



Office of Inspector General | United States Postal Service

## Audit Report

# Manual Mail Processing Efficiency

Report Number 21-131-R21 | September 21, 2021



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# Highlights

## Objective

Our objective was to assess the efficiency of the U.S. Postal Service's manual mail processing operations.

Mail is processed manually when its dimensions or address quality prevent it from being processed on mail processing equipment or to meet service standards when machines are at capacity.

Processing mail manually is less productive (which is calculated by dividing mailpieces processed by workhours charged) and more costly than processing mail on machines, impacting overall efficiency. Specifically, the Postal Service's automated processing is six times more productive for letters and flats and nearly four times more productive for packages than processing manually.

The Postal Service has policies and procedures to help ensure that machinable mail – mail that meets certain standards, such as size and shape, to be sorted on mail processing equipment – stays in automated processing. This includes requiring facilities to maintain a “gatekeeper” employee who ensures machinable mail is not manually sorted in manual letter operations and requiring employees at mail processing equipment to re-run rejected mail prior to sending it to manual operations.

This audit is a follow-up, in part, to the U.S. Postal Service Office of Inspector General (OIG) fiscal year (FY) 2020 audit of *U.S. Postal Service's Processing Network Optimization and Service Impacts*. In that audit, we found that the Postal Service had been less efficient at processing manual mail each year since FY 2014, as mail processing workhours had not decreased at a rate consistent with decreased mail volume. From FY 2014 through FY 2019, the Postal Service's productivity in the number of mailpieces processed manually decreased by 21 percent.

This audit was designed to further determine the causes of this decreased efficiency and included the review of manual processing operations across letters, flats, and packages. We reviewed manual mail processing productivity data — including volume and workhours — and employee availability data from

October 1, 2019, through June 30, 2021. We judgmentally selected sites with low performing manual letter, flat, or package operations compared to nationwide productivity. In total, we performed reviews at nine mail processing facilities nationwide.

## Finding

We found the Postal Service is not processing manual mail at optimal efficiency as productivity in the Postal Service's manual operations continued to trend downward. Productivity decreased nationwide by 8 percent between FY 2019 to FY 2020, and by 10 percent during the first three quarters of FY 2021 compared to the first three quarters of FY 2020. During our site observations and interviews, we found inefficiency in manual mail processing can be attributed, in part, to lack of management oversight and employee availability and staffing issues.

## Management Oversight

Postal Service management did not use all available tools to oversee the efficiency of its manual mail operations. For example:

- At seven of the nine mail processing facilities, Postal Service management did not use its own productivity data on manual operations to oversee their efficiency. Several managers simply considered manual operations to be productive if all mailpieces were cleared daily. As a result, they were unaware of the below-average productivity in their manual operations.
- At seven of the nine mail processing facilities, Postal Service management did not know the productivity targets for manual operations and management at the remaining two did not find productivity targets to be useful or realistic; therefore, productivity targets were not communicated to Postal Service employees. In addition, the Postal Service evaluates its productivity targets each year based on the prior year average actual performance, but targets are normally only raised to meet new performance expectations, not lowered. As a result, productivity targets may not have been aligned with actual performance.

Additionally, management did not always implement policies and procedures to properly account for volume and workhours in manual operations, and did not always keep mail that could be run on mail processing machines out of the operation. For example, management did not always:

- Properly account for manual workhours as employees moved between manual and automated processing operations.
- Ensure packages were scanned to capture the number of pieces sorted manually.
- Update manual letter and flat volume estimates yearly. Facilities use an estimated volume of manually sorted letter and flat mail that is based on a percentage of actual pieces processed on machines. This estimated manual volume is then compared against actual workhours to measure productivity.
- Maintain a “gatekeeper” within manual letter operations to identify letter mail that could be run on mail processing machines or identify machinable mail within manual flat and package operations and prevent it from being processed manually.
- Re-run mail rejected on mail processing machines prior to sending to manual operations.

As a result, manual operations are likely not operating efficiently and machinable mail is being processed at a lower productivity rate and higher cost.

## Employee Availability and Staffing

Postal Service management at all nine mail processing facilities identified employee availability and staffing issues stemming from the COVID-19 pandemic and hiring freeze as factors impacting efficiency in manual operations.

From October 1, 2019, through June 30, 2021, employee availability at all nine facilities ranged between 66.9 and 79.9 percent. Employee availability nationwide for mail processing career employees has been below 80 percent since January 2020.

