
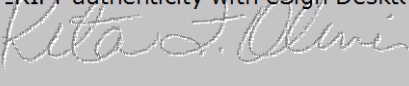




December 3, 2015

MEMORANDUM FOR: DREW T. ALIPERTO
VICE PRESIDENT, WESTERN AREA

E-Signed by Rita Oliver 
VERIFY authenticity with eSign Desktop


FROM: Rita F. Oliver
Acting Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Management Alert – Timeliness of Mail Processing at the
Denver Processing and Distribution Center
(Report Number NO-MT-16-001)

This management alert presents the results of our self-initiated audit of the timeliness of mail processing at the Denver Processing and Distribution Center (P&DC) (Project Number 15XG023NO002). Our objective was to determine if the Denver P&DC was processing mail on time.

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 and Transportation, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

Introduction

The purpose of this alert is to bring to your attention the need to immediately address the timeliness of mail processing¹ at the Denver, CO, Processing and Distribution Center (P&DC). Excessive delayed mail adversely affects Postal Service customers and harms the organization's brand. The U.S. Postal Service Office of Inspector General (OIG) Network Processing and Transportation Trip Wire² identified the Denver P&DC as having significantly more delayed mail than similar-sized plants, in addition to having increased volume over the same period last year (SPLY). Our objective was to determine if the Denver P&DC was processing mail on time.

Summary

The Denver P&DC had difficulties processing mail on time. From July 1, 2015, through August 7, 2015, the Denver P&DC's delayed mail increased by 15.4 million mailpieces, or 1,797 percent, compared to the SPLY (see Table 1).

Table 1. Delayed Mail Comparison From July 1 to August 7

	First Class Delayed Mail	Periodicals Delayed Mail	Standard Delayed Mail	Total Delayed Mail
Fiscal Year (FY) 2014	34,402	20,756	758,765	813,923
FY 2015	3,361,290	776,456	11,305,832	15,443,578
Percent Increase	9,671%	3,641%	1,390%	1,797%

Source: Application System Reporting (ASR).

When compared to similar-sized facilities, the Denver P&DC had the most delayed mail as a percentage of First Handling Pieces (FHP)³ (see [Table 2](#)).

¹ The U.S. Postal Service considers mail delayed when it is not processed in time to meet its established delivery day.

² The OIG Network Processing and Transportation Trip Wire identifies mail processing facilities that are reporting significant delayed volume in terms of pieces and compared to SPLY.

³ A letter, flat, or parcel that receives its initial distribution at a Postal Service facility.

Table 2. Top Five Similar-Sized Facilities With Delayed Mail From July 1 to August 7, 2015

Facility	Delayed Mail July 1 – Aug 7 2015	FHP July 1 – Aug 7 2015	Percent of FHP
Denver P&DC	15,443,578	253,924,520	6.08%
Dallas P&DC	3,164,601	137,809,126	2.30%
Phoenix P&DC	4,002,836	203,930,971	1.96%
Salt Lake P&DC	2,106,722	122,696,400	1.72%
Sacramento P&DC	3,567,705	235,166,935	1.52%

Source: ASR.

Our observations supported the data results. During the week of August 3, 2015, we observed delayed mail on the workroom floor (see Figure 1 and Figure 2) and verified count sheets used for the daily inventory of mail.⁴ During our observations, we found Mail Condition Reporting System (MCRS)⁵ data at the Denver P&DC was accurate, complete and reflected conditions on the workroom floor. However, on August 7, 2015, we noted the Denver Mail Processing Annex (MPA)⁶ failed to report 24,402 delayed First-Class Mail packages. When we brought this to the attention of management, they corrected it in the MCRS.

Figure 1. Example of Delayed Mail at the Denver P&DC



Source: OIG photograph taken August 4, 2015, at 5:48 a.m. Delayed flats staged at the manual unit.

⁴ Daily inventory of mail is recorded on count sheets by mail class and type at all processing facilities. A count of mail on hand is recorded in addition to recording any delayed mail and oldest date of delayed mail.

⁵ A system of reports that identifies and monitors problems in mail processing within a Postal Service facility.

⁶ The Denver MPA is the opening unit for Standard Mail and Periodicals for the Denver P&DC. The Denver MPA also sorts Priority and First-Class Mail packages.

Figure 2. Example of Delayed Mail at the Denver P&DC



Source: OIG photograph taken August 5, 2015, at 11:11 a.m. Delayed Standard Mail letters colored-coded green for delivery on Wednesday still in the P&DC on Wednesday.

