



# OFFICE OF INSPECTOR GENERAL

## UNITED STATES POSTAL SERVICE

### Timeliness of Mail Processing at the Santa Clarita, CA, Processing and Distribution Center

### Audit Report

Report Number  
NO-AR-17-007

April 6, 2017

SANTA CLARITA  
PROCESSING AND DISTRIBUTION CENTER



Santa Clarita Valley

28201



# OFFICE OF INSPECTOR GENERAL

## UNITED STATES POSTAL SERVICE

### Highlights

***From April to September 2016, delayed mail volume at the Santa Clarita, CA, Processing and Distribution Center (P&DC) increased by more than 34 million pieces (or 264 percent) compared to the same period last year.***

### 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 risk model to identify processing facilities with high volumes of delayed mail. From April to September 2016, delayed mail volume at the Santa Clarita, CA, Processing and Distribution Center (P&DC) increased by more than 34 million pieces (or 264 percent) compared to the same period last year while national delayed mail volume decreased by 75 percent.

The Santa Clarita P&DC is responsible for the Postal Automated Redirection System (PARS) mail for Southern California. PARS is an automated process that redirects mail because of insufficient postage, a change of address or because the mail cannot be delivered due to an incomplete or incorrect address.

Of the 47 million delayed mailpieces at the Santa Clarita P&DC from April to September 2016, 27 million were PARS mail, 19 million were letters and flats, and 839,000 were packages.

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

### What the OIG Found

PARS and letter mail was delayed because the Santa Clarita P&DC did not have enough staff to operate mail processing machines and delivery unit employees did not follow PARS mail preparation procedures. Additionally, we found that packages were delayed or sent to another facility for processing because of insufficient machine processing capacity.

In January 2016, PARS mail processing operations moved from the Industry, CA, P&DC to the Santa Clarita P&DC with 24 full-time equivalent (FTE) positions instead of the requested 64 FTE positions (or 63 percent fewer). Management said they were in the process of filling the open PARS positions.

During our site visit in October 2016, we observed that, because of insufficient staff, up to 12 employees on each shift routinely split their workhours between operating PARS mail processing machines and working in another mail processing operation. This caused the PARS machines to be idle for a portion of these shifts.

Furthermore, employees at the almost 300 delivery units served by the Santa Clarita P&DC did not always follow PARS mail preparation procedures when sending mail to the P&DC. For example, they did not properly label trays containing PARS mail or correctly identify PARS mail trays by category. As a result, P&DC personnel had to manually sort PARS mail so it could be processed for delivery.



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***PARS mail preparation and staffing issues and the insufficient machine capacity for packages from April to September 2016 resulted in about 29,000 more overtime hours than budgeted, at a cost of over \$1 million.***

During our site visit, there was a processing backlog of up to 4 days, with an average of about 995,000 pieces of PARS-delayed mail per day. We discussed the backlog and the incorrect PARS mail preparation with P&DC management. Management subsequently took corrective action to ensure the delivery units used the PARS mail preparation procedures before sending the mail to the P&DC.

The Santa Clarita P&DC did not have sufficient machine capacity for packages. Management said the P&DC operated the package processing machines for more hours than planned to ensure mail scheduled for delivery the next day was processed. As a result, there was not enough time to complete scheduled preventive maintenance.

In addition, we observed the Santa Clarita P&DC sending up to four trailers of packages a day to the Los Angeles International Service Center for processing. Management said the P&DC is supposed to receive an additional package processing machine once they move PARS operations to the Pasadena P&DC in March 2017. We did not assess these changes and plan to evaluate them in future audit work.

PARS mail preparation and staffing issues and the insufficient machine capacity for packages from April to September 2016 resulted in about 29,000 more overtime hours than budgeted,

at a cost of over \$1 million. Management said they used the additional overtime workhours to keep staff after their shifts to process PARS mail and sort packages.

When mail processing facilities do not have sufficient staffing and machine capacity and delivery unit employees do not follow established procedures, there is an increased risk of delayed mail and overtime. In addition to the added costs of overtime, delayed mail could cause customers to move to alternative service providers, which would reduce revenue.

### **What the OIG Recommended**

We recommended that Postal Service management ensure an adequate balance of PARS mail workload and staff to prevent delayed mail and overtime. We also recommended management ensure delivery units comply with PARS mail preparation procedures.

Finally, we recommended that management develop a 2-5 year package processing plan to ensure processing capacity and staffing are adequate to support current and future package volume growth; in the interim, continue to redirect packages to facilities with excess processing capacity where possible; and ensure preventive maintenance is performed within established parameters.



# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

April 6, 2017

**MEMORANDUM FOR:** DEAN J. GRANHOLM  
VICE PRESIDENT, PACIFIC AREA

E-Signed by Michael Thompson  
VERIFY authenticity with eSign Desktop

A handwritten signature in black ink, appearing to read "Michael Thompson", written over a light gray background.

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

**SUBJECT:** Audit Report – Timeliness of Mail Processing at the Santa  
Clarita, CA, Processing and Distribution Center  
(Report Number NO-AR-17-007)

This report presents the results of our audit of the Timeliness of Mail Processing at the Santa Clarita, CA, Processing and Distribution Center (Project Number 17XG001NO000).