In addition, mail processing operations nationwide were consistently short-staffed in FY 2020 through Quarter 3, FY 2021, by an average of 1,135 career employees, or 1.5 percent. Further, as of June 2021, the Postal Service had 366 vacancies for mail processing manager and supervisory positions, with an average vacancy lasting 235 days.

As a result of employee availability and staffing issues, Postal Service management is challenged with properly staffing mail processing operations to meet operational needs and providing sufficient supervision over manual operations. The Postal Service’s 10-Year Plan, issued March 2021, announced strategies to promote career development and employee retention over the next ten years. In addition, OIG has several recent and ongoing audits that recommend the Postal Service implement actions to address staffing and employee availability issues. We will continue to monitor and track the Postal Service’s implementation of these strategies and recommendations during future audits.

The Postal Service needs effective and efficient operations to fulfill its mission of providing prompt, reliable, and affordable mail service to the American public. The trend of declining productivity in manual mail processing may continue if inefficiencies are not addressed. Addressing causes impacting manual productivity will increase operational efficiency, help reduce costs, and better support the goals outlined in the 10-Year Plan.

We estimate that addressing the issues identified in this report would allow the Postal Service an opportunity to increase efficiency in manual processing operations by reducing 9.8 million workhours, resulting in savings of about \$395.6 million.

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***“The Postal Service needs effective and efficient operations to fulfill its mission of providing prompt, reliable, and affordable mail service to the American public.”***

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## Recommendations

We recommend management:

- Direct facility management to review Postal Service productivity data and use it as a tool to monitor efficiency in manual operations as required by Postal Service policy and procedures.
- Evaluate current productivity targets for manual operations, properly align them with performance, and communicate those targets to facility management and employees.
- Properly account for workhours and workload in manual operations in accordance with Postal Service policy. At a minimum, require facility management to:
  - Communicate to employees the importance of changing operations on the time clock and the importance of scanning all packages, via stand-up talks and/or communication boards.
  - Place time clocks in areas that are easily accessible when employees change operations and monitor changes daily.
  - Monitor manual package processing operations routinely throughout the day to visually confirm that scans occur in each manual process that requires workhours to handle a package.
  - Update manual letter and flat volume estimates yearly to ensure accurate volumes are being recorded.
- Direct facility management to assign a “gatekeeper” within each manual operation to reduce the volume of mail being processed in manual operations that could be run on mail processing machines.
- Communicate to employees the importance of re-running rejected mail on processing machines before sending to manual operations, via stand-up talks and/or communication boards.

# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

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September 21, 2021

**MEMORANDUM FOR:** MIKE BARBER  
VICE PRESIDENT, PROCESSING AND MAINTENANCE  
OPERATIONS

A handwritten signature in black ink, reading "Melinda M. Perez". The signature is written in a cursive, flowing style.

**FROM:** Melinda Perez  
Deputy Assistant Inspector General  
for Mission Operations

**SUBJECT:** Audit Report – Manual Mail Processing Efficiency  
(Report Number 21-131-R21)

This report presents the results of our audit of the U.S. Postal Service's Manual Mail Processing Efficiency.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Todd J. Watson, Director, Network Processing, or me at 703-248-2100.

Attachment

cc: Corporate Audit Response Management  
Postmaster General

# Results

## Introduction/Objective

This report presents the results of our self-initiated audit of the U.S. Postal Service’s manual mail processing efficiency (Project Number 21-131). Our objective was to assess the efficiency of the Postal Service’s manual mail processing operations. See [Appendix A](#) for additional information about this audit.

## Background

Mail is processed manually when its dimensions or address quality prevent it from being processed on mail processing equipment or to meet service standards when machines are at capacity. However, processing mail manually is less productive<sup>1</sup> and more costly than processing mail on machines, impacting overall efficiency. Specifically, the Postal Service’s automated processing is six times more productive for letters and flats and nearly four times more productive for packages than manual processing.