We identified the following factors causing these delays:

- Although there was an adequate supply of mail, the Denver P&DC and the Denver MPA had unused machine capacity. Low productivity⁷ and inadequate machine run times⁸ contributed to mail not being processed on time. Specifically,
 - The average daily runtime on the Automated Package Processing System (APPS)⁹ was 13 hours per day compared to the goal of 18 hours. Productivity on the APPS was 415 pieces per hour compared to the goal of 459 pieces per hour.
 - The average daily runtime on the Automated Flat Sorting Machine (AFSM)¹⁰ was 9 hours per day per machine compared to the goal of 15 hours. Productivity on the AFSM was 3,941 pieces per hour compared to the goal of 7,054 pieces per hour.
 - The average daily runtime on the Flat Sequencing System (FSS)¹¹ was 10 hours per day per machine compared to the goal of 15 hours. Productivity on the FSS was 2,118 pieces per hour compared to the goal of 2,711 pieces per hour.

⁷ Productivity is a calculation of TPH divided by workhours.

⁸ The number of hours a machine is running to sort mail.

⁹ An automated mail processing machine that sorts packages, and bundles of Periodicals and Standard Mail.

¹⁰ A fully automated machine that processes flat-size mail.

¹¹ A two-pass flats sorting machine that automates the sorting of flat-sized mail into delivery order.

- The average daily runtime on the Delivery Barcode Sorter (DBCS)¹² was 7 hours per day per machine compared to the goal of 15 hours. Productivity on the DBCS was 6,196 pieces per hour compared to the goal of 10,472 pieces per hour.
- The Denver P&DC had a high rate of management turnover. The Denver P&DC is authorized to have seven manager of distribution operations (MDOs) positions. As of August 3, 2015, five of the seven MDOs had recently left the Denver P&DC or were working in other positions. Employees from other facilities were acting as MDOs.
- In addition, the Denver P&DC did not have enough regular supervisors of distribution operations (SDO) to properly supervise the craft employees. As of August 13, 2015, the Denver P&DC was authorized 46 SDO positions but only 36 were filled. The 10 SDO vacancies were filled by replacement supervisors.¹³
- We also found mail flow inefficiencies at the Denver P&DC. For example, flat mail that could have been finalized in the AFSM operation was incorrectly sent to the manual operation, which delayed processing (see Figure 3). A portion of this mail was directed to manual operations after being received from the Denver MPA as a result of bundle breakage. In addition, machinable mail not labeled as AFSM rejects was staged to be worked in the manual operation.

Figure 3. Machinable Flat Mail in the Manual Operation



Source: OIG photograph taken August 3, 2015, at 9:34 a.m. Machinable delayed First-Class Mail flats in the manual unit dated July 31, 2015.

- We also found Periodicals and Standard Mail arriving at the Denver P&DC after the critical entry time¹⁴ from the Denver MPA (see Figure 4). Since the mail was already late, the Denver P&DC did not have an opportunity to process it on time.

¹² An automated letter sorting machine that is used for letter-size mail already barcoded either by mailers or the Postal Service on other mail processing equipment.

¹³ Replacement supervisors are craft employees paid at a higher level to fill supervisor absences.

¹⁴ The latest time that committed mail must be available for an operation if the mail is to complete its planned distribution in the operation by its scheduled clearance time.

Figure 4. Trailer of Periodicals Arriving After Critical Entry Time



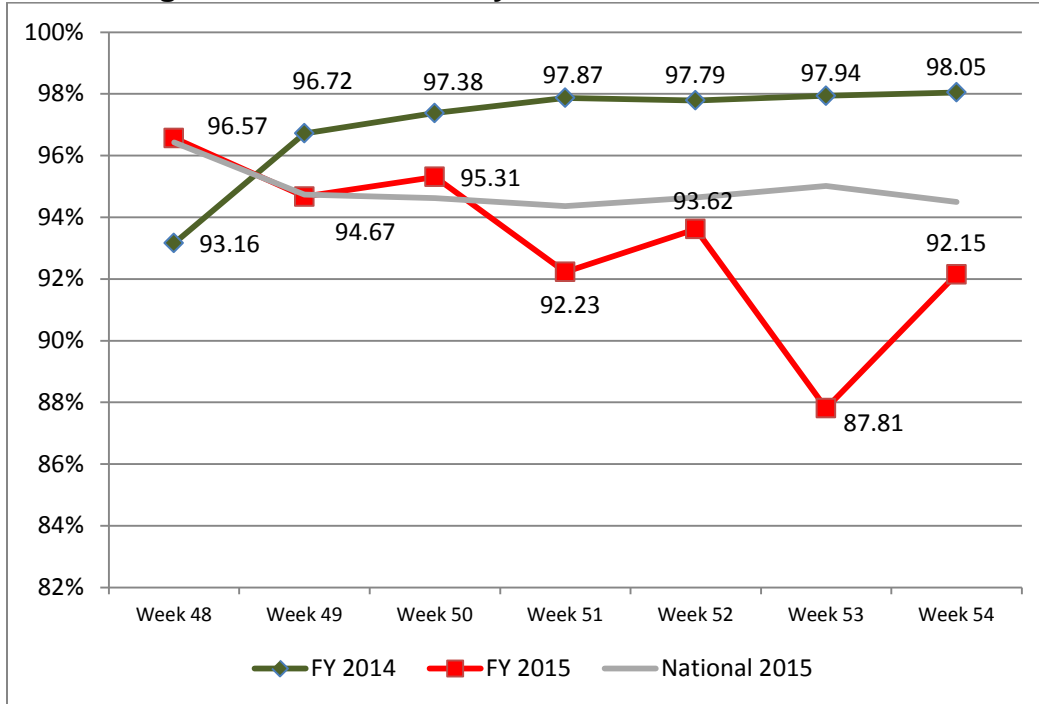
Source: OIG photograph taken on Wednesday, August 5, 2015, at 6:45 p.m. Periodicals scheduled for delivery on Wednesday arriving Denver P&DC in a delayed status.