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  
Postmaster General  
Vice President, Network Operations

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# Findings

***PARS and letter mail was delayed because the Santa Clarita P&DC did not have enough staff to operate the processing machines and delivery unit employees did not follow PARS mail preparation procedures. Additionally, we found that packages were delayed or sent to another facility for processing because of insufficient machine processing capacity.***

## Introduction

This report presents the results of our self-initiated audit of the timeliness of mail processing at the Santa Clarita, CA, Processing and Distribution Center (P&DC) (Project Number 17XG001NO000). Our objective was to determine the cause of delayed mail at the Santa Clarita 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 the established delivery day. Delayed mail can adversely affect Postal Service customers and harm the organization's brand.

We used our risk model to identify processing facilities with high volumes of delayed mail. From April to September 2016, delayed mail volume at the Santa Clarita P&DC increased by more than 34 million pieces (or 264 percent) compared to the same period last year (SPLY) while national delayed mail volume decreased by 75 percent.

The Santa Clarita P&DC is responsible for the Postal Automated Redirection System (PARS) mail for Southern California. PARS is an automated process that redirects mail because of insufficient postage, a change of address or the mail cannot be delivered because of an incomplete or incorrect address.

Of the 47 million delayed mailpieces at the Santa Clarita P&DC from April to September 2016, 27 million were PARS mail, 19 million were letters<sup>1</sup> and flats, and 839,000 were packages.

## Summary

PARS and letter mail was delayed because the Santa Clarita P&DC did not have enough staff to operate the processing machines and delivery unit employees did not follow PARS mail preparation procedures. Additionally, we found that packages were delayed or sent to another facility for processing because of insufficient machine processing capacity.

In January 2016, PARS mail processing operations moved from the Industry, CA, P&DC to the Santa Clarita P&DC with 24 full-time equivalent (FTE)<sup>2</sup> positions instead of the requested 64 FTE positions (or 63 percent fewer). Management said they were in the process of filling the open PARS positions.

During our site visit in October 2016, we observed that, because of insufficient staff, up to 12 employees on each shift routinely split their workhours between operating PARS mail processing machines and working in another mail processing operation, which caused the PARS machines to be idle for a period of time.

Furthermore, employees in the almost 300 delivery units served by the Santa Clarita P&DC did not always follow PARS mail preparation procedures when sending mail to the P&DC. For example, they did not properly label trays containing PARS mail or correctly identify PARS mail trays by category. As a result, P&DC personnel had to manually sort PARS mail so it could be processed for delivery.

<sup>1</sup> After PARS mail is processed on the PARS mail processing equipment, it becomes classified as letter mail and thus is included as delayed letter volume since it was already in a delayed state as PARS mail.

<sup>2</sup> One FTE employee equals 1,745 workhours per year.

***Delayed mail as a percentage of total volume began to increase (as compared to the SPLY) in February 2016, a month after PARS mail processing operations moved from the Industry P&DC to the Santa Clarita P&DC.***

During our site visit, there was a processing backlog of up to 4 days with an average of about 995,000 pieces of PARS delayed mail per day. We discussed the backlog and the incorrect PARS mail preparation with the P&DC’s management. Management subsequently took corrective action to ensure the delivery units used PARS mail preparation procedures before sending the mail to the P&DC.

The Santa Clarita P&DC did not have sufficient machine capacity for packages. Management said the P&DC operated the package processing machines for more hours than planned to ensure mail scheduled for delivery the next day was processed. As a result, there was not enough time to complete scheduled preventive maintenance.

In addition, we observed the Santa Clarita P&DC sending up to four trailers of packages a day to the Los Angeles International Service Center for processing. Management said the P&DC is supposed to receive an additional package processing machine once they move PARS operations to the Pasadena P&DC in March 2017. We did not assess these changes and plan to evaluate them in future audit work.

PARS mail preparation and staffing issues and the insufficient machine capacity for packages from April to September 2016 resulted in about 29,000 more overtime hours than budgeted at a cost of over \$1 million. Management said they used the additional overtime workhours to keep staff after their shifts to process PARS mail and sort packages.

When mail processing facilities do not have sufficient staffing and machine capacity and delivery unit employees do not follow established procedures, there is an increased risk of delayed mail and overtime. In addition, to the added costs of overtime, delayed mail could cause customers to move to alternative service providers, which would reduce revenue.

**Delayed Mail**

From April to September 2016, delayed mail volume at the Santa Clarita P&DC increased by more than 34 million pieces (or 264 percent) compared to SPLY, while national delayed mail volume decreased by 75 percent (see Table 1).

