postal Service processed about 1.2 billion FCM® flats, generating \$1.7 billion in revenue. FCM flats include newsletters, magazines, and large envelopes weighing up to 13 ounces.

In FY 2016, Qs 1 and 2, the Postal Service delivered 77.8 billion pieces of mail and packages, 32.9 billion of which were FCM. During the same period, the Postal Service processed about 825.2 million FCM flats, generating \$1.2 billion in revenue.

The Postal Service considers FCM to be delayed when it is not processed in time to meet its established delivery day. Postal Service customers have continued to express concerns about the timeliness of FCM flats processing.

Our objective was to assess the timeliness of FCM flats processing.

### What The OIG Found

As noted in prior U.S. Postal Service Office of Inspector General (OIG) reports, the Operating Window Change in Q2, FY 2015, significantly impacted mail processing and resulted in large increases in delayed mail. However, the Postal Service has

taken steps to address these delays and, as of Q3, FY 2016, 3-5 day and 2-day FCM flats service scores were within 1 percentage point of Q3, FY 2014, service scores.

Although FCM flats service scores have significantly improved, they are still below Postal Service target goals. Nationwide, 3-5 day FCM flats service performance for Q3, FY 2016, was 75.2 percent — 20.05 percent below its goal — and 83 percent for its 2-day FCM flats service performance — 13.5 percent below its goal.

To address specific stakeholder concerns about delayed FCM flats mail, we conducted observations at nine judgmentally selected Processing and Distribution Centers (P&DC) in FL, GA, MO, NY, OH, and WA. We found processing challenges that impacted the timeliness of FCM flats processing, including:

- Lack of timeliness in moving mail at seven of the P&DCs due to a lack of communication between dock and processing personnel.
- Rehandled mail at six of the P&DCs due to inconsistent standard operating procedures.
- Limited availability of mail transport equipment at four of the P&DCs due to a lack of monitoring, tracking, and oversight of mail transport equipment.



# OFFICE OF INSPECTOR GENERAL

## UNITED STATES POSTAL SERVICE

- Late arriving mail received from other facilities at all nine P&DCs.
- Unapproved or outdated operating plans at seven of the P&DCs.
- Disproportionate staff to mail volume ratio at seven of the P&DCs due to outdated run plan generator models.

When mail is delayed, it increases the risk of customers losing confidence in the Postal Service's ability to provide trusted and reliable service. This could directly harm the Postal Service's brand, lead customers to seek alternative delivery options or use digital alternatives, and ultimately reduce revenue.

### What The OIG Recommended

We recommended management improve communication between dock and processing personnel; follow standard operating procedures for rehandled mail; and improve monitoring, tracking, and oversight of mail transport equipment. We also made recommendations in another report concerning the tracking and processing of late arriving mail and updating and approving operating plans and have initiated a separate audit focused on use of the run plan generator. Therefore, we are not making recommendations in this report about these three issues.


# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

October 6, 2016

**MEMORANDUM FOR:** ROBERT CINTRON  
VICE PRESIDENT, NETWORK OPERATIONS

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 First-Class Mail Flats  
(Report Number NO-AR-17-001)

This report presents the results of our audit of the Timeliness of First-Class Mail Flats (Project Number 15XG037NO000).

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 and Audit Response Management

# Table of Contents

Cover	
Highlights .....	1
Background .....	1
What The OIG Found .....	1
What The OIG Recommended .....	2
Transmittal Letter .....	3
Findings .....	5
Introduction .....	5
Summary .....	5
Delayed First-Class Mail Flats Processing .....	6
First-Class Flats Service Performance .....	6
Mail Processing Observations and Processing & Distribution Center Comparisons .....	7
Stakeholder and Mailer Concerns .....	10
Recommendations .....	11
Management's Comments .....	11
Evaluation of Management's Comments .....	11
Appendices .....	12
Appendix A: Additional Information .....	13
Background .....	13
Objective, Scope, and Methodology .....	13
Prior Audit Coverage .....	14
Appendix B: Additional Information .....	16
Comparison of Processing and Distribution Centers .....	16
Appendix C: Management's Comments .....	17
Contact Information .....	20

# Findings

***Although FCM flats service scores have significantly improved, they are still below Postal Service target goals. Nationwide, 3-5 day FCM flats service performance for Q3, FY 2016, was 75.2 percent — 20.05 percent below its goal — and 83 percent for its 2-day FCM flat service performance — 13.5 percent below its goal.***

## Introduction

This report presents the results of our audit of the timeliness of First-Class Mail® (FCM) flats (Project Number 15XG037NO000). We based this self-initiated audit on concerns from FCM<sup>1</sup> flats customers about the timeliness of FCM processing. Our objective was to assess the timeliness of the U.S. Postal Service's processing of FCM flats. The Postal Service considers FCM to be delayed when it is not processed in time to meet its established delivery day. See [Appendix A](#) for additional information about this audit.