Impacts

The increase in delayed mail negatively impacted Denver P&DC External First-Class (EXFC)¹⁵ Mail service performance for the weeks beginning FY 2015, Quarter 4. We found that 2-day EXFC mail service performance decreased as much as 10.13 percent when compared to SPLY and 3-day EXFC mail service performance decreased as much as 25.26 percent. Generally, the Denver P&DC's FY 2015 EXFC service performance was below the national average for this time period (see [Figure 5](#) and [Figure 6](#)).

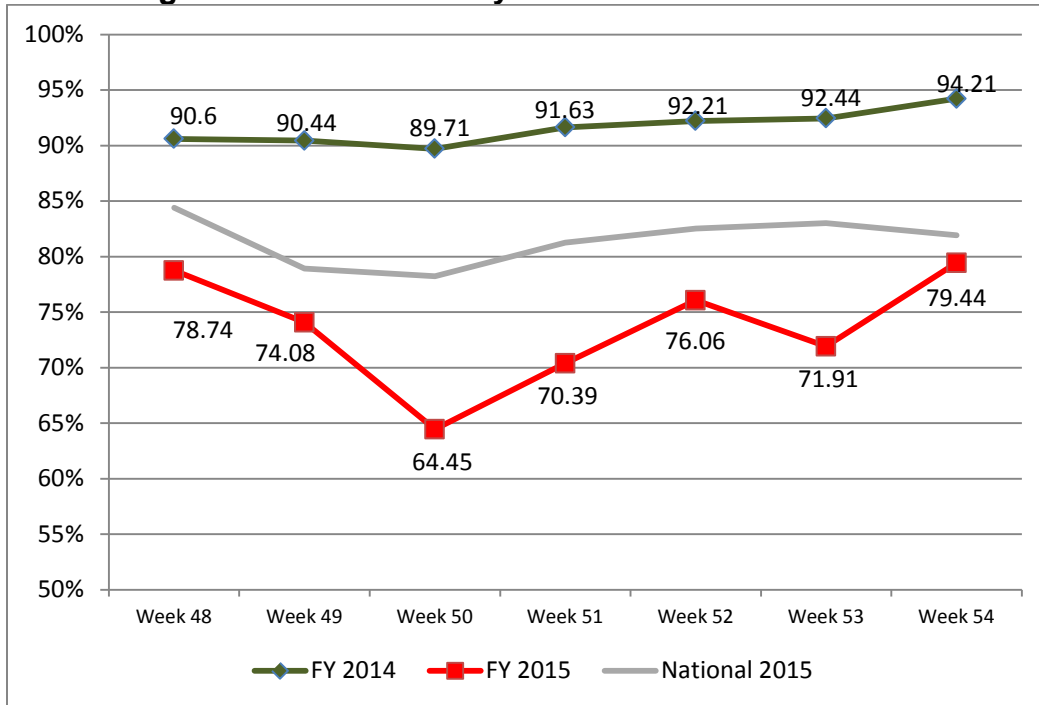
¹⁵ The EXFC measurement system is an external sampling system measuring the time it takes from deposit of mail into a collection box or lobby chute until its delivery to a home or business. EXFC measures the transit time for single-piece rate First-Class™ Mail cards, letters, and flat envelopes and compares this actual service against service standards.

Figure 5. Quarter 4 2-Day EXFC Service Performance



Source: Enterprise Data Warehouse (EDW).