The Postal Service has policies and procedures to help ensure that machinable mail<sup>2</sup> stays in automated processing. For example, Postal Service standard operating procedures require facilities to maintain a “gatekeeper” (i.e., an employee who ensures machinable mail is not manually sorted) in manual letter operations<sup>3</sup> and require employees at mail processing equipment to re-run rejected mail prior to sending it to manual operations.<sup>4</sup> Supervisors are also responsible for ensuring that only manual mail is in the operation and that machinable mail is returned to automation.<sup>5</sup>

Further, the Postal Service establishes productivity targets for manual and automation mail processing for each mail type. These productivity targets are established at the beginning of the year based on the prior year’s performance and are normally only raised — not lowered — to meet new performance

expectations. In addition, the Postal Service gathers, stores, and reports operational data, such as workload (volume) and workhour usage, in the Management Operating Data System (MODS) program. It then compiles data from the program into various reports for mail processing facilities to use in planning mail processing operations, projecting workhours and mail volume, and evaluating productivity.<sup>6</sup>

This audit is a follow-up, in part, to a previous U.S. Postal Service Office of Inspector General (OIG) audit.<sup>7</sup> In that audit, we found that the Postal Service had been less efficient at processing manual mail each year since fiscal year (FY) 2014, as mail processing workhours have not decreased at a rate consistent with decreased mail volume. From FY 2014 through FY 2019, the Postal Service’s productivity for mailpieces processed manually decreased by 21 percent. During that same time, mail volume processed manually decreased by 24 percent while workhours decreased by 3 percent.

This audit was designed to further determine the causes of this decreased efficiency and included the review of manual processing operations across letters, flats, and packages. We reviewed manual mail processing productivity data — including volume and workhours — and employee availability data from October 1, 2019, through June 30, 2021. We judgmentally selected for

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***“The Postal Service’s automated processing is six times more productive for letters and flats and nearly four times more productive for packages than manual processing.”***

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1 Total pieces processed per hour. Productivity is calculated by dividing mailpieces processed by workhours charged.

2 A mailpiece that meets size, shape, content standards, and address legibility requirements in order to be sorted on mail processing equipment.

3 Standard Work Instruction, “Manual Aisle Gatekeeper”, dated February 2, 2018.

4 Standard Work Instructions: “Quality Verification”, dated September 2, 2015; “AFSM100 Flat Reject Handling”, dated October 23, 2019; and “APBS Sweeping Bins”, dated February 17, 2016.

5 Handbook PO-420, *Small Plant Best Practices Guidelines*, dated November 1999.

6 Handbook M-32, *Management Operating Data System*, Sections 1-2 and 5-3.4, dated September 2018.

7 U.S. Postal Service’s *Processing Network Optimization and Service Impacts* (Report Number 19XG013NO000-R20, dated June 16, 2020).

observation those sites with low performing manual letter, flat, or package operations compared to nationwide productivity. In total, we performed reviews at nine mail processing facilities nationwide; three of which were conducted virtually with facility management and did not include on-site observations of the operation (see Table 1). See [Appendix A](#) for additional information.

**Table 1. Mail Processing Facilities Reviewed**

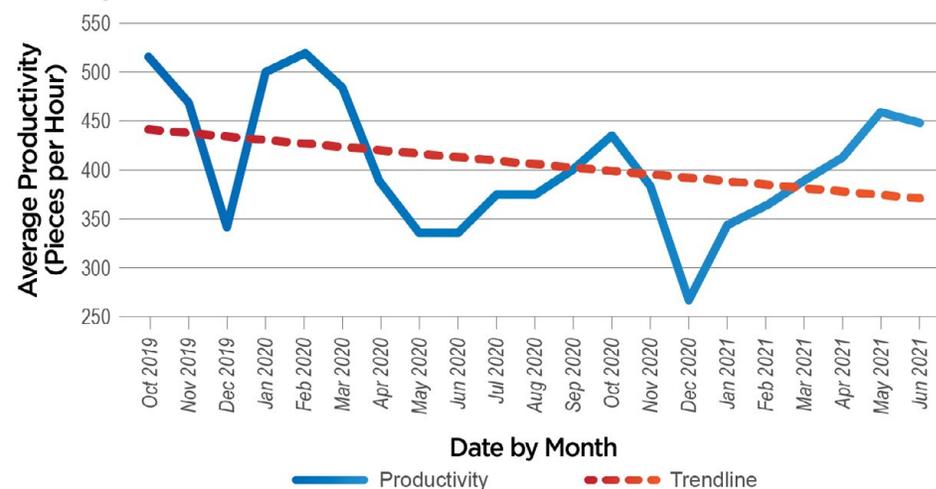
Facility Name	Manual Mail Operation Reviewed	On-Site/Virtual
Birmingham, AL, Annex	Packages	On-site
Brockton, MA, Processing & Distribution Center (P&DC)	Flats	On-site
Carol Stream, IL, P&DC	Letters	Virtual
Los Angeles, CA, P&DC	Packages	On-site
Northern VA, P&DC	Packages & Flats	On-site
Pensacola, FL, P&DC	Letters	On-site
Queens, NY, P&DC	Packages	Virtual
South Suburban, IL, P&DC	Flats	Virtual
Suburban, MD, P&DC	Letters	On-site

Source: OIG analysis.