In fiscal year (FY) 2015, the Postal Service delivered about 154.2 billion pieces of mail and packages, 62.4 billion of which were FCM. During the same fiscal year in Quarters (Q) 2 through 4, the Postal Service processed about 1.2 billion FCM flats, generating \$1.7 billion in revenue. FCM flats include newsletters, magazines, and large envelopes weighing up to 13 ounces.

In FY 2016, Qs 1 and 2, the Postal Service delivered 77.8 billion pieces of mail and packages, 32.9 billion of which were FCM. During the same period, the Postal Service processed about 825.2 million FCM flats, generating \$1.2 billion in revenue.

In 2011, the Postal Service announced its Network Rationalization Initiative (NRI). The purpose of the NRI is to align the Postal Service's network processing capacity with its declining mail volume through equipment and plant consolidations and operational changes. As part of the NRI, on January 5, 2015, the Postal Service revised its FCM service standards, eliminating single-piece overnight FCM service and shifting mail from a 2-day to a 3-day service standard. These revisions enabled the Postal Service to expand its mail processing operational window and was designed to allow the Postal Service to process mail on fewer machines, thus using less facility square footage.

## Summary

As noted in prior U.S. Postal Service Office of Inspector General (OIG) reports,<sup>2</sup> the operating window change in Q2, FY 2015, significantly impacted mail processing and resulted in large increases in delayed mail.

However, the Postal Service has taken steps to address these delays and, as of Q3, FY 2016, 3-5 day and 2-day and FCM flats had service scores within 1 percentage point of the Q3, FY 2014, service scores.

Although FCM flats service scores have significantly improved, they are still below Postal Service target goals. Nationwide, 3-5 day FCM flats service performance for Q3, FY 2016, was 75.2 percent — 20.05 percent below its goal — and 83 percent for its 2-day FCM flat service performance — 13.5 percent below its goal.

To address specific stakeholder concerns about delayed FCM flats mail, we conducted observations at nine judgmentally selected Processing and Distribution Centers (P&DC) in FL, GA, MO, NY, OH, and WA. We found processing challenges that impacted the timeliness of FCM flats processing, including:

- Lack of timeliness in moving mail at seven of the P&DCs due to a lack of communication between dock and processing personnel.

<sup>1</sup> A market dominant service that consists of letters, postcards, or any flat advertisement or merchandise destined for either domestic or international delivery.

<sup>2</sup> *Substantial Increase in Delayed Mail* (Report Number NO-MA-15-004, dated August 13, 2015) and *Mail Processing and Transportation Operational Changes* (Report Number NO-AR-16-009, dated September 2, 2016).

**For FY 2015, Qs 2 through 4, delayed FCM flats increased by about 7.4 million pieces (or 30.8 percent) compared to the SPLY.**

- Rehandled mail at six of the P&DCs due to inconsistent standard operating procedures.
- Limited availability of mail transport equipment (MTE) at four of the P&DCs due to a lack of monitoring, tracking, and oversight of MTE.
- Late arriving mail received from other facilities at all nine P&DCs.
- Unapproved or outdated operating plans at seven of the P&DCs.
- Disproportionate staff to mail volume ratio at seven of the P&DCs due to outdated run plan generator models.

When mail is delayed, it increases the risk of customers losing confidence in the Postal Service’s ability to provide trusted and reliable service. This could directly harm the Postal Service’s brand, lead customers to seek alternative delivery options or use digital alternatives, and ultimately reduce revenue.

### Delayed First-Class Mail Flats Processing

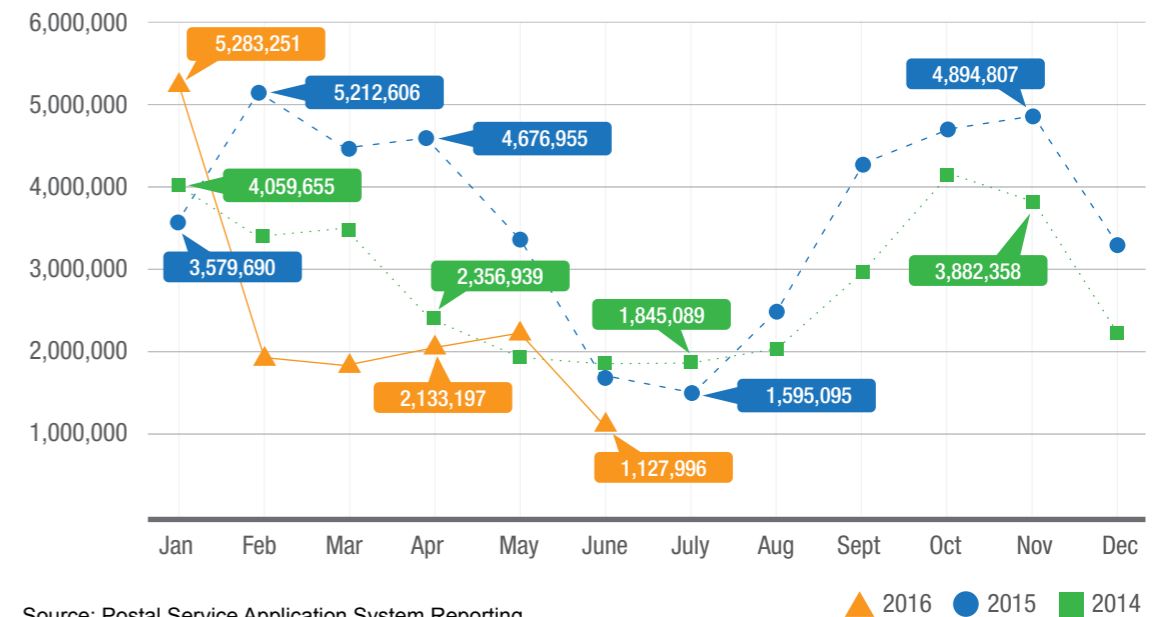
For FY 2015, Qs 2 through 4, delayed FCM flats increased by about 7.4 million pieces (or 30.8 percent) compared to the same period last year (SPLY). As shown in Figure 1, in January 2014, about 4.06 million FCM flats processed at Postal Service P&DCs were delayed,<sup>3</sup> while about 3.56 million FCM flats were delayed in January 2015.

