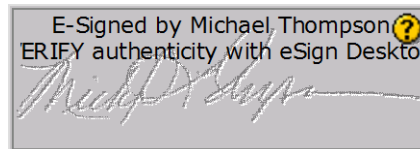




February 29, 2016

MEMORANDUM FOR: SHAUN E. MOSSMAN
VICE PRESIDENT, SOUTHERN AREA OPERATIONS



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

SUBJECT: Management Alert – Timeliness of Mail Processing at the
North Houston, TX, Processing and Distribution Center
(Report Number NO-MT-16-002)

This management alert presents the results of our self-initiated review of the Timeliness of Mail Processing at the North Houston, TX, Processing and Distribution Center (P&DC) (Project Number 16XG003NO000). Our objective was to determine if the North Houston P&DC was processing mail on time.

The U.S. Postal Service considers mail delayed when it is not processed in time to meet its established delivery day, with the exception of Standard Mail. Standard Mail is considered delayed when it is not processed, finalized, or dispatched in time to provide the subsequent operation or facility the allotted time necessary to ensure delivery by the established delivery day. The North Houston P&DC did not process mail on time from September 1 through November 30, 2015. During that period, the North Houston P&DC reported 54 million delayed mailpieces, which was the highest overall delayed mail volume in the country during the stated period.

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
Vice President, Network Operations

Introduction

The purpose of this alert is to bring to your attention the need to address the timeliness of mail processing¹ at the North Houston, TX, Processing and Distribution Center (P&DC). Excessive delayed mail adversely affects U.S. Postal Service customers and harms the organization's brand. The U.S. Postal Service Office of Inspector General (OIG) identified the North Houston P&DC as having significantly more delayed mail than any other plant nationwide. Our objective was to determine if the North Houston P&DC was processing mail on time.

The North Houston P&DC began processing originating² mail from the Beaumont, TX, and Houston, TX, P&DCs in October 2011 and May 2013, respectively. Additionally, the North Houston P&DC began processing destinating³ mail from the Houston P&DC in April 2015.⁴ Overall, these consolidations have resulted in a 51 percent increase in the North Houston P&DC's mail volume.

Summary

The North Houston P&DC had difficulties processing mail on time. From September 1 through November 30, 2015, the North Houston P&DC had about 54 million delayed mailpieces, compared to about 20 million for a similar-sized facility with the second most delayed mail during that period. In addition, the North Houston P&DC had almost twice as much delayed mail as a percentage of first-handling pieces⁵ (FHP) when compared to similar-sized facilities (see Table 1).

**Table 1. Top Five Similar-Sized Facilities With Delayed Mail
From September 1 to November 30, 2015**

Facility	FHP Volume	Delayed Mail	Percent of FHP Volume
North Houston P&DC	953,822,528	53,873,912	5.65%
Denver P&DC	664,180,727	19,655,218	2.96%
Brooklyn P&DC	554,020,467	13,029,413	2.35%
Los Angeles P&DC	715,724,665	14,235,322	1.99%
St. Louis P&DC	520,743,981	9,311,372	1.79%

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

¹ The Postal Service considers mail delayed when it is not processed in time to meet its established delivery day with the exception of Standard Mail. Standard Mail is considered delayed when it is not processed, finalized, or dispatched in time to provide the subsequent operation or facility the allotted time necessary to ensure delivery by the established delivery day.

² Originating mail is outgoing mail and local mail that enter the mailstream for processing and delivery.

³ Destinating mail is incoming mail arriving for its point of final delivery through a processing facility.

⁴ The Postal Service has not yet determined the date for the consolidation of destinating mail from the Beaumont P&DC into the North Houston P&DC.

⁵ A letter, flat, or parcel that receives its initial distribution at a Postal Service facility.

The North Houston P&DC's delayed mail increased by over 3 million mailpieces, or 6 percent, compared to the same period last year (SPLY) (see [Table 2](#)).

Table 2. North Houston P&DC Delayed Mail Sep.-Nov. 2014 vs. Sep.-Nov. 2015⁶

	First-Class/Priority	Periodicals	Standard	Package Services	Total
Sept.-Nov. 2014	7,587,488	1,811,538	41,297,582	25,043	50,721,651
Sept.-Nov. 2015	6,036,965	4,339,782	43,475,371	21,794	53,873,912
Percentage Increase	(20.44%)	139.56%	5.27%	(12.97%)	6.21%

Source: ASR.

Our observations supported the data. During the week of October 19, 2015, we observed delayed mail on the workroom floor. For example, delayed mail was staged in the Flats Sequencing System (FSS) area and color-coded orange for delivery on Tuesday, but was still at the facility on Tuesday (see [Figure 1](#)). In addition, delayed mail was staged in the FSS area with no first in, first out (FIFO) order. This mail was mixed with orange color-coded mail for delivery on Tuesday and green color-coded mail for delivery on Wednesday and both were still at the facility on Wednesday (see [Figure 2](#)).