### Finding #1: Manual Mail Processing Productivity

We found the Postal Service is not processing manual mail at optimal efficiency as productivity in its manual operations continued to trend downward from October 2019 to June 2021 (see Figure 1).

**Figure 1. Productivity in Processing Manual Letters, Flats, and Packages Between FY 2020 and FY 2021, Quarter (Q) 3**

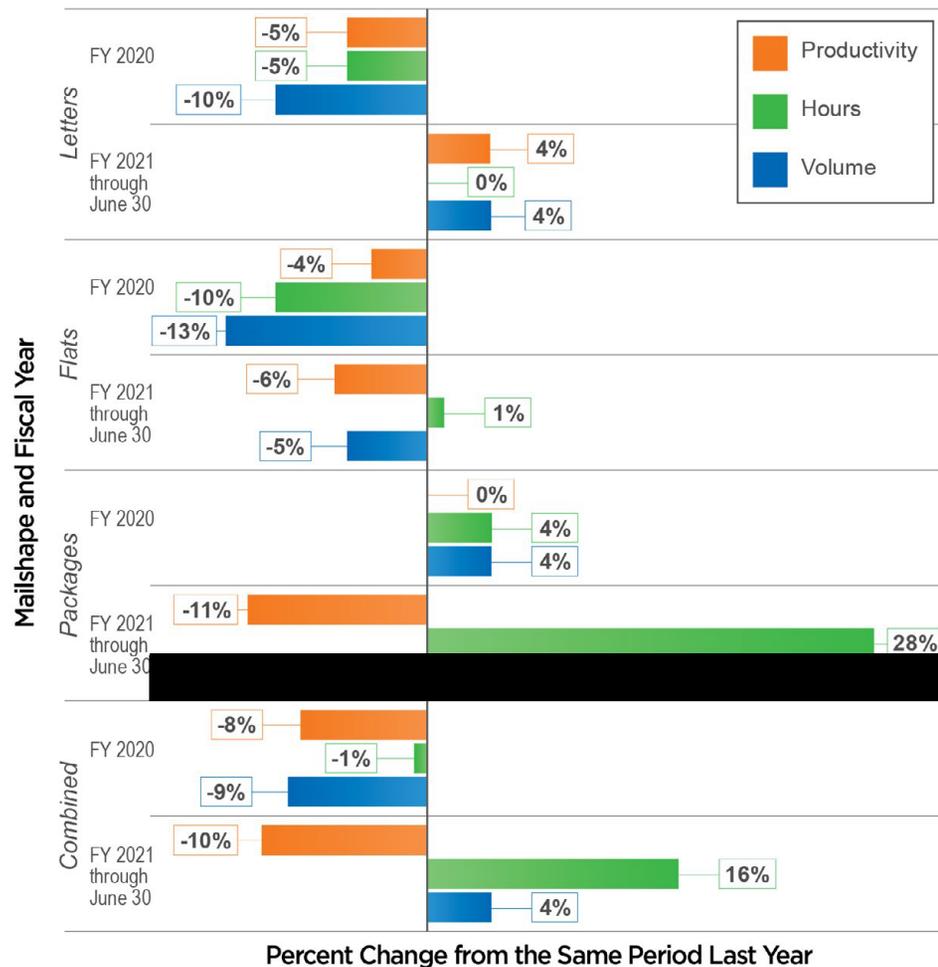


Source: OIG analysis of volume and workhours from Enterprise Data Warehouse (EDW).

Productivity decreased nationwide by 8 percent between FY 2019 to FY 2020 and by 10 percent during the first three quarters of FY 2021 compared to the same period last year (SPLY) (see [Figure 2](#)).