In April 2015, 3 months after the Postal Service expanded its mail processing operational window, the volume of delayed FCM flats increased to almost 4.68 million — a 2.32 million, or 98 percent, increase from the SPLY.

### First-Class Flats Service Performance

For FY 2015, Qs 2 through 4, the Postal Service’s External First-Class (EXFC) measurement<sup>4</sup> scores for on-time delivery of 3-5 day service FCM flats showed a significant decline of 10.8 percent compared to the SPLY and 2-day service scores showed a decline of 3.4 percent.

**Figure 1. Nationwide Delayed FCM Flats Jan 2014 – June 2016**



Source: Postal Service Application System Reporting.  
Note: Service standards changed January 5, 2015.

<sup>3</sup> Adverse winter weather conditions in January 2014 contributed significantly to this delayed processing.

<sup>4</sup> A component of the Single-Piece FCM measurement system. The system is designed to measure service performance from a customer perspective. A Postal Service contractor measures the transit time of single-piece FCM (letters, flats, and postcards) from the deposit of mail into a collection box or business lobby chute to its delivery. EXFC results are compared with the Postal Service’s service standards to produce national, area, and district level estimates of service performance. Sampled mailpiece tracking from barcode scans is used in conjunction with the external data to extrapolate results to the entire volume of presort FCM.

***We judgmentally selected five P&DCs with high volumes of delayed FCM flats or mailer complaints. We compared these facilities against four P&DCs with low volumes of delayed FCM flats for best practices. Based on our observations, we identified processing challenges that impacted the timeliness of FCM flats at sites with both low and high delayed mail volume.***

The Postal Service has taken steps to address delayed mail and poor service and it reported that FCM flat delayed mail processing decreased by about 7.2 million pieces, or 28.5 percent, for the period December 2015 through June 2016, compared to the same period in FY 2014. FCM flats service scores have significantly improved since the initial decline and, as of Q3, FY 2016, 3-5 day and 2-day FCM flats service scores were within 1 percentage point of Q3, FY 2014, service scores.

Although FCM flats service scores have significantly improved, they are still below Postal Service target goals. The Postal Service's FCM flats on-time results in Figure 2 and Figure 3 show an EXFC nationwide 3-5 day FCM flats service performance for Q3, FY 2016, of 75.2 percent — 20.05 percent below its goal — and 83 percent for its 2-day FCM flats service performance — 13.5 percent below its goal.

**!** **Instructions:** Click the figure header to get more information.

▲ 2016 ● 2015 ■ 2014 — Postal Service Target

\* Source: Postal Service Quarterly Service Performance Report located on the Postal Regulatory Commission (PRC) website.

\*\* Source: Postal Service Quarterly Service Performance Report located on the PRC website.

## Mail Processing Observations and Processing & Distribution Center Comparisons

We judgmentally selected five P&DCs with high volumes of delayed FCM flats or mailer complaints. We compared these facilities against four P&DCs with low volumes of delayed FCM flats for best practices. Based on our observations, we identified processing challenges that impacted the timeliness of FCM flats at sites with both low and high delayed mail volume, including:

- **Lack of Timeliness in the Movement of Mail** – At seven P&DCs, we observed delays in mail handling and movement of mail from the dock doors, staging, and business mail entry unit (BMEU) clearance areas to processing operations, which contribute to delayed processing. On average, mail remained in the dock areas for over 1 to 2 hours before being transported to the processing areas, exceeding the 10-minute local policy.<sup>5</sup> This occurred due to a lack of communication between dock door and processing personnel.

<sup>5</sup> The Morgan P&DC facility has posted policy that “all cleared” mail must be swept every hour. Responses from management at three additional P&DCs (Atlanta, Brooklyn, and Royal Palm) stated that mail is moved continuously and within 10 minutes of arrival, which is the process flow put in place based on the National Operating Plan guidelines in alignment with the 24-hour clock process.