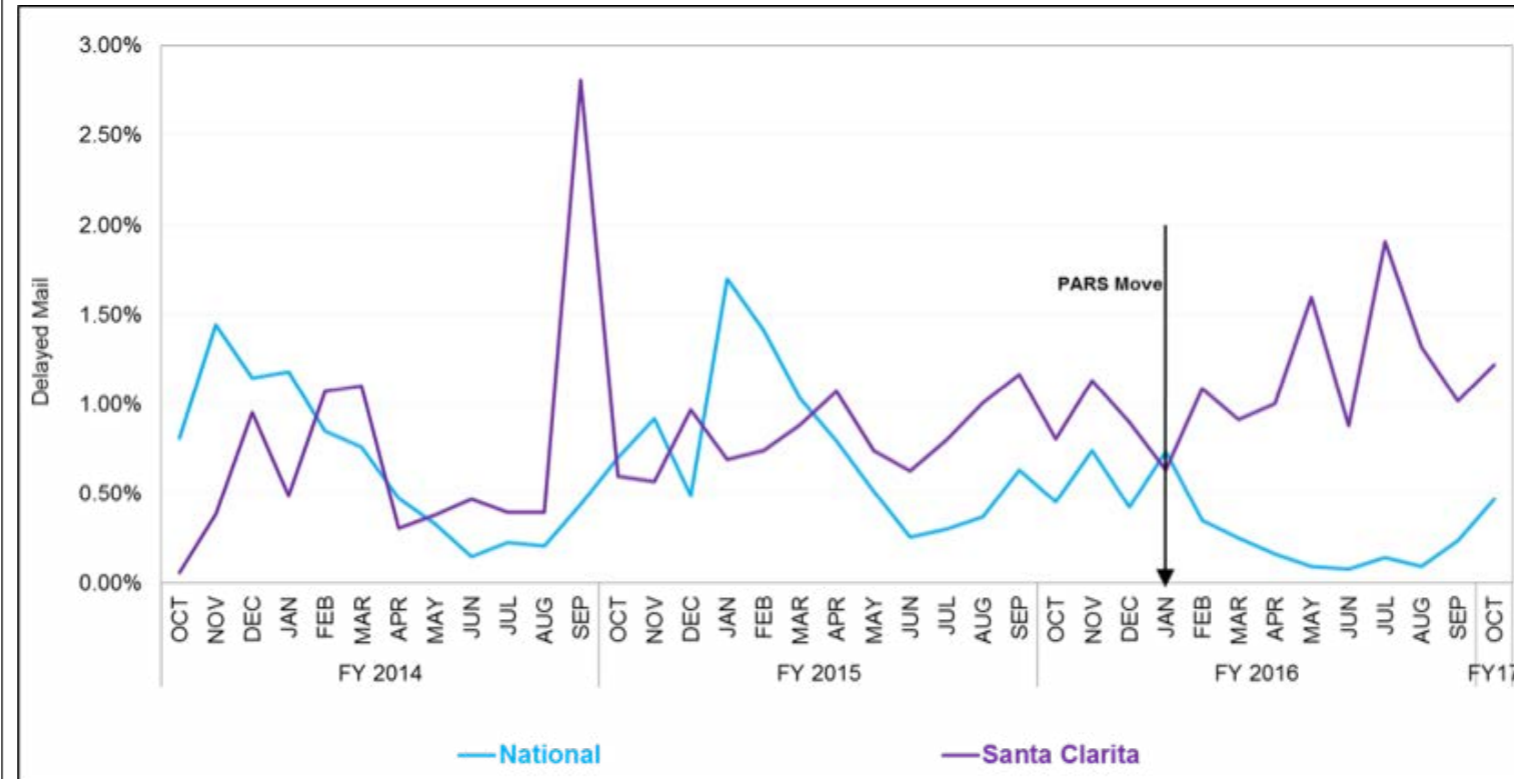
**Table 1. Santa Clarita Delayed Mail Compared to National Delayed Mail**

Time Period	Delayed Mailpieces	
	Santa Clarita P&DC	National
April – September 2016	47,144,352	298,800,249
April – September 2015	12,962,736	1,178,075,751
Difference	34,181,616	(879,275,502)
Percentage Difference	264%	-75%

Source: Enterprise Data Warehouse (EDW) and Application System Reporting (ASR).

Delayed mail as a percentage of total volume began to increase (as compared to the SPLY) in February 2016, a month after PARS mail processing operations moved from the Industry P&DC to the Santa Clarita P&DC. During the same time, national delayed mail as a percent of total volume decreased compared to the SPLY (see Figure 1).

**Figure 1. Delayed Mail as a Percentage of Total Volume for Fiscal Year (FY) 2014 through FY 2016**



Source: EDW and ASR.

### Staffing

The Santa Clarita P&DC did not have sufficient staff to process PARS and letter mail. In January 2016, PARS mail processing operations moved from the Industry P&DC to the Santa Clarita P&DC. According to the manager, In-Plant Support, the Santa Clarita P&DC did not receive any employees from the Industry P&DC because the two facilities are about 56 miles apart and the union contract prohibits relocating employees to positions more than 50 miles away from their current jobs. The Santa Clarita P&DC requested the transfer of 112,420 workhour (or 64 FTEs) positions to the Santa Clarita P&DC from the Industry P&DC to process PARS mail volume; but, only 42,000 workhours (or 24 FTEs) were transferred, or 63 percent less than requested.

During our site visit in October 2016, we observed processing machines sitting idle while employees split their workhours between PARS mail and other mail processing operations (see [Figure 2](#)).



**Figure 2. Idle Machine Loaded with PARS Mail and Awaiting Processing**

*The plant manager said the plant is understaffed and moves employees around based on where they are needed and is in the process of filling the vacant positions.*



Source: OIG photograph taken October 26, 2016, 8:17 p.m.