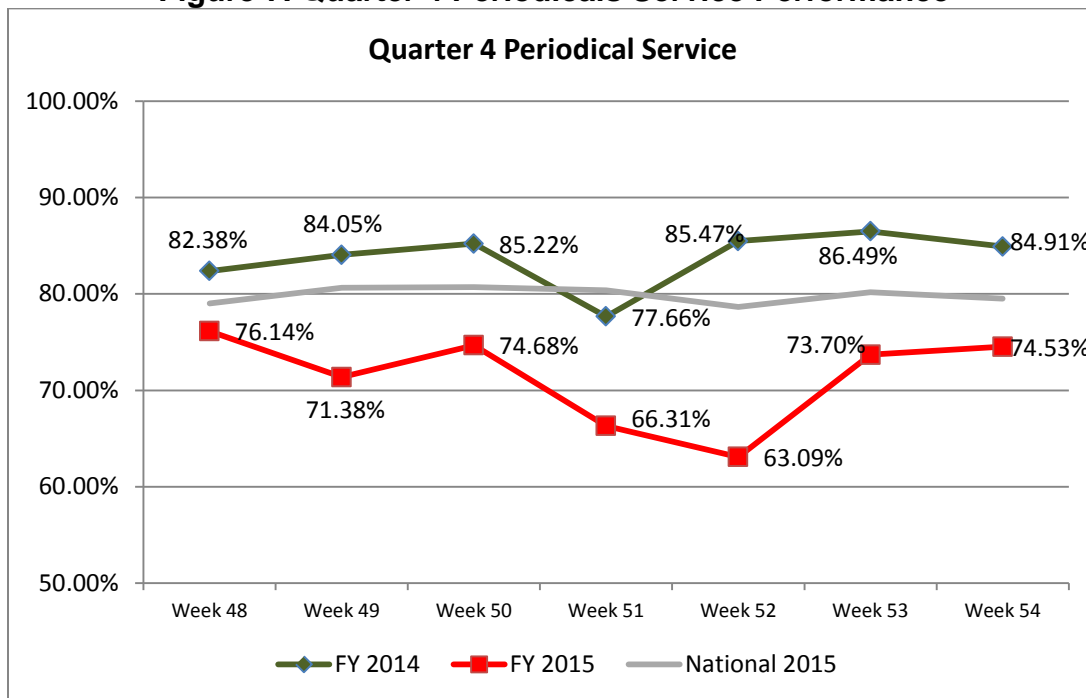
Figure 6. Quarter 4 3-Day EXFC Service Performance



Source: EDW.

The increase in delayed mail also negatively impacted the Colorado/Wyoming District Periodicals¹⁶ and Standard¹⁷ Mail service performance. We found that Periodicals service performance decreased as much as 22 percent and Standard Mail service performance decreased as much as 42 percent when compared to the SPLY. The Colorado/Wyoming District FY 2015 service performance was below the national average for this time period (see Figure 7 and Figure 8).