- For letters, productivity in manual processing decreased nationwide by about 5 percent from FY 2019 to FY 2020, but increased by 4 percent in the first three quarters of FY 2021 compared to the SPLY.
- For flats, productivity in manual processing decreased nationwide by about 4 percent from FY 2019 to FY 2020, and by 6 percent in the first three quarters of FY 2021 compared to the SPLY. In each of these periods, volume decreased at a higher rate than workhours.
- For packages, productivity in manual processing nationwide remained the same in FY 2020 compared to FY 2019, but decreased by about 11 percent in the first three quarters of FY 2021 compared to the SPLY. Through the first three quarters of FY 2021, manual package processing workhours did not increase at a rate consistent with increased volume; workhours increased 28 percent while volume only increased [REDACTED].

**Figure 2. Nationwide Percent Change in Manual Workhours, Volume, and Productivity - Compared to the SPLY**



Source: OIG analysis of EDW.

In FY 2020, only eight mail processing facilities nationwide (3 percent) met all their manual productivity targets and only 14 facilities (5 percent) had met all their FY 2021 targets as of June 30, 2021.<sup>8</sup> Of the 13 Postal Service processing divisions, manual operations in the Westshores Division<sup>9</sup> was the least efficient and achieved an average of 30.5 percent of the target productivity between FY 2020 and Q3 FY 2021. The Southwest Division<sup>10</sup> was the most efficient, although it only achieved an average of 59.2 percent of the target productivity during the same period.

We identified through observations and interviews that inefficiency in manual mail processing can be attributed, in part, to lack of management oversight and employee availability and staffing issues.

### Management Oversight

Postal Service management did not use available tools to oversee the efficiency of manual mail operations and did not always implement policies and procedures impacting volume and workhours for manual operations.

### Using Tools and Data to Oversee Efficiency

Postal policies require mail processing facility managers to ensure that they are meeting productivity goals and to use those goals to determine staffing assignments and help supervisors monitor productivity.<sup>11</sup> However, Postal Service

***“In FY 2020, only eight mail processing facilities nationwide (3 percent) met all their manual productivity targets and only 14 facilities (5 percent) had met all their FY 2021 targets as of June 30, 2021.”***

<sup>8</sup> Our analysis includes only facilities that have recorded volume and workhours associated with manual operations for letters, flats, or packages. We identified 281 facilities that had this data for manual operations in FY 2020 and 283 facilities in FY 2021.  
<sup>9</sup> A geographic region consisting of 24 processing facilities in WI, IL, and IN.  
<sup>10</sup> A geographic region consisting of 29 processing facilities in TX, OK, AR, and LA.  
<sup>11</sup> Handbook PO-401, *Manual Distribution Operations Guidelines*, dated June 4, 1987, and Handbook PO-420.

management did not use their productivity data or targets to oversee the efficiency of its manual mail operations. For example:

- At seven of the nine mail processing facilities, management did not use Postal Service productivity data on manual operations to oversee their efficiency and monitor productivity (see Table 2). Several managers simply considered manual operations to be productive if all mailpieces were cleared daily. A couple of managers used their own estimates of volume to make staffing decisions for manual operations, but they did not use the productivity data and targets. Other managers staffed manual operations with employees who had finished their work on automation in order to clear the mail out of the manual operation. As a result, managers at these facilities were unaware of the below-average productivity in the manual operation.
- At seven of nine mail processing facilities, management did not know the productivity targets for manual operations (see Table 2). At the two other facilities, management stated they did not find productivity targets to be useful or realistic. As a result, the targets were not communicated to Postal Service employees. In addition, manual productivity targets have not changed since FY 2015 for letters and flats, or since FY 2017 for packages. Further, productivity targets for manual package operations may not be realistic as they are higher than what has been achieved for productivity in automation. Specifically, the productivity target for processing packages manually was 1 percent higher than the actual productivity from processing packages on machines in FY 2020 and 11 percent higher in FY 2021 as of June 30, 2021;<sup>12</sup> therefore, productivity targets may not have been aligned with actual performance.

**Table 2. Managements’ Use of Manual Mail Productivity Data and Targets**

Facility Name	Productivity Data Used to Oversee Manual Operation	Productivity Targets Known
Birmingham Annex	X	✓
Brockton P&DC	X	X
Carol Stream P&DC	✓	✓
Los Angeles P&DC	X	X
Northern VA P&DC	X	X
Pensacola P&DC	X	X
Queens P&DC	X	X
South Suburban P&DC	✓	X
Suburban P&DC	X	X

Source: OIG observations and interviews conducted during April and May 2021.  
 Note: A “✓” indicates compliant; an “X” indicates non-compliant.