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



Source: OIG photograph taken October 20, 2015, at 5:46 a.m.

⁶ We included delayed mail for the Houston P&DC in the data for September through November 2015, because the Houston P&DC began consolidating destinating mail into the North Houston P&DC beginning in April 2015. For comparison purposes we also included the Houston P&DC's delayed mail in the data for September through November 2014.

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



Source: OIG photograph taken October 21, 2015, at 3:46 a.m.

During our observations, we verified mail count sheets used for daily mail inventory.⁷ We also found that Mail Condition Reporting System (MCRS)⁸ data at the North Houston P&DC was generally accurate and complete and reflected delayed mail conditions on the workroom floor. However, on October 20, 2015, we noted supervisors did not coordinate accurate counts of delayed mail flats; some delayed mail was not counted and some mail was counted as delayed when it was not. We brought this to the attention of management during our observations and they corrected it in the MCRS.

We identified the following factors causing mail delays:

- After the North Houston P&DC began processing mail from the Beaumont and Houston P&DCs, it became the largest Postal Service processing facility in terms of volume nationwide (see [Table 1](#)). However, prior to these changes, North Houston P&DC management did not fully understand all operational impacts of the consolidations, resulting in implementation errors, including inadequate staffing and supervision. This contributed to a failure to update the P&DC operating plan and run plan generator (RPG).⁹

⁷ 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 as is any delayed mail and the oldest date of delayed mail.

⁸ A system of reports that identifies and monitors problems in mail processing at a postal facility.

⁹ Allows for the modeling of most mail processing procedures that occur on a particular piece of equipment at a specified rate during a certain time span. It enables a plant to collect information on machines, sort programs, times, maintenance windows, and forecasted mail volumes to generate a plan. The plan is later compared to actual performance.

Specifically:

- The North Houston P&DC had 180 clerk and mailhandler vacancies. It only filled 675 of 819 authorized clerk positions and 162 of 198 authorized mailhandler positions. Due to these vacancies, the Postal Service could not immediately adjust mail processing clerks' and mailhandlers' schedules and workhours to mirror the processing times of the new operating window¹⁰ implemented when the Postal Service changed its service standards on January 5, 2015. Moreover, the job bidding process the Postal Service and two of its unions¹¹ established took several months to complete and North Houston managers had to rebid hundreds of jobs to coordinate with the new location and start times.
- The North Houston P&DC did not have enough supervisors to adequately oversee craft employees.¹² The North Houston P&DC was authorized 55 supervisor of distribution operations positions, but only filled 29, resulting in 26 vacancies. Additionally, the North Houston P&DC was authorized eight manager of distribution operations positions, but only filled five, resulting in three vacancies.
- The North Houston P&DC did not update its official operating plan after the consolidation ended in May 2015. The most recent operating plan was approved in May 2012. Consequently, employees did not have the information to sufficiently plan mail flow to avoid delays.
- The North Houston P&DC did not use an updated RPG because it needed to be adjusted and approved.
- Although there was an adequate supply of mail, the North Houston P&DC had unused machine capacity. Low productivity¹³ and inadequate machine runtimes¹⁴ contributed to mail not being processed on time. Specifically:
 - Average daily runtime on the Automated Package Processing System (APPS)¹⁵ was 15 hours per day compared to the goal of 18 hours. Productivity on the APPS was 151 mailpieces per hour compared to the goal of 459 mailpieces per hour.
 - Average daily runtime on the Automated Flat Sorting Machine (AFSM)¹⁶ was 8 hours per day per machine compared to the goal of 15 hours. Average daily

¹⁰ The time allotted to sort and process mail at a Postal Service processing facility.

¹¹ American Postal Workers Union and the National Postal Mailhandlers Union.

¹² In *Supervisor Workhours and Span of Control* (Report Number [NO-MA-13-005](#), dated April 4, 2013), we reported there was a shortage of supervisors nationwide. Postal Service management agreed with the report's recommendations to correct the issues identified but have not completed corrective actions.

¹³ Productivity is a calculation of total piece handling (TPH) divided by workhours.

¹⁴ The number of hours a machine is running to sort mail.

¹⁵ An automated mail processing machine that sorts packages and bundles.

¹⁶ A fully automated machine that processes flat-size mail.

runtime on the FSS¹⁷ was 11 hours per day per machine compared to the goal of 15 hours. Combined productivity¹⁸ on the AFSM and FSS was 4,304 mailpieces per hour compared to the goal of 5,560 mailpieces per hour.