- Rehandled Mail – Mail was reprocessed multiple times after being sent to the wrong facility or delivery route or returned by the stations as out-of-sort mail. At some P&DCs, employees programmed incorrect sort plans. Automated mail was rerouted back and forth between the manual mail areas and automated processing areas. These issues created excessive missent,<sup>6</sup> missorted,<sup>7</sup> rejected,<sup>8</sup> and loop mail<sup>9</sup> at five P&DCs. This occurred because the standard operating procedures for mail rehandling<sup>10</sup> were not applied consistently.
- Limited availability of mail transport equipment – There was not enough mail transport equipment to maintain the flow of FCM flats (such as casters, bins, inoperable or insufficient forklifts, etc.). Mail was processed using alternate equipment, which created manual handling, reprocessing, or delayed processing. We observed insufficient mail transport equipment at four P&DCs due to lack of monitoring, tracking, and oversight of MTE.
- Late arriving mail – Mail was received after the critical entry time<sup>11</sup> (CET) for the corresponding service commitments. All nine P&DCs had late arriving mail, which delayed processing these FCM flats. In some instances, the P&DCs were not tracking and addressing late arrivals and only processing late mail when time permitted.
- Unapproved and/or outdated operating plans – Seven P&DCs did not have approved operating plans, including five that did not update their operating plans to include the new mail processing and dispatch times implemented in January 2015. For example, one operating plan had not been updated since August 2010. Operating plans ensure the CET and clearance times of each operation and down line operation can be met. Outdated operating plans limit P&DCs in making proactive decisions.
- Disproportionate staff to mail volumes – P&DC management is challenged with workload changes at plants, alignment of resources with mail volume, and workhour conservation.<sup>12</sup> For example, the workload activity for some tours<sup>13</sup> were greater than others, without adequate adjustments to start times and staffing to manage peak activity from tour to tour. Outdated run plan generators (RPG)<sup>14</sup> delay changes to staffing, start times, and workloads, causing an overflow of mail among tours and delayed processing. Delayed processing occurs when committed mail is not processed and finalized in time to be on the designated dispatch to meet the programmed delivery day. We identified disproportionate staff to mail volume at seven P&DCs.

We have made recommendations concerning the tracking and processing of late arriving mail and the updating and approving of operating plans in another report,<sup>15</sup> and have initiated a separate audit focused on use of the run plan generator.<sup>16</sup> Therefore, we are not making recommendations in this report about these issues.

6 Mail sent to the wrong Post Office, station, or branch.

7 Mail sent to the correct zone but received by the wrong route for delivery.

8 Mailpiece that a sorting machine cannot handle for a physical reason, such as a machine malfunction.

9 Mail that is incorrectly barcoded or ZIP coded mail discovered at a destination for which it is not addressed or discovered in a transit operation.

10 Handbook PO-441, *Rehandling of Mail Best Practices*, April 2002.

11 The latest time that a reasonable amount of a mail class or product can be received at the platform at designated induction points in the postal network for it to be processed and dispatched in time to meet service standards.

12 The Postal Service has the mail processing staffing opportunity model, which is an application that helps managers respond proactively to workload changes in plants, ensuring a better alignment of resources with volume and, ultimately, helping conserve workhours and complement.

13 One of three scheduled shifts: Tour I (usually from 11 p.m. to 7 a.m.) is the night shift; Tour II is the daytime shift (usually from 7 a.m. to 3 p.m.); and Tour III is the evening shift (usually from 3 p.m. to 11 p.m.).

14 The RPG guides floor supervisors as to how many machines should be started and what sort plans should be run based on the volume of mail expected.