Figure 7. Quarter 4 Periodicals Service Performance

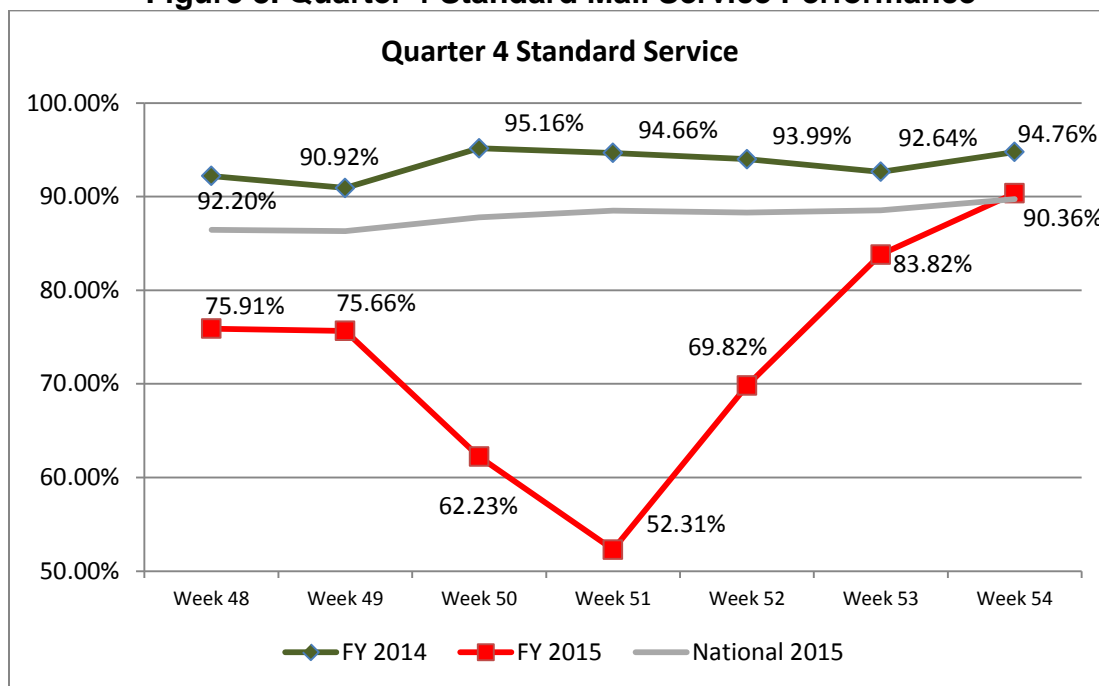


Source: Transit Time Measurement System (TTMS).

¹⁶ Periodicals service performance is measured end-to-end using mailer-reported entry times to start the clock and external reporter delivery dates. The transit time for each of the tested publications is compared against the Postal Service's service standards for Periodicals.

¹⁷ The Standard Mail service performance measurement system uses documented arrival time at a designated postal facility to start the clock, and an Intelligent Mail® barcode scan by an external, third-party reporter to stop the clock. Service performance is measured by comparing the transit time to the service standard to determine the percent of mail delivered on time.

Figure 8. Quarter 4 Standard Mail Service Performance



Source: TTMS.

As a result of an increase in delayed mail, there was an increased risk that some customers would seek alternative delivery or advertising methods, potentially resulting in the loss of revenue. We estimated about \$2 million of Postal Service revenue is at risk due to delayed mail at the Denver P&DC.

Management Actions:

Based on excessive delays and corresponding impacts to service, Postal Service Headquarters sent a “Tiger Team”¹⁸ to Denver the week of August 10, 2015. In addition, local management took steps to alleviate the delayed mail conditions during our fieldwork. Specifically, management diverted mail from the Denver MPA to the Grand Junction, CO, and Colorado Springs, CO, P&DCs to be processed for their respective ZIP Code service areas. Additionally, management diverted mail to the Denver Network Distribution Center for processing on the APPS. Management also assigned employees to cull through the manual flat volumes to return machinable flats to automated operations.

¹⁸ Postal Service cross-functional teams implementing kaizen process improvements. Kaizen refers to activities that continuously improve functions.

Recommendations

We recommend the vice president, Western Area, instruct the Denver Processing and Distribution Center senior plant manager, to:

1. Continue to monitor delayed mail to ensure mail is processed on time.
2. Improve the mail flow in the Denver Processing and Distribution Center to increase machine runtime and productivity.
3. Fill manager and supervisor positions to ensure adequate supervision.
4. Ensure Periodicals and Standard Mail meet the critical entry times.

Management's Comments

Management agreed with our findings and recommendations but disagreed with the revenue at risk calculation for delayed mail.

Regarding recommendation 1, management stated the Senior MDO and MDO conduct meetings every 6 hours to discuss real time conditions of project workload and clearance times. Additionally, management stated they are implementing strategies to improve collaboration between operations and plant support using the run plan generator to ensure maximum equipment use. Management stated they will continue to trend delayed mail conditions. The Western Area vice president and senior plant manager will conduct regular meetings, include work floor observations, progress review, and discussions on continued strategies. Management also stated that for the time period July 2015 through October 2015, there was a substantial improvement in delayed mail compared to SPLY. Management stated the recommendation was implemented in October 2015.

Regarding recommendation 2, management stated productivity has improved since the audit through continuous improvement projects. Productivity is also up across all machine platforms. Management stated the recommendation was implemented in August 2015.

Regarding recommendation 3, management stated five management positions have been filled or are in the process of being filled. Management also stated six of the ten vacant SDO positions have been filled and the district continues to work to fill the remaining positions. Management noted a target implementation date of January 30, 2016.

Regarding recommendation 4, management stated critical entry times are being addressed through a Lean Six Sigma Green Belt project to improve periodical service performance and mail flow between facilities. Management also stated that added daily inter-facility telecoms have been implemented so issues can be identified and corrected

Standard letter tray opening has been adjusted to utilize the NDC and P&DC to ensure adequate utilization of available equipment and operating window. Management noted a target implementation date of January 2016.

Regarding the revenue at risk calculation for delayed mail, management stated the draft report did not provide any data to substantiate the revenue at risk figures. Management did agree that service scores are impacted by any volume of delayed mail impacts and the district service levels are below SPLY and below the national averages. However, management also stated national average performance is also below SPLY.