The plant manager said the plant is understaffed and moves employees around based on where they are needed and is in the process of filling the vacant positions. The manager, In-Plant Support, also said PARS processing operations will be transferred to the Pasadena P&DC in March 2017. Based on the Postal Service's Function 1 scheduler tool,<sup>3</sup> the Santa Clarita P&DC was understaffed by 35 positions as of October 25, 2016 (see Table 2).

**Table 2. Santa Clarita P&DC Staffing**

Required Staff	Actual Staff	Difference
825	790	(35)

Source: Staffing data provided by the Santa Clarita manager, In-Plant Support, based on the Postal Service's Function 1 scheduler.

<sup>3</sup> A tool the Postal Service uses to determine staff needed for operations. It uses data from multiple Postal Service systems to standardize the scheduling process.

## PARS Mail Preparation Procedures

The 268 delivery units that sent PARS mail to the Santa Clarita P&DC for processing did not always follow PARS mail preparation procedures (see Table 3). For example, units did not properly face letters in trays or label trays as PARS mail, use approved separator cards, or dispatch PARS mail daily. As a result, Santa Clarita P&DC personnel had to manually sort PARS mail before it could be processed on mail processing machines.

**Table 3. PARS Mail Preparation Procedures**

Procedure	In Compliance
1. Prepare delivery unit cases with proper PARS configuration.	N/A <sup>4</sup>
2. Properly face letters in trays and label trays as PARS.	No
3. Properly place separator cards behind the letters for each type of reason.	No
4. Dispatch PARS mail daily to the P&DC.	No
5. Order sufficient separator cards. PARS separator cards must not be photocopied.	No
6. Identify PARS mail containers for a Combined Input-Output Sub-System (CIOS). <sup>7</sup> Top portion of the PARS container is for return-to-sender mail and the bottom portion of the container is for Carrier Identified Forwards.	No
7. Do not send Change of Address mail with the PARS mail.	Yes
8. Place proper placard on the container to identify PARS mail.	No

Source: OIG observations of PARS mail at the Santa Clarita P&DC, October 24 – 27, 2016.

During our site visit, we observed a backlog of up to 4 days of PARS mail, an average of 995,000 pieces of PARS delayed mail per day (see Table 4 and Figure 3). We discussed the backlog and incorrect PARS mail preparation with the plant manager. During our site visit the manager, Operations, took corrective action to ensure that delivery units complied with PARS mail procedures before sending the mail to the plant.

**Table 4. Delayed PARS Mail**

Date	Tuesday 0/25/2016	Wednesday 10/26/2016	Thursday 10/27/2016
Delayed Mailpieces	855,650	914,089	1,215,839
Date of Oldest Mailpiece	10/22/2016	10/22/2016	10/23/2016
Number of Backlog Days	3	4	4

Source: Mail Condition Reporting System (MCRS) and daily count sheets.

<sup>4</sup> We did not observe delivery units' PARS mail procedures; therefore, we were unable to determine if any of the delivery units have cases with proper PARS configurations.

<sup>5</sup> A system that processes PARS mail.

**Figure 3. Containers of Delayed PARS Mail**



Source: OIG photograph taken October 27, 2016, 6:57 a.m.

### **Machine Capacity**

The Santa Clarita P&DC processed over 34,000 more packages per day than it should have based on the planned operational window (the optimal rate and time at which a machine processes mail). The manager, In-Plant Support, stated that the Santa Clarita P&DC operated Automated Parcel and Bundle Sorter (APBS)<sup>6</sup> and Automated Package Processing System (APPS)<sup>7</sup> machines more hours than planned to ensure processing of mail scheduled for delivery the next day. This left insufficient time to complete scheduled preventive maintenance (PM)<sup>8</sup> on the APPS machine. For example, according to the PM schedule for the month of October 2016, the P&DC did not perform scheduled routine maintenance on the APPS machine<sup>9</sup> almost 12 percent of the time. According to the PM completion report, unperformed maintenance should be no more than 10 percent. When facilities do not perform regular PM on their processing machines, there is an increased risk that machines could break down and result in additional delayed mail.

As shown in [Table 5](#), the facility had three APBS machines and one APPS machine to process packages; however, the Santa Clarita P&DC did not have sufficient machine capacity to process its packages during the planned operational window.

<sup>6</sup> The APBS machine sorts bundles and small, single mailpieces into a series of bins from a centralized induction point.

<sup>7</sup> The APPS machine is used to sort parcels and bundles of mail.

<sup>8</sup> Preventive maintenance is the scheduled inspection and servicing of mail processing equipment to ensure optimal processing capacity.

<sup>9</sup> The P&DC did not perform scheduled routine maintenance almost 4 percent of the time on the APBS machines.