- Average daily runtime on the Delivery Barcode Sorter (DBCS)¹⁹ was 7 hours per day per machine compared to the goal of 15 hours. Productivity on the DBCS was 6,942 mailpieces per hour compared to the goal of 10,472 mailpieces per hour.

Impacts

The increase in delayed mail negatively impacted the Houston District External First Class (EXFC)²⁰ and Standard Mail²¹ service performance in fiscal year (FY) 2015, Quarter (Q) 4. The service scores declined compared to the SPLY in the three categories measured.²² We found that EXFC 2-day mail service performance decreased nearly 5 percent, EXFC 3-day mail service performance decreased almost 18 percent, and Standard Mail service performance decreased more than 10 percent compared to SPLY (see Table 3).

Table 3. EXFC and Standard Mail Service Performance Compared to SPLY Performance

Mail Type	FY 2014, Q4 Score	FY 2015, Q4 Score	Difference
EXFC 2-Day Mail	95.61	91.11	(4.94%)
EXFC 3-Day Mail	88.07	74.38	(18.41%)
Standard Mail	82.98	75.19	(10.36%)

Source: Transit Time Measurement System (TTMS).

The Houston District's FY 2015 EXFC service performance was below the national average for this time period (see Table 4).

¹⁷ A two-pass flats sorting machine that automates the sorting of flat-size mail into precise delivery order by internally refeeding first pass mail for sorting on the second pass.

¹⁸ The AFSM and FSS process flats so we combined productivity.

¹⁹ 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.

²⁰ A rigorous external sampling system measuring the time it takes from deposit of mail into a collection box or lobby chute to its delivery to a home or business. EXFC measures the transit time for single-piece First-Class[®] cards, letters, and flat envelopes and compares this actual service against service standards.

²¹ For Standard Mail letters and flats, the Postal Service measures service performance by comparing transit time to service standard to determine the percentage of mail delivered on time.

²² We did not compare Periodicals to SPLY because FY 2014 data were not available in TTMS.

**Table 4. EXFC and Standard Mail Service Performance
Compared to National Performance**

Mail Type	National FY 2015 Q4 Score	North Houston FY 2015 Q4 Score	Difference
EXFC 2-Day Mail	94.86	91.11	(4.12%)
EXFC 3-Day Mail	82.00	74.38	(10.24%)
Standard Mail	86.90	75.19	(15.57%)

Source: TTMS.

As a result of increased 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 \$2.6 million of revenue is at risk.

Other Matters

The North Houston P&DC’s management and control of mail transport equipment (MTE) was not effective, resulting in a significant excess of tubs, trays, pallets, and other MTE. Further, we found area and local officials did not always ensure adequate control and management of excess MTE. For example, we observed stacks of MTE throughout the plant — including in mail staging areas — blocking docks and reducing hall space. This large amount of excess MTE impacted the flow of mail at the facility (see Figure 3 and Figure 4).

Figure 3. Example of Large Amounts of Excess MTE at the North Houston P&DC



Source: OIG photograph taken October 21, 2015. Picture of empty MTE stacked from one end of the plant to the other, creating space and mail flow issues.

Figure 4. Example of Significant Excess MTE at the North Houston P&DC



Source: OIG photograph taken October 21, 2015. MTE piled up in the mail processing FIFO lanes, which disrupts mail processing operations and can lead to mail not being processed in the order received.

In addition, we observed security deficiencies. Specifically, the North Houston P&DC had unsecured plant access doors and yard gates allowing uninhibited access to controlled areas. As a result, unauthorized personnel with access to the facility could place physical assets and the security and safety of employees at risk. Facility management took steps to address the security deficiencies during our fieldwork, which may require physical changes to cement footings or doorways.

Management Actions

Southern Area management has taken steps to help alleviate delayed mail and service issues at this facility. Managers were sent to the North Houston P&DC to help identify and resolve operational issues. Specifically, they were directed to assess and modify operating and equipment plans, compare plans to actual results, and train supervisors on delayed mail and reporting requirements. In October 2015, the North Houston P&DC initiated the process to hire more clerks and mailhandlers. In addition, Postal Service Headquarters sent an MTE specialist to assess MTE inventory and management challenges, help redistribute excess MTE, and clear floor and dock space.

Recommendations

We recommend the acting vice president, Southern Area Operations, instruct the North Houston Processing and Distribution Center senior plant manager to:

1. Continue to monitor and mitigate delayed mail to ensure mail is processed on time.
2. Fill staff vacancies and management positions to ensure adequate staffing and supervision.
3. Update the mail processing operating plan to reflect the impacts of recent major changes to operations resulting from the consolidation and operational window change.
4. Update the run plan generator, compare plan to actual results, and adjust machine time as necessary.
5. Increase machine runtime and productivity to ensure timely mail processing.
6. Ensure management and staff comply with standard operating procedures for mail transport equipment management, including handling, reuse, and return of this equipment.
7. Ensure corrective actions are taken to address the reported security deficiencies.