See [Appendix A](#) 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.

Regarding management's disagreement with the revenue at risk calculation due to delayed mail, we conservatively estimated 10 percent of the revenue associated with delayed First-Class Mail, Periodicals, and Standard Mail is at risk of being diverted to a method of delivery other than by the Postal Service. We believe this is a sound estimate of Postal Service's revenue at risk.

Recommendations 1 and 2 can be closed in the Postal Service's follow-up tracking system upon issuance of this report. The OIG requires concurrence with recommendations 3 and 4 before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These 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.

Appendix A: Management's Comments

DREW T. ALIPERTO
VICE PRESIDENT, WESTERN AREA OPERATIONS



November 30, 2015

TO: LUCINE WILLIS
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Timeliness of Mail Processing at the Denver Processing and Distribution
Center (Report Number NO-MA-16-DRAFT)

The overall analysis of delayed mail conditions are not disputed during the identified timeframe. The auditors were on site for one week reviewing mail conditions and reporting accuracy. As noted in the audit, one discrepancy was identified on the last day of the audit when the delayed SPRS count from the MPA was not transferred to the MCR system. The count was accurate on the count sheet turned in by the facility but the input clerk failed to transfer the number. The discrepancy was identified and was immediately corrected.

Recommendation 1 - *Continue to monitor delayed mail to ensure processed on time.*

Management Response/Action Plan:

We agree with recommendation 1.

Senior MDO and MDO conduct meetings every 6 hours to discuss real time picture of on hand conditions to project workload requirements for clearance times. Additional strategies being implemented are to increase collaboration between operations and in plant support using Run Plan Generator's (RPG) to ensure maximum equipment utilization to meet clearance times as well as daily review of RPG plan versus actual. Managers will continue to trend delayed conditions. Regular in-person meetings are occurring between the Western Area Vice President and the Senior Plant Manager. These meetings occur both at the Area Office and at the Denver P&DC. Meetings at the Denver P&DC have included observing the work room floor, discussions on continued strategies / tactics and review of progress.

As noted in the OIG audit, the delayed mail increased by 15.4 million mail pieces, or 1,797% compared to SPLY during the period July 1, 2015 through August 7, 2015. Further analysis for the period July 2015 – October 2015 shows a substantial improvement in delayed mail when compared to SPLY since the audit. *See exhibit A.*

Target Implementation Date:

October 2015 and ongoing

Responsible Official:

Brian Gaines, Senior Plant Manager

Recommendation 2 - *Improve the mail flow in the Denver P&DC to increase machine runtime and productivity.*

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DENVER CO 80299-5000
303/ 313-5101
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WWW.USPS.COM

DREW T. ALIPERTO
VICE PRESIDENT, WESTERN AREA OPERATIONS

Management Response/ Action Plan:

We agree with recommendation 2. Noted in the audit are numerous opportunities for productivity and utilization improvements. Productivity has been improved since the audit through continuous improvement projects.

As a result productivity is up across all machine platforms as compared to base. See *exhibit B*

Target Implementation Date:

August 2015

Responsible Official:

Brian Gaines, Senior Plant Manager

Recommendation 3 - *Fill manager and supervisor positions to ensure adequate supervision.*

Management Response/ Action Plan:

We agree with recommendation 3.

To address adequate supervision, the positions listed below have been or are in the process of being filled. Additionally, six of the ten vacant SDO positions have been filled. The district continues to work to fill the remaining positions.

Positions filled as of 10/17/15

EAS 23 - TANS Manager

EAS 24 - Maintenance Manager

Selection is in final stages as of 11/25/15

EAS 26 - Lead Sr. MDO

Positions posted on 11/10/2015

EAS 24 Lead MDO

EAS 22 MDO

Target Implementation Date:

January 30, 2016

Responsible Official:

Brian Gaines, Plant Manager

Marc Kersey, Lead Senior MDO / A

Recommendation 4: *Ensure Periodical and Standard Mail meets the critical entry times.*

Management Response/ Action Plan:

We agree with recommendation 4.

Critical entry times are being addressed through an LSS Green Belt project to improve periodical service and mail flow between facilities. Multiple daily inter-facility telecons have been implemented to ensure communication is improved between facilities so issues can be identified and corrected expeditiously. Standard letter tray opening has been adjusted to utilize both the NDC and P&DC to ensure adequate utilization of available equipment and operating window.