**The Santa Clarita P&DC incurred excess overtime hours due to insufficient staffing, inadequate PARS mail preparation, and too little package machine capacity.**

**Table 5. 6 Month Average Package Processing Capacity**

Machine	Number of Machines	Maximum Mailpiece Capacity	Actual Mailpieces Processed	Excess/ (Shortfall) Mailpiece Capacity	Excess/ (Shortfall) Capacity Percentage
APBS	3	28,897,875	28,802,458	95,417	0.3%
APPS	1	18,127,059	23,423,781	(5,296,722)	(29%)
<b>Total</b>	<b>4</b>	<b>47,024,934</b>	<b>52,226,239</b>	<b>(5,201,305)</b>	<b>(11%)</b>

Source: WEB End-of-Run (EOR) for April through September 2016.

As a result of the capacity shortfall, the Santa Clarita P&DC sent four trailers of packages daily to the Los Angeles International Service Center for processing (see Table 6). The manager, In-Plant Support, stated that the plant does not have a strategic package processing plan to meet package volume growth. Management said that an additional machine will be installed once PARS operations move to the Pasadena P&DC in March 2017. Based on current package volume, an additional APBS machine will create excess capacity of about 9 percent. We did not assess either of these proposed actions and plan to evaluate them in future audit work.

**Table 6. Trailers Offloaded From Santa Clarita P&DC to the International Service Center**

Site Visit Dates	Number of Trailers Per Day
Tuesday, October 25, 2016	4
Wednesday, October 26, 2016	3
Thursday, October 27, 2016	2

Source: District Offload Report provided by the Santa Clarita manager, In-Plant Support.

When a mail processing facility does not have sufficient staffing and machine capacity and delivery units do not follow established procedures, there is an increased risk of delayed mail and overtime. Delayed mail could cause customers to move to alternative service providers, thereby reducing revenue.

### Overtime Hours

From April to September 2016, the Santa Clarita P&DC incurred excess overtime hours due to insufficient staffing, inadequate PARS mail preparation, and too little package machine capacity. Specifically, almost 82,000 of the 763,899 mail processing workhours, (or 11 percent) were overtime hours. The Santa Clarita P&DC's target overtime rate was 6.95 percent of total workhours and the plant manager said the additional overtime workhours were used to keep staff after their shifts ended to process PARS mail and sort packages. We consider the 28,819 hours over the target of 6.95 percent overtime hours as excess, at a cost of about \$1,068,999 (see Table 7). Overtime hours that go beyond the budgeted amount increase Postal Service costs.



**Table 7. Overtime Hours**



Total Workhours  
**763,899**



Total Overtime Hours  
**81,910**



Total Overtime Dollars  
**\$3,038,329**



Ratio of Total Overtime Hours  
to Total Workhours  
**11%**



6.95 Percent  
Target Overtime Hours  
**53,091**



Excess  
Overtime Hours  
**28,819**



OIG-Calculated Dollars Associated  
with Excess Overtime Hours  
**\$1,068,999**

Source: EDW.

When a facility does not have sufficient staffing and machine capacity, there is an increased risk that mail will not be processed in time to meet its established delivery day, which adversely affects customer service scores. 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 47 million delayed mailpieces from April to September 2016, \$2,004,789 of revenue associated with delayed mail is due to the causes identified in our report.

# Recommendations

We recommend the Vice President, Pacific Area:

1. Ensure there is an adequate balance of Postal Automated Redirection System mail workload and staff to prevent delayed mail and overtime.
2. Ensure delivery units comply with Postal Automated Redirection System mail preparation procedures.

We recommend the Vice President, Pacific Area, direct the plant manager, Santa Clarita Processing & Distribution Center (P&DC), to:

3. Develop a 2-5 year package processing plan for the Santa Clarita P&DC to ensure processing capacity and staffing are adequate to support current and future package volume growth; in the interim, continue to redirect packages to facilities with excess processing capacity where possible; and ensure preventive maintenance is performed within established parameters.

## Management's Comments

Management agreed with the findings, recommendations, and monetary impact. See [Appendix B](#) for management's comments in their entirety.

Regarding recommendation 1, management agreed with our analysis of the PARS mail volume and overtime hours used to process this mail. Management stated that as of March 2017, the Santa Clarita P&DC no longer processes PARS mail.

Regarding recommendation 2, management stated that Pacific Area staff provided PARS training to the processing plants and delivery units between October 2016 and March 2017.

Regarding recommendation 3, management stated that they are scheduled to upgrade the feed system on one APBS in April 2017, and will have one operational Small Package Sorting System in October 2017. Management stated that to accommodate additional parcel volume and machines, the Santa Clarita P&DC will require additional floor and dock space and will work with the Pacific Area and Postal Service Headquarters to secure an expansion of the building when needed.