### Implementing Policies and Procedures for Efficient Manual Operations

Management did not always implement policies and procedures to properly account for volume and workhours in manual operations and keep machinable mail out of the operation (see Table 3).

<sup>12</sup> The productivity target for manual package processing was 270 pieces per hour in FY 2020 and FY 2021.

**Table 3. Facility Compliance with Selected Policies and Procedures**

Facility Name	Manual Mail Operation Reviewed	Accounting for Workhours	Scanning of Packages	Estimating Manual Letter and Flat Volume	Using a Gatekeeper (Letters)	Re-Running Rejected Mail
Birmingham Annex	Packages	X	X	n/a	n/a	✓
Brockton P&DC	Flats	X	n/a	X	n/a	X
Carol Stream P&DC	Letters	✓	n/a	X	✓	X
Los Angeles P&DC	Packages	X	X	n/a	n/a	✓
Northern VA P&DC	Packages & Flats	X	X	X	n/a	✓
Pensacola P&DC	Letters	X	n/a	X	X	X
Queens P&DC	Packages	X	X	n/a	n/a	X
South Suburban P&DC	Flats	X	n/a	X	n/a	X
Suburban P&DC	Letters	X	n/a	X	X	X
<b>Total Percent Compliant</b>		<b>11% (1 of 9)</b>	<b>0% (0 of 4)</b>	<b>0% (0 of 6)</b>	<b>33% (1 of 3)</b>	<b>33% (3 of 9)</b>

Source: OIG observations and interviews conducted during April and May 2021.

Note: A “✓” indicates compliant; an “X” indicates non-compliant; a “n/a” indicates the policy or procedure was not applicable based on the manual mail operation reviewed.

### Accounting for Workhours

Postal Service Time and Attendance procedures require that all workhours be reported under the operation and functional activity being performed.<sup>13</sup> At eight of the nine mail processing facilities, employees did not always charge their workhours to the correct operation. Management stated that employees did not always “clock” into the correct operation, in part, due to time clocks and badges not being easily accessible for employees to change operations. For example, at the Los Angeles P&DC, time clocks are in only one area of the building, not centrally located or near each operation. At the same facility, we also found

12 employees clocked into the manual operation, but we did not observe anyone working in the operation. At the Brockton P&DC, employees stated they rarely account for their change in operation when moved because of the distance between the time clock and the operation.

In addition, management did not monitor on a daily basis the timekeeping practices of employees to ensure they were using the correct operation codes to account for the work performed. For example, managers at the Queens P&DC explained that employees are required to place their badge/timecard in a rack by the operational area to which they are assigned. This process was

<sup>13</sup> Handbook F-21, *Time and Attendance*, Section 424.71, dated February 2016.

established to assist supervisors with monitoring proper accounting of workhours under the operation. However, not all supervisors are enforcing this requirement or monitoring for proper time clock scanning, resulting in daily occurrences of workhours not being properly accounted for as employees move between operations.

### Scanning of Packages

Manual package volume is accounted for through physical scans<sup>14</sup> of packages processed manually.<sup>15</sup> At all four of the mail processing facilities where we reviewed manual package operations, management did not always ensure packages were scanned to capture the number of mailpieces processed

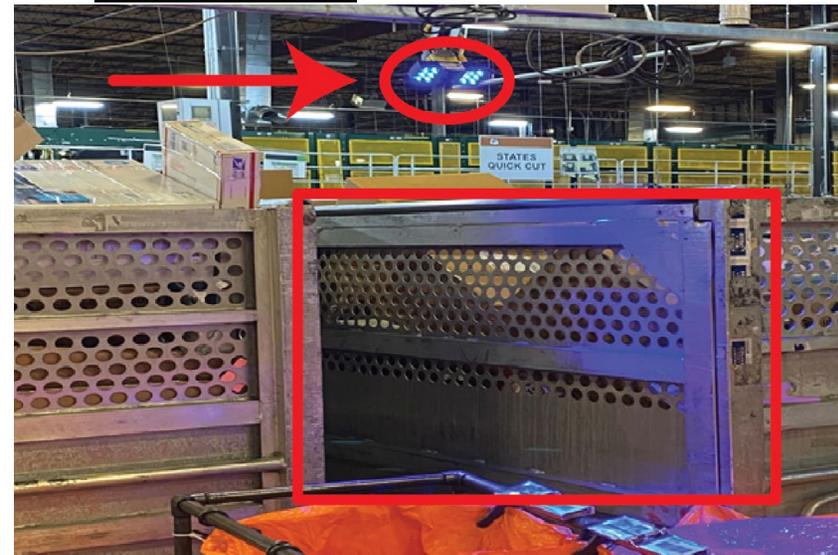
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***“At all four of the mail processing facilities where we reviewed manual package operations, management did not always ensure packages were scanned to capture the number of mailpieces processed manually.”***