1745 STOUT STREET SUITE 1000
DENVER CO 80299-5000
303/ 313-5101
FAX: 303/313-5102
WWW.USPS.COM

DREW T. ALIPERTO
VICE PRESIDENT, WESTERN AREA OPERATIONS

Target Implementation Date:

January 2016

Responsible Official:

Yvonne Rodriguez, Manager, Distribution Operations

Other Impacts

We agree that service scores are impacted by any volume of delayed mail, however, we do not agree with the calculated revenue at risk as stated in the draft audit report.

The draft report did not provide any data to substantiate the revenue at risk figures. During the exit conference auditors could not provide any additional information or alternate delivery methods that were used to arrive at their conclusion. As noted in the audit, the district service levels are below SPLY and below the National average in the categories specified. The impacts were stated as performance below SPLY; however, it should be noted that the National average performance is also below SPLY during the same timeframe.

Service trends from the National Service Website for the Colorado Wyoming District identify opportunities for improvement in all service categories. See *exhibit C*.

This report and management's response do not contain information that may be exempt from disclosure under the FOIA.



Drew T. Aliperto
Vice President Operations, Western Area

cc: Erica Brix, Manager Operations Support, Western Area
Julie Weiser, Manager In-Plant Support, Western Area
Tammy Rose, A/Controller Finance, Western Area
Brian Gaines, Senior Plant Manager, CO/WY District
Selwyn Epperson, District Manager, CO/WY District
Sally Haring - Manager, Corporate Audit Response Management

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EXHIBIT A
Denver P&DC Delayed Mail Trend

Improvements in the mail conditions have been made. Colorado Wyoming District finished October at 45% below SPLY for delayed mail volume.

Delayed Volume

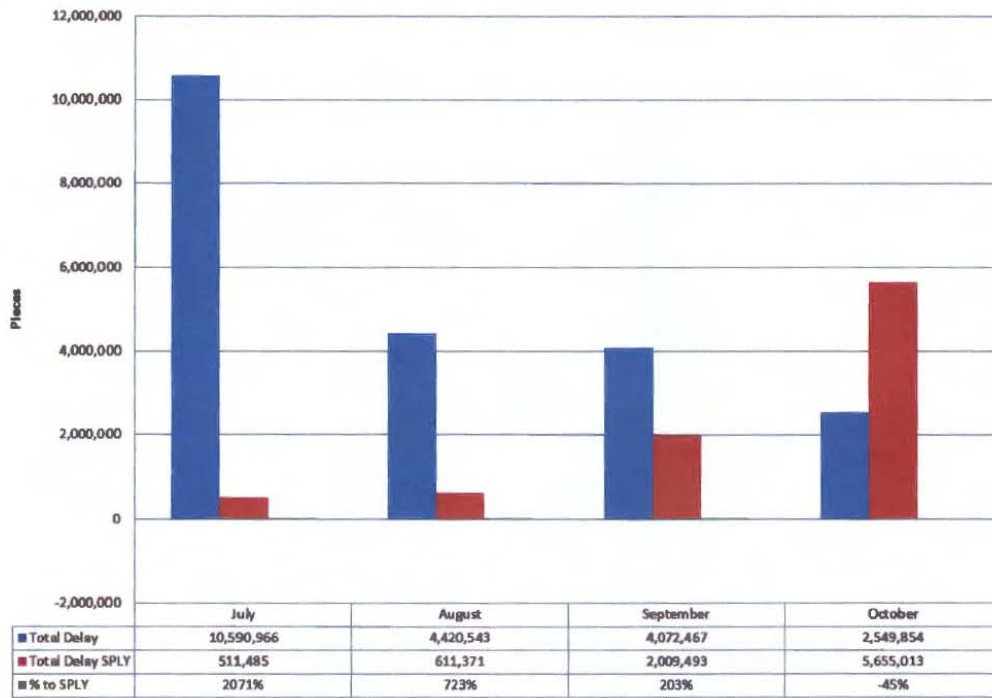
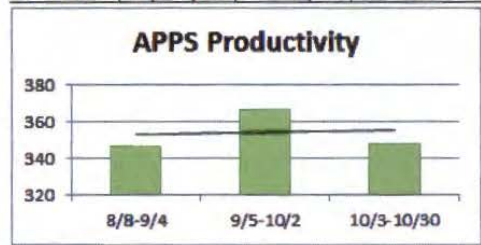


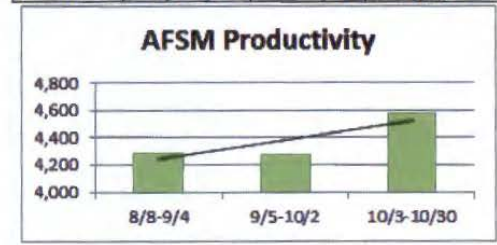
EXHIBIT B
Platform Productivity

Trends for the various operations noted are below. As is shown, productivity is up across all machine platforms.