## 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. 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.

# Appendices

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## Appendix A: Additional Information

*In addition to letters, flats, and packages, the Santa Clarita P&DC processes all PARS mail for Southern California.*

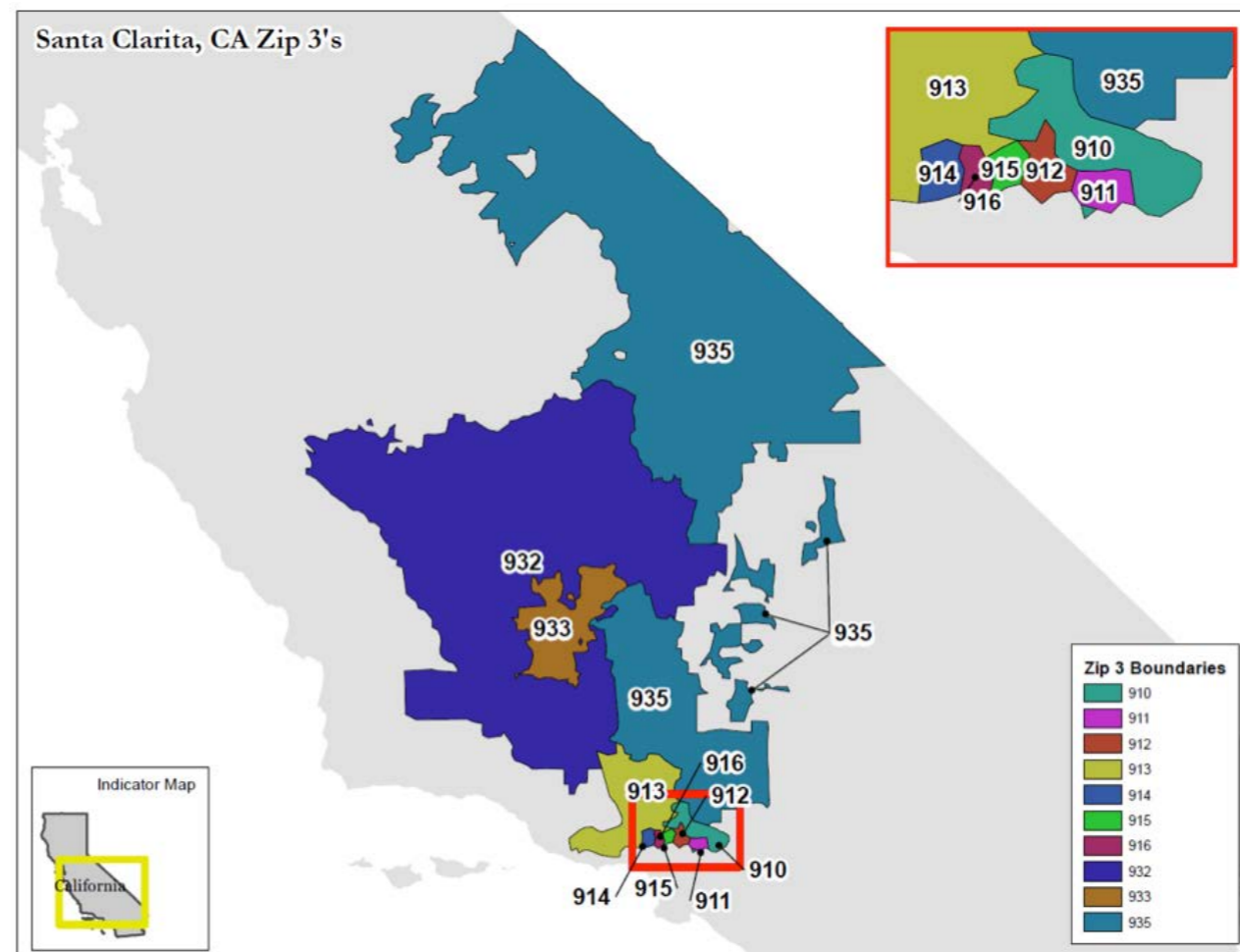
## Background

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

We used our risk model to identify processing facilities with high volumes of delayed mail. From April to September 2016, delayed mail volume at the Santa Clarita, CA, P&DC increased by more than 34 million pieces (or 264 percent) compared to SPLY while national delayed mail volume decreased by 75 percent.

The Santa Clarita P&DC processes originating and destinating letters, flats, and packages (mail sent to and from) for ZIP Codes™<sup>10</sup> 910 - 916 and originating mail for Bakersfield ZIP Codes 932, 933, and 935 as shown in Figure 4.

**Figure 4. Zip Codes Serviced by Santa Clarita P&DC**



Source: OIG Geographic Information System Mapping Portal.

In addition to letters, flats, and packages, the Santa Clarita P&DC processes all PARS mail for Southern California, which includes ZIP Codes in [Table 8](#).

<sup>10</sup> A system of 5-digit codes that geographically identifies individual post offices or metropolitan area delivery stations associated with every mailing address.



***PARS is an automated process that redirects mail because of insufficient postage, an address change or the address is incomplete or incorrect.***

**Table 8. PARS ZIP Codes Serviced by the Santa Clarita P&DC**

<b>Location</b>	<b>Serves ZIP Code</b>
Anaheim P&DC	928
Bakersfield P&DC	932 - 933 and 935
Industry P&DC	906, 917 and 918
Los Angeles P&DC	900 - 905, 907 and 908
Margaret L. Sellers P&DC	919 - 921
Moreno Valley Delivery and Distribution Center	925
San Bernardino P&DC	922 - 924
Santa Ana P&DC	926 and 927
Santa Barbara P&DC	930 - 931 and 934
Santa Clarita P&DC	910 - 916

Source: Santa Clarita P&DC manager, In-Plant Support.