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manually. For example, at the [REDACTED] and [REDACTED], we observed employees in manual package operations not always scanning the packages they were processing. At both facilities, overhead scanners were installed in manual package operations to make scanning more efficient, but employees still did not always scan packages. Further, at the [REDACTED], some employees had staged mail equipment in a way that prevented the use of the overhead scanning system (see Figure 3).

**Figure 3. Staged Mail Equipment Blocking the Package Scanner at the [REDACTED]**



Source: OIG photograph taken at the [REDACTED] May 11, 2021, at 8:06 p.m. showing a mail container blocking access to an overhead package scanner.

In addition, at the time of our observations, a package did not require a scan if it moved between primary and secondary<sup>16</sup> manual operations<sup>17</sup>, but did require a scan if moved between mail processing machines and manual operations. At the [REDACTED], neither handheld nor overhead scanners were used to capture packages processed at all stages of manual sortation. Specifically, some packages were sent into manual operations at the secondary manual sortation stage—where scanners were not used—after primary sortation on machines. After our observations, the Postal Service updated their policy<sup>18</sup> to

14 Employees may use either handheld or overhead scanners to scan packages in manual operations.

15 Handbook M-32, Appendix A-2, dated September 2018.

16 As mail enters a facility, it is not always possible to use a single program to sort the mail to the finest level for delivery. In those cases, facilities may use two stages of sortation – primary and secondary. As defined in U.S. Postal Service Publication 32, *Glossary of Postal Terms*, dated July 2013, primary mail is sorted to city zones (5-digit ZIP Code ranges) and local stations, branches, or Post Offices. The mail is then further sorted in secondary to the specific 5-digit destination, carrier routes, Post Office Box sections, etc.

17 Handbook M-32, Appendix A-2 and Section 3-2.5, dated September 2018.

18 Processing Operations Management Order (POMO) Number POMO-004-21, dated June 18, 2021. Policy effective July 17, 2021.

require scanning of all packages in manual operations, including those moving between primary and secondary manual processing operations. Without scans, facility managers could not account for this package volume introduced directly from automation that required additional workhours to process and, as a result, productivity may have been higher than reported.

### Estimating Manual Letter and Flat Volume

Facility managers estimate the volume of manually sorted letter and flat mail based on a percentage of actual pieces processed on machines and compare this estimate against actual workhours to measure productivity. Postal policy requires all processing facilities to update their manual letter and flat volume estimates yearly to account for the flow of letter and flat volume into manual operations.<sup>19</sup>

At all six of the mail processing facilities where we reviewed manual letter or flat operations, manual volume estimations had not been updated yearly as required, with the most recent update made at the Carol Stream P&DC in 2019. Further, managers at the Pensacola and Northern VA P&DCs were unaware of the methodology the Postal Service uses to estimate manual volumes for their facilities. A manager at the South Suburban P&DC was aware of the methodology but did not know why they were no longer updating the estimates.

The last significant update to manual volume estimates by facilities nationwide occurred in 2016. Since 2016, only 10.7 percent, or 25 of 233 mail processing facilities,<sup>20</sup> have updated manual letter and flat estimates. From September 1, 2019, through April 30, 2021, only 3 percent of the facilities (seven of 233) had updated their manual volume estimates. In addition, two facilities<sup>21</sup> had manual letter or flat operation workhours during this period but did not have a manual mail volume estimate. As a result, the Postal Service cannot verify that mail flow

changes have been accounted for and that accurate volume estimates are being used for manual letter and flats operations.

### Using a Gatekeeper

Supervisors are responsible for ensuring that only manual mail is in the operation and that machinable mail is returned to automation.<sup>22</sup> To avoid unnecessary manual sortation, Postal Service procedures require facilities to maintain a “gatekeeper” in manual letter operations to ensure machinable mail is not sorted manually.<sup>23</sup> At two of the three mail processing facilities where we observed manual letter operations, there was no “gatekeeper” because management did not assign this responsibility to anyone.