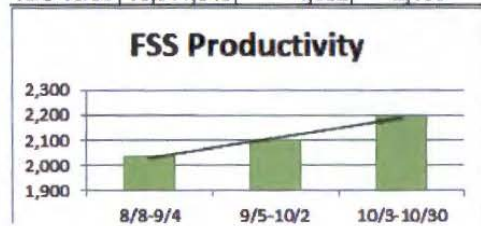
APPS			
4 Week	Workload	Actual Hrs	Productivity
8/8-9/4	2,017,670	5,819	347
9/5-10/2	2,106,654	5,744	367
10/3-10/30	2,031,603	5,823	349



AFSM			
4 Week	Workload	Actual Hrs	Productivity
8/8-9/4	15,745,513	3,669	4,291
9/5-10/2	16,980,531	3,969	4,278
10/3-10/30	19,121,093	4,176	4,579



FSS			
4 Week	Workload	Actual Hrs	Productivity
8/8-9/4	8,334,189	4,092	2,037
9/5-10/2	8,683,551	4,134	2,101
10/3-10/30	10,011,340	4,562	2,195



DBCS			
4 Week	Workload	Actual Hrs	Productivity
8/8-9/4	289,158,710	46,783	6,181
9/5-10/2	299,209,057	47,731	6,269
10/3-10/30	327,293,459	48,240	6,785

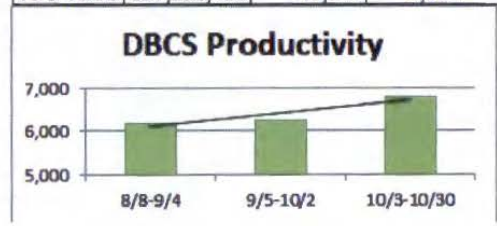
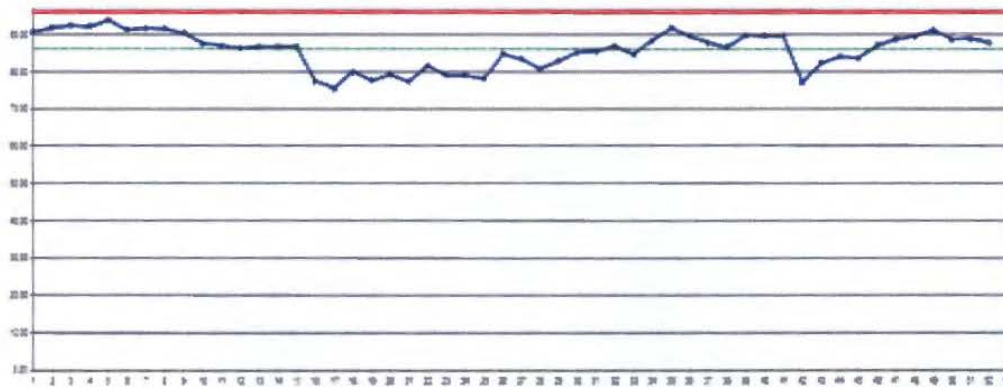
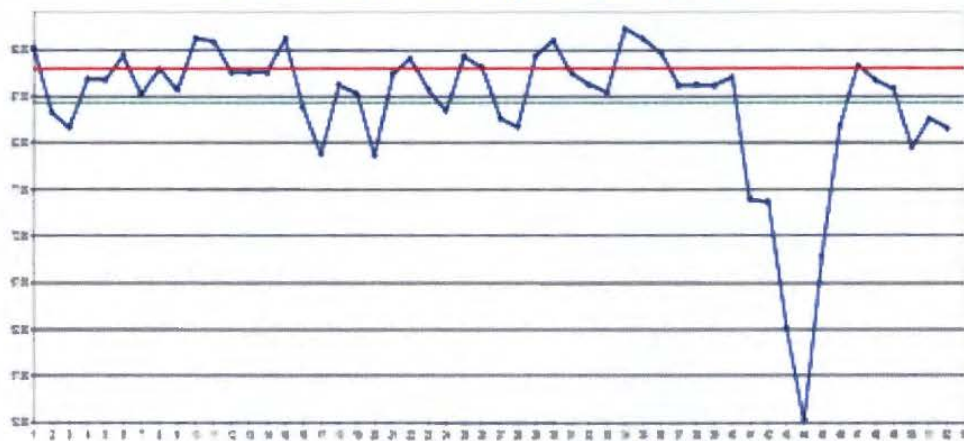


EXHIBIT C

First Class Composite Trend



Standard Composite Trend



Periodicals Trend