Management's Comments

Management agreed with the findings and recommendations.

In response to recommendation 1, management stated they have established daily reporting and monitoring to ensure delayed mail is minimized. Management stated they completed corrective actions on November 24, 2015.

In response to recommendation 2, management stated they have current scheduler, posting, selection, and monitoring tools to ensure staffing remains adequate. Management stated they completed corrective actions on September 9, 2015.

In response to recommendation 3, management stated they reviewed and updated the plant's operating plans and entered this information into the Mail Processing Operating Plan system. Management stated they completed corrective actions on January 19, 2016.

In response to recommendation 4, management stated North Houston has established an updated run plan generator and reviews actual to plan results daily, making adjustments as necessary. Management stated they completed corrective actions on January 19, 2016.

In response to recommendation 5, management stated that, by using the run plan generator, comparing plan to actual results, and adjusting as necessary, the North Houston Plant will ensure timely mail processing. Management stated they completed corrective actions on January 19, 2016.

In response to recommendation 6, management stated that North Houston management completed a mail transport equipment management project that established procedures for handling, reuse, and return of empty equipment with assigned responsibilities for monitoring. Management stated they completed corrective actions on October 30, 2015.

In response to recommendation 7, management stated they developed employee service talks and provided those talks to all employees, outlining the importance of security, their role, responsibilities, and expectations. Management stated they completed corrective actions on February 2, 2016.

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 alert. Regarding the Postal Service's implementation of recommendations 1 through 7, the OIG will review documentation when provided to validate corrective actions already taken in closing out these recommendations.

All recommendations require OIG concurrence 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

MIKE L. BARBER
MANAGER, OPERATIONS SUPPORT (A)
SOUTHERN AREA



February 16, 2016

Lori Dillard
Director Audit Operations

Subject: Timeliness of Mail Processing at the North Houston, TX, Processing and Distribution Center
(Report Number NO-MT-16-DRAFT)

Below are the responses from the Southern Area Office concerning the Timeliness of Mail Processing at the North Houston, TX, Processing and Distribution Center report.

Recommendation 1:

Continue to monitor and mitigate delayed mail to ensure mail is processed on time.

Management Response/Action Plan:

Management agrees with this recommendation. Daily reporting and monitoring has been established to ensure delayed mail is minimized. This was implemented November 24, 2015.

Recommendation 2:

Fill staff vacancies and management positions to ensure adequate staffing and supervision.

Management Response/Action Plan:

Management agrees with this recommendation. North Houston has the F1 scheduler, posting, selection and monitoring tools necessary to ensure staffing remains adequate. This was completed September 9, 2015.

Recommendation 3:

Update the mail processing operating plan to reflect the impacts of recent major changes to operations resulting from the consolidation and operational window change.

Management Response/Action Plan:

Management agrees with this recommendation. North Houston's operating plans have been reviewed and updated. Operating plans were created by reviewing required dispatch times for downstream facilities and establishing entrance times for mail to be processed to meet these clearance times. To update North Houston's operating plans all aspects of volume arrival, transportation, processing requirements and customer commitments were reviewed. Then the plans were entered into MPOPS system, validated and approved by a chain of approvers. This was completed January 19, 2016.

Recommendation 4:

Update the run plan generator, compare plan to actual results, and adjust machine time as necessary.

Management Response/Action Plan:

Management agrees with this recommendation. North Houston has established a process to update the run plan generator timely and reviews actual to plan making adjustments as necessary. This was implemented January 19, 2016.

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Recommendation 5:

Increase machine run time and productivity to ensure timely mail processing.

Management Response/Action Plan:

Management agrees with this recommendation. Similar to item 4, North Houston is utilizing the run plan generator and comparing plan to actual results to ensure timely mail processing. This was implemented January 19, 2016.

Recommendation 6:

Ensure management and staff comply with standard operating procedures for mail transport equipment management, including handling, reuse, and return of this equipment.

Management Response/Action Plan:

Management agrees with this recommendation. North Houston completed a mail transport equipment management project on 10/30/15 that established procedures for handling, reuse, and return of empty equipment with assigned responsibilities for monitoring.

Recommendation 7:

Ensure corrective actions are taken to address the reported security deficiencies.

Management Response/Action Plan:

Management agrees with this recommendation. Employee service talks were developed and provided to all employees outlining the importance of security, their role, responsibility and expectations. This was completed February 2, 2016.



Michael L. Barber