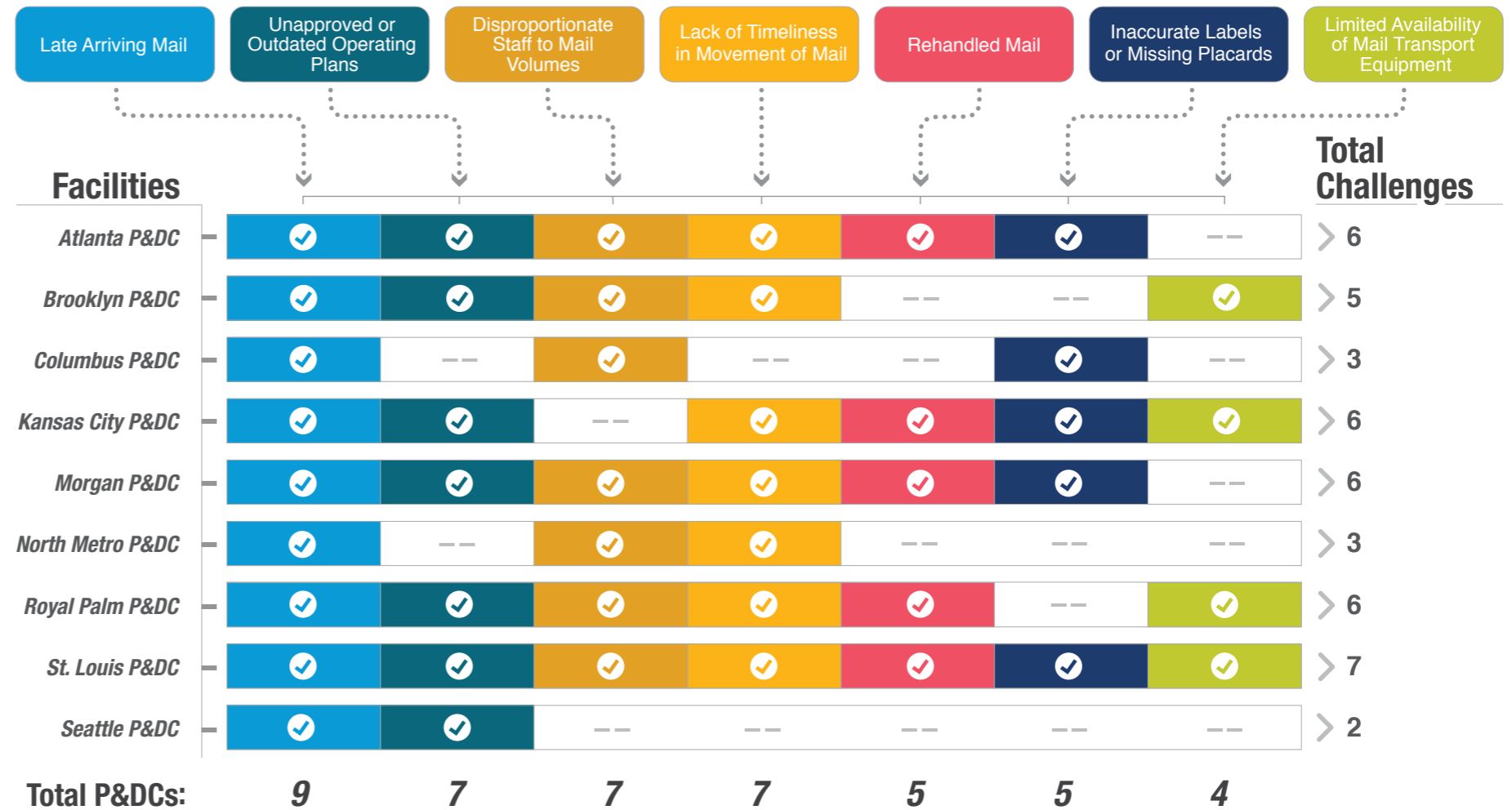
15 *Mail Processing and Transportation Operational Changes* (Report Number NO-AR-16-009, dated September 2, 2016).

16 *Use of Run Plan Generator* (Project Number 16XG031NO000).

As shown in Figure 4, of the nine P&DCs we visited, the Seattle, Columbus, and North Metro P&DCs had fewer processing challenges than the other six. We estimated these processing challenges put the Postal Service at risk of losing \$7.7 million in FCM flats revenue.

See [Appendix B](#) for a comparison of P&DCs.

**Figure 4. Summary of Processing Challenges Observed at each P&DC**



Source: OIG mail processing observations at nine P&DCs.

***When mail is delayed, it increases the risk of customers losing confidence in the Postal Service's ability to provide trusted and reliable service. This could directly harm the Postal Service's brand, lead customers to seek alternative delivery options or use digital alternatives, and ultimately reduce revenue.***

## Stakeholder and Mailer Concerns

We solicited feedback from residential and business customers, including stakeholders from the Mailers Technical Advisory Committee (MTAC) for input on the quality of FCM service from the Postal Service. Specifically, the OIG interviewed MTAC committee members and posted an audit summary to collect feedback as to whether:

- The service standard changes had any impact on FCM processing.
- The new CETs for FCM presented difficulties in service commitments.
- There are significant delays in delivering FCM.

Since the service standard changes, Postal Service mailers and stakeholders we interviewed or who responded to our audit summary were generally dissatisfied with the Postal Service's level of service. A summary of some concerns from Postal Service customers and stakeholders include:

- To ensure mail delivery on a desired date, customers had to mail items 1 week in advance, rather than 2 or 3 days in advance per the service standards.
- Changes in 2- to 3-day and overnight mail have impacted the Postal Service's ability in some places to regularly meet service standards.
- The lack of Postal Service tracking data and scanning makes it difficult to pinpoint where the problems are, as flats receive fewer scans and hits than letters.

In March 2016, the PRC released its FY 2015 Annual Compliance Determination (ACD) report that assesses the Postal Service's compliance with pricing and service performance standards. The report cited that "The most pointed critiques identified in this year's ACD relate to service performance generally, and cost and service problems with flat-shaped mail (flats)." The majority of products failed to meet service performance targets for FY 2015. In particular, FCM product service performance results did not meet their targets. The PRC directed the Postal Service to improve its service performance and provide a comprehensive plan within 90 days.

When mail is delayed, it increases the risk of customers losing confidence in the Postal Service's ability to provide trusted and reliable service. This could directly harm the Postal Service's brand, lead customers to seek alternative delivery options or use digital alternatives, and ultimately reduce revenue.