PARS is an automated process that redirects mail because of insufficient postage, an address change or the address is incomplete or incorrect. PARS mail generally requires additional processing time, known as the lift and label process. This means the mailpiece goes through the system, which lifts the address. The mailpiece then goes through the system a second time and it places a yellow label on the mailpiece to identify an address change or mail that is undeliverable due to insufficient postage or an incorrect address. Sometimes the machine cannot read the address so it must be keyed in manually. Once a mailpiece is identified as PARS mail, it no longer has a service standard associated with its delivery. Some PARS mail also becomes waste due to an incomplete address or an expired forwarding address.

### **Objective, Scope, and Methodology**

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

- Conducted observations at the Santa Clarita P&DC the week of October 24, 2016.
- Interviewed the plant manager and manager, In-Plant Support, to determine the reasons for delayed mail and corrective actions taken or planned.
- Evaluated Performance and Results Information System model data and data obtained from ASR to identify delayed mail trends as a percentage of total mailpieces 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>11</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.

We conducted this performance audit from October 2016 through April 2017, 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 February 23, 2017, and included their comments where appropriate.

We used computer processed data from ASR, EDW, WebMCRS, WebEOR, and Web Complement Information System 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.

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<sup>11</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.

## Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Timeliness of Mail Processing at the Queens, NY, Processing and Distribution Center</i>	Determine the cause of delayed mail at the Queens P&DC.	<a href="#">NO-AR-16-010</a>	9/20/2016	\$2.1
<i>Management Alert Timeliness of Mail Processing at the North Houston, TX, Processing and Distribution Center</i>	Determine if the North Houston P&DC was processing mail on time.	<a href="#">NO-MT-16-002</a>	2/29/2016	None
<i>Management Alert Timeliness of Mail Processing at the Denver Processing and Distribution Center</i>	Determine if the Denver P&DC was processing mail on time.	<a href="#">NO-MT-16-001</a>	12/3/2015	None
<i>Management Alert Substantial Increase in Delayed Mail</i>	Assess the timeliness of mail processing after the January 5, 2015 service standard revisions.	<a href="#">NO-MA-15-004</a>	8/13/2015	None
<i>Management Alert Mail Processing Operations at the Southern Maine Processing and Distribution Center</i>	Assess mail processing operational changes at the Southern Maine P&DC in response to the January 5, 2015 service standard revisions.	<a href="#">NO-MA-15-003</a>	5/11/2015	None

## Appendix B: Management's Comments



March 30, 2017

LORI LAU DILLARD  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Timeliness of Mail Processing at the Santa Clarita PDC  
Report Number: NO-AR-17

The following is provided as a response to the OIG audit at the Santa Clarita PDC, Project Number 17XG001NO000.

Thank you for the opportunity to respond to the OIG audit at Santa Clarita PDC concerning the Timeliness of Mail Processing. The Santa Clarita PDC agrees with the findings and recommendations noted in the audit pertaining to the excess overtime hours used to support PARS processing during the time studied. We agree in the excess overtime hours calculation that showed 28,819 hours used in support of PARS operations.

**Recommendation #1**

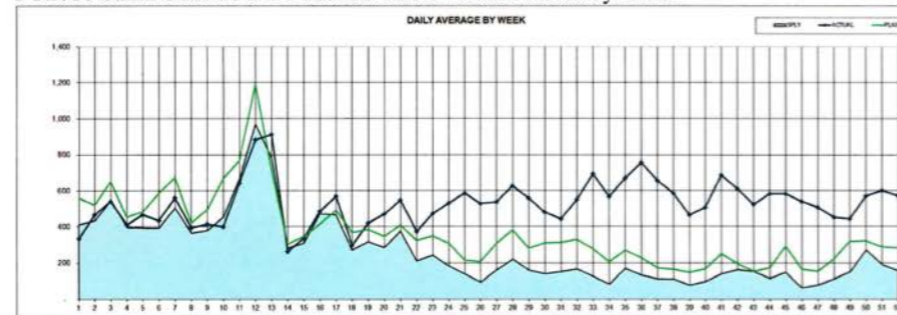
We recommend the vice president, Pacific Area ensure there is an adequate balance of Postal Automated Redirection System mail workload and staff to prevent delayed mail and overtime.

**Management Response / Action Plan**

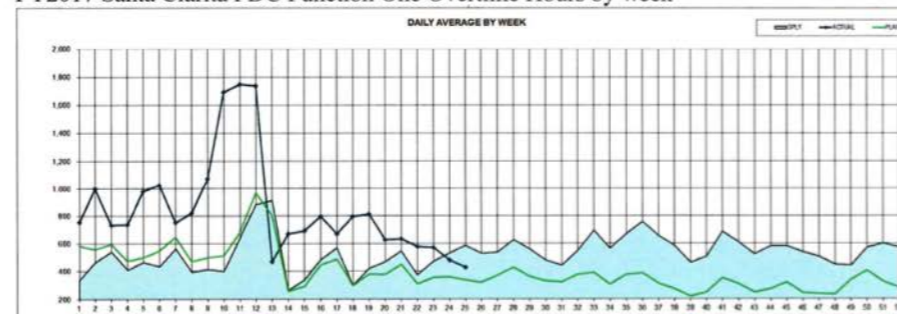
We agree with the recommendation. When the PARS volumes were moved from Industry PDC to Santa Clarita PDC the appropriate number of employees did not accompany the mail to minimize unnecessary overtime. In light of these deficiencies, Santa Clarita PDC hired new employees that allowed the plant to dedicate sufficient resources to PARS volume while making incremental reductions in overtime usage dedicated to PARS preparation and processing. This chart shows the OT usage for FY2016 and FY2017.