# Recommendations

***We recommend management improve communication between dock and processing personnel; follow standard procedures for rehandled mail; and improve monitoring, tracking, and oversight of mail transport equipment.***

We recommend the vice president, Network Operations, ensure processing and distribution center managers:

1. Improve communication between dock door and processing personnel.
2. Follow standard operating procedures for rehandled mail.
3. Improve monitoring, tracking, and oversight of mail transport equipment.

## Management's Comments

Management agreed with our findings and recommendations.

Regarding recommendation 1, management stated that they will reissue stand-up talks to employees emphasizing the importance of consistent two-way communication regarding the movement of mail and scheduled dispatch times. Management also stated that they will reestablish specific roles and responsibilities for timely release, dispatch and acceptance of mail. The target implementation date is November 30, 2016.

Regarding recommendation 2, management stated that they will update the operating procedures for rehandled mail and educate employees on the negative impacts and additional costs associated with it. The target implementation date is November 30, 2016.

Regarding recommendation 3, management stated that they will train MTE operators on their overall accountability to have the proper equipment in the right operation at the needed time and reissue the MTE standard operating procedures. Management also stated that they will task supervisors with monitoring employee compliance with the standard operating procedures. The target implementation date is November 30, 2016.

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

## Evaluation of Management's Comments

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

Appendix A: Additional Information .....	13
Background .....	13
Objective, Scope, and Methodology .....	13
Prior Audit Coverage .....	14
Appendix B: Additional Information .....	16
Comparison of Processing and Distribution Centers .....	16
Appendix C: Management’s Comments .....	17

## Appendix A: Additional Information

### Background

In FY 2015, the Postal Service delivered 154.2 billion pieces of mail and packages, 62.4 billion of which were FCM. During the same fiscal year in Qs 2 through 4, the Postal Service processed about 1.2 billion FCM flats, generating \$1.7 billion in revenue. FCM flats include newsletters, magazines, and large envelopes weighing up to 13 ounces.

In FY 2016, Qs 1 and 2, the Postal Service delivered 77.8 billion pieces of mail and packages, 32.9 billion of which were FCM. During the same period, the Postal Service processed about 825.2 million FCM flats, generating \$1.2 billion in revenue.

In 2011, the Postal Service announced its NRI to align the Postal Service's network processing capacity with its declining mail volume through equipment and plant consolidations and operational changes. As part of the NRI, on January 5, 2015, the Postal Service revised its FCM service standards, eliminating single-piece overnight FCM service and shifting mail from a 2-day to a 3-day service standard. These revisions enabled the Postal Service to expand its mail processing operational window, which was designed to allow the Postal Service to process mail on fewer machines, thus using less facility square footage.

### Objective, Scope, and Methodology

Our objective was to assess the timeliness of the Postal Service's processing of FCM flats. To accomplish our objective, we:

- Solicited Postal Service customers for feedback on the service standard changes and impact on their operations.
- Obtained and reviewed EXFC performance and delayed processing information from Application System Reporting, the Enterprise Data Warehouse, and PRC filings.
- Interviewed MTAC stakeholders to gain feedback on areas where the Postal Service could adjust to improve the processing of FCM flats.
- Analyzed FCM financial data and potential revenue at risk.
- Visited nine P&DCs where we observed commercial mail, plant-verified drop shipment, and BMEU docks.
- Performed observations and completed 58 checklists related to FCM flats processing and sorting equipment, including automated flats sorting machines (AFSM)<sup>17</sup> and flats sequencing system (FSS).<sup>18</sup>
- Interviewed senior management; tour supervisors; and mail processing, BMEU, and dock door personnel at the nine P&DCs.
- Compared the nine P&DCs to gauge best practices and areas of opportunity.

---

<sup>17</sup> The AFSM 100 is designed to automate flat mail processing operations and reduce manual processing.

<sup>18</sup> The FSS sequences flats in delivery order.

We conducted this performance audit from June 2015 through October 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 September 14, 2016, and included their comments where appropriate.

We assessed the reliability of computer-generated data by interviewing agency officials knowledgeable about the data. We determined that the data were sufficiently reliable for the purposes of this report.

## Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Management Alert – Mail Processing Operations at the Southern Maine Processing and Distribution Center</i>	NO-MA-15-003	5/11/2015	None

**Report Results:** The report determined that a business case existed for the Postal Service to continue monitoring delayed mail to ensure mail is processed timely and update and maintain the official operating plan to reflect current operations. Management agreed with the findings and recommendations.

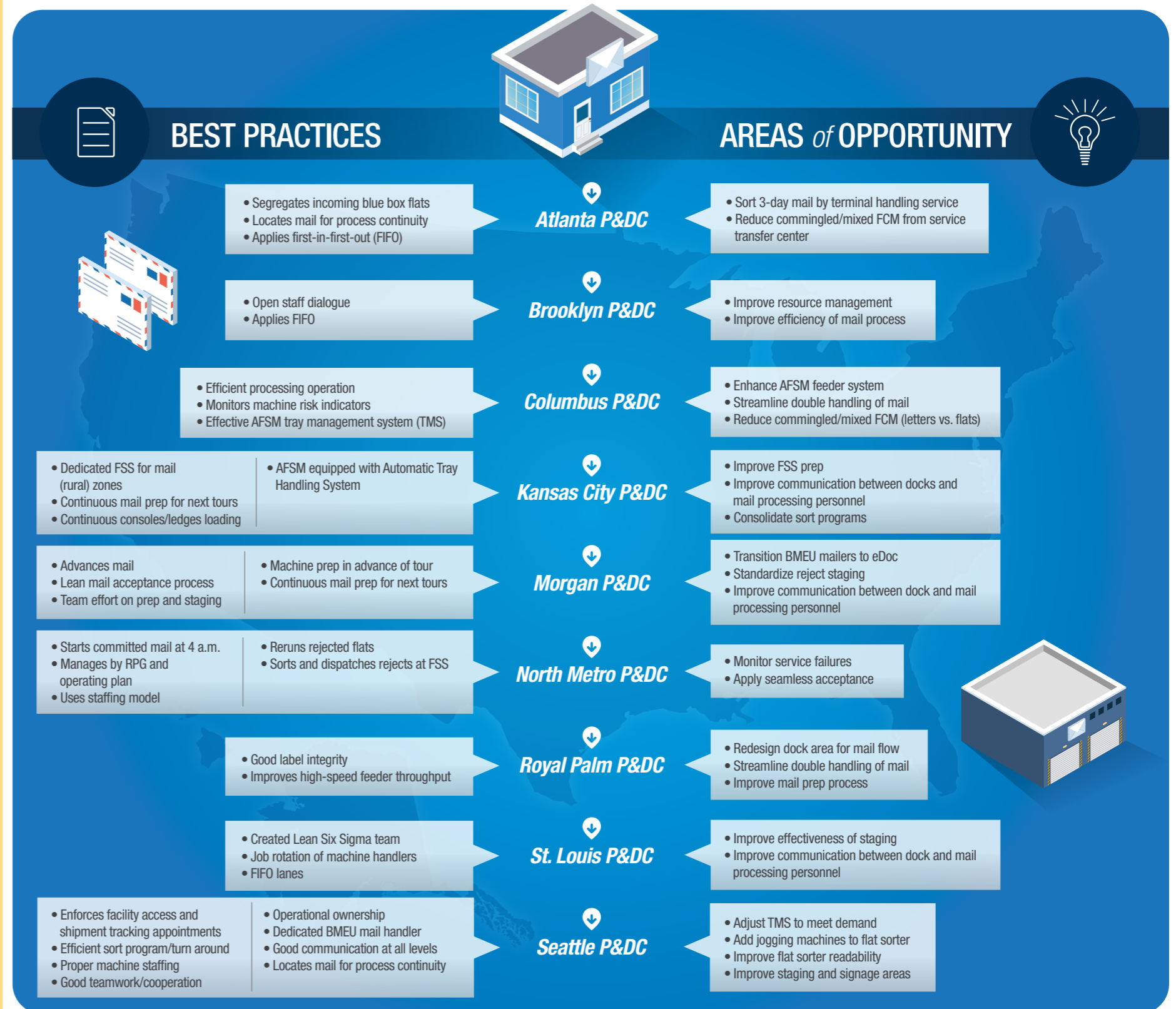
<i>Management Alert – Lack of Service Standard Change Information in Area Mail Processing Feasibility Studies</i>	NO-MA-15-001	10/6/2014	None
---	--------------	-----------	------

**Report Results:** The report determined that a business case existed for the Postal Service to complete service standard impact worksheets in all of the Area Mail Processing feasibility studies for Phase 2 Network Rationalization Initiatives scheduled to begin January 5, 2015, and evaluate the impacts that revised standards will have on each affected community before implementing the consolidations. Management partially agreed with the recommendation and stated that service standard impact information is ordinarily included in individual area mail processing final decision packages and agreed to compute service standard impacts using the January 5, 2015, standards as the starting point prior to beginning consolidations on January 10, 2015. Management disagreed with the comment that failure to complete and disclose the analysis of planned service standard changes may have a negative effect on delivery service quality.

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Management Advisory Report – Timeliness of Mail Processing at the Harrisburg, PA, Processing and Distribution Center</i>	<a href="#">NO-MA-14-005</a>	9/16/2014	None
<b>Report Results:</b> The report determined that a business case existed for the Postal Service to update the Harrisburg P&DC’s operating plan to accurately reflect consolidations and fill maintenance and supervisor vacancies up to authorized levels. Management agreed with our findings and recommendations.			
<i>Timely Processing of Mail at the Boston, MA, Processing and Distribution Center</i>	<a href="#">NO-AR-14-007</a>	5/19/2014	\$534,141
<b>Report Results:</b> The report determined that a business case existed for the Postal Service to expedite existing material handling requests that include using a High-Speed Tray Sorter, Robotic Container System, and Tray Take-Away System; update the facility operating plan; adjust employee schedules to accommodate mail volume and increase availability at peak processing times; and train employees and supervisors on proper color-coding procedures and expediting mail flow throughout the facility. Management agreed with our findings and recommendations.			
<i>Timeliness of Mail Processing at the Hartford, CT Processing and Distribution Center</i>	<a href="#">NO-AR-13-009</a>	9/30/2013	\$144,096
<b>Report Results:</b> The report determined that a business case existed for the Postal Service to adjust planning and scheduling to accommodate mail volume — especially during holiday periods — and ensure mail arrives at the plant earlier so that it can be processed timely. Management agreed with the recommendations to adjust planning and scheduling to accommodate holiday mail volume by reviewing SPLY and projected volumes, use the RPG to determine machine staffing requirements, and ensure mail arrives earlier at the plant so that it can be processed timely.			