FY2016 Santa Clarita PDC Function One Overtime Hours by week



FY2017 Santa Clarita PDC Function One Overtime Hours by week

**Special Note**

Please note that as of March 2017 the Santa Clarita PDC no longer processes PARS volumes. The PARS volumes are now processed at the Pasadena PDC.

**Target Implementation Date**

The last of the employees in support of overtime reduction were hired in November 2016.

**Responsible Officials**

Britton Soto, Plant Manager, Major

**Recommendation #2**

We recommend the vice president, Pacific Area ensure delivery units comply with Postal Automated Redirection System mail preparation procedures.

**Management Response / Action Plan**

We agree with the recommendation. Processing Plants and Delivery units were given PARS preparation training by Pacific Area staff between October 2016 and March 2017.

**Target Implementation Date**

Completed. The Pacific Area published the PARS Preparation Guidelines and made follow ups at the supplying PDCs and select Post Office to ensure compliance. The training and follow up was completed in March 2017.

**Responsible Officials**

Larry Munoz, District Manager, Sierra Coastal  
 James Olson, District Manager, San Diego  
 Ed Ruiz, District Manager, Santa Ana  
 Al Santos, District Manager, Los Angeles  
 Britton Soto, Plant Manager, Major. Santa Clarita PDC  
 Shawn West, Plant Manager (A), Major. Los Angeles PDC  
 Mike Allen, Plant Manager, Major. Santa Ana PDC  
 Jeff Vibbert, Plant Manager, Major. ML Sellers

**Recommendation #3**

We recommend the vice president, Pacific Area, direct the plant manager, Santa Clarita Processing & Distribution Center (P&DC), to develop a 2-5 year package processing plan for the Santa Clarita P&DC to ensure processing capacity and staffing are adequate to support current and future package volume growth; in the interim, continue to redirect packages to facilities with excess processing capacity where possible; and ensure preventive maintenance is performed within established parameters.

**Management Response/Action Plan:**

We agree with the recommendation. Currently, the Santa Clarita PDC has one APPS and three APBS in support of outgoing and destinating parcel operations along with bundle sortation for Marketing (STD A) and Periodical mail. The Santa Clarita PDC takes FCM SPRS offloads from Santa Barbara PDC and International Import SPRS from the Los Angeles ISC and offloads FCM SPRS Los Angeles ISC, Los Angeles NDC, Industry PDC and for a short duration, Long Beach Priority Mail Annex.

Santa Clarita PDC is scheduled to upgrade the feed system of APBS #3 to a more efficient, less labor intensive operation in April, 2017. Additionally, Santa Clarita PDC is on track to receive one SPSS that will be fully operational in October of 2017. Please note, that due to the volume arrival profiles of the supplying mailers, offloads may still need to be made to the Pacific Area virtual plant system.

The net result of the immediate, future state at Santa Clarita PDC will be one APPS, three APBS and one SPSS.

Please note that as the Outgoing FCM SPRS volume continues to grow as the brick and mortar retail stores decline, the true growth of parcel volume for the USPS could be effected by Mail Houses that will provide direct sacks or containers of parcels sorted to the Area Distribution Center (ADC) and SCF Networks that will preclude the need for rapid acquisition of parcel machines. Moreover, when working with parcel mailers, the USPS is often required to sign non-disclosure of projected volumes from the respective mailers that can be revealed in planning stages.

The current state floor layout at Santa Clarita PDC will tightly accommodate the current need of letter and flat operations. However, additional parcel machines and associated receipt, inventory, swim lane and dispatch areas will require additional floor space that will come from the expansion of the building. Plus, additional docks will be needed to accommodate the dispatches of the new volumes to the Commercial Air (CAIR), FedEx, UPS and surface destinations. The overhead takeaway system will need to be modified to allow the more efficient allocation of sacks to the respective Low Cost Universal Sorter (LCUS) induction stations.

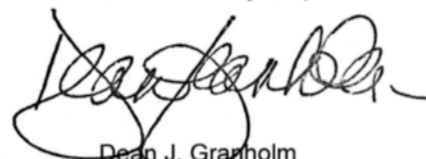
As the volume of parcels change, Santa Clarita will work collaboratively with Pacific Area and HQ staff to secure the needed expansion of the building when needed.

**Target Implementation Date:**

Santa Clarita PDC is scheduled to upgrade the feed system of APBS #3 to a more efficient, less labor intensive operation in April, 2017. Additionally, Santa Clarita PDC is on track to receive one SPSS to be fully operational in October 2017.

**Responsible Official:**

Britton Soto, Plant Manager (Major)  
Kelly Seckar, Manager Maintenance  
Hussain Always, Operations Industrial Engineer



Dean J. Granholm  
Vice President, Pacific Area

cc: Manager, Corporate Audit and Response Management  
Britton Soto, Plant Manager (Major)



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