## Comparison of Processing and Distribution Centers



Source: OIG observations and interviews with plant and in-plant support managers and tour supervisors.

## Appendix C: Management's Comments

ROBERT CINTRON  
VICE PRESIDENT, NETWORK OPERATIONS



September 26, 2016

LORI LAU DILLARD  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Timeliness of First-Class Mail Flats (Report Number NO-AR-16-Draft)

Thank you for providing the Postal Service with the opportunity to review and comment on the subject draft report.

The OIG noted that the Operating Window Change (OWC) significantly impacted mail processing and resulted in large increases in delayed mail. Although FCM flats service scores have significantly improved, they are still below Postal Service target goals. Nationwide, 3-5 day FCM flats service performance for Q3, FY 2016, was 75.2 percent — 20.05 percent below its goal — and 83 percent for its 2-day FCM flats service performance — 13.5 percent below its goal. The OIG objective was to assess the timeliness of FCM flats processing.

The OIG conducted a study to address stakeholder concerns about delayed FCM flats mail by observation at nine judgmentally selected Processing and Distribution Centers (P&DC) in FL, GA, MO, NY, OH and WA. They found challenges that impacted the timeliness of FCM flats processing, including:

- Lack of timeliness in moving mail at seven of the P&DCs due to a lack of communication between dock and processing personnel.
- Re-handled mail at six of the P&DCs due to inconsistent standard operating procedures (SOPs).
- Limited availability of mail transport equipment at four of the P&DCs due to a lack of monitoring, tracking and oversight of mail transport equipment.
- Late arriving mail received from other facilities at all nine P&DCs.
- Unapproved or outdated operating plans at seven of the P&DCs.
- Disproportionate staff to mail volume ratio at seven of the P&DCs due to outdated run plan generator models.

475 L'ENFANT PLAZA SW  
WASHINGTON, DC 20260-7100  
WWW.USPS.COM

When mail is delayed, it increases the risk of customers losing confidence in the Postal Service's ability to provide trusted and reliable service. This could directly harm the Postal Service's brand, lead customers to seek alternative delivery options or use digital alternatives, and ultimately reduce revenue.

The OIG has recommended the Vice-President, Network Operations ensure processing and distribution center managers take the following actions:

**Recommendation 1:**

Improve communication between dock door and processing personnel.

**Management Response/Action Plan:**

The Postal Service agrees with this recommendation. Management will reissue Stand-up Talks to employees emphasizing the importance of consistent two-way communication in regard to movement of mail and scheduled dispatch times. Management will reestablish specific roles and responsibilities for timely release, dispatch and acceptance of mail. Service talks will be conducted on a periodic basis to ensure new employees or those new to the operation are provided current standard operating procedures for operations to which they are assigned.

**Target Implementation Date:**

November 2016

**Responsible Manager:**

Manager, Processing Operations

**Recommendation 2:**

Follow standard operating procedures for re-handled mail.

**Management Response/Action Plan:**

The Postal Service agrees with this recommendation. Management will review for accuracy and re-instate current operating procedure while educating employees on the negative impact and additional cost of rehandling. Service talks will be conducted on a periodic basis to ensure new employees or those new to the operation are provided current standard operating procedures for the operations to which they are assigned.

**Target Implementation Date:**

November 2016

**Responsible Manager:**

Manager, Processing Operations

**Recommendation 3:**

Improve monitoring, tracking and oversight of mail transport equipment.

**Management Response/Action Plan:**

Management agrees with this recommendation. Management will train Mail Transport Equipment (MTE) operators on their responsibilities, designated assignments and line of travel. They will be educated daily on their overall accountability to have the proper equipment in the right operation at the needed time for their areas of responsibility as well as through re-issuance of the MTE SOP. Supervisors will be tasked with monitoring employee adherence and job performance. Service talks will be conducted on a periodic basis to ensure new employees or those new to the operation are provided current standard operating procedures for the operations to which they are assigned.

**Target Implementation Date:**

November 2016

**Responsible Manager:**

Manager, Processing Operations



Robert Cintron

cc: Corporate Audit Response Management



OFFICE OF  
**INSPECTOR  
GENERAL**  
UNITED STATES POSTAL SERVICE

Contact us via our [Hotline](#) and [FOIA](#) forms.

Follow us on social networks.

Stay informed.

1735 North Lynn Street  
Arlington, VA 22209-2020  
(703) 248-2100