In addition, at five of the six mail processing facilities that we physically visited, we observed machinable mail in manual operations, including package operations. For example, at the Pensacola and Northern VA P&DCs, we found machinable mail in the manual operations area and the supervisor could not explain why it was there (see [Figures 4 and 5](#)). In general, Postal Service management identified machine breakdowns, facility limitations for sorting mail in automation, or supervisors/employees not ensuring that only manual mail was in the operation as reasons for machinable mail being in manual operations.

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***“At five of the six mail processing facilities that we physically visited, we observed machinable mail in manual operations, including package operations.”***

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19 Handbook M-32, Section 6-6, dated September 2018.

20 During this period, 233 facilities processed letters and/or flats and charged workhours to the respective manual operations.

21 The Louisville, KY, Airport Mail Facility Annex and the New Jersey Network Distribution Center.

22 Handbook PO-420.

23 Standard Work Instruction, “Manual Aisle Gatekeeper”, dated February 2, 2018.

**Figure 4. Machinable Letter Mail Found in Manual Operations at the Pensacola P&DC**



Source: OIG photographs taken at the Pensacola P&DC April 20, 2021, at 11:55 p.m. and 11:47 p.m.

**Figure 5. Machinable Package Mail in Manual Operations at the Northern VA P&DC**



Source: OIG photograph taken at the Northern VA P&DC April 20, 2021, at 9:06 p.m.

### Re-Running Rejected Mail

Postal Service standard operating procedures require employees at mail processing machines to re-run rejected mail prior to sending to manual operations.<sup>24</sup> At three of the six mail processing facilities that we physically visited,<sup>25</sup> rejected mail was not always re-run on mail processing machines prior to being sent to manual operations. For example, at the Brockton P&DC, we observed an employee from the manual flat operation take a container full of flat tubs that contained machine rejected flat mail before there was an opportunity to re-run the mail on the machine. The Postal Service employee indicated that retrieving rejected mail from the machine, rather than waiting for it to be transferred to them for manual sortation, is a common practice to keep them busy.

As a result of not providing sufficient management oversight and following established policies and procedures, manual operations are likely not operating efficiently and machinable mail is being processed at a lower productivity rate and higher cost.

### Employee Availability and Staffing

Postal Service management at all nine mail processing facilities identified employee availability and staffing issues stemming from the COVID-19 pandemic and hiring freeze as factors impacting efficiency in manual operations. From October 1, 2019, through June 30, 2021, employee availability at all nine processing facilities ranged between 66.9 and 79.9 percent. Some managers stated that employees were rapidly hired or moved to cover staffing in manual operations without adequate training.

Nationwide, employee availability for mail processing career employees has been below 80 percent since January 2020; the average employee availability was 77.2 percent in FY 2020 and 76.2 percent through Q3, FY 2021. Given the impact the COVID-19 pandemic had on the Postal Service during FY 2020 and FY 2021, our calculations included leave taken by employees under the Family and Medical Leave Act. The Postal Service has an employee availability target of 94.8

<sup>24</sup> Standard Work Instructions: "Quality Verification", dated September 2, 2015; "AFSM100 Flat Reject Handling", dated October 23, 2019; and "APBS Sweeping Bins", dated February 17, 2016.

<sup>25</sup> At all three mail processing facilities that we reviewed virtually, management stated that not re-running rejected mail was a cause of inefficiency in manual operations.

percent; however, this target does not take Family and Medical Leave Act leave into account.

In addition, mail processing operations nationwide were consistently short-staffed in FY 2020 through Q3, FY 2021, by an average of 1,135 career employees, or 1.5 percent. Further, as of June 2021, the Postal Service had 366 vacancies for mail processing manager and supervisory positions, with an average vacancy lasting 235 days.

As a result of the employee availability and staffing issues, Postal Service management is challenged with properly staffing mail processing operations to meet operational needs and provide sufficient supervision over manual operations. The Postal Service's 10-Year Plan<sup>26</sup> announced strategies to promote career development and employee retention over the next ten years.

These strategies include:

- Cutting non-career employee turnover by half.
- Expanding programs that support career planning, expanded training and self-development and opportunities for growth, advancement, and promotion.
- Improving and expediting the hiring process.
- Building and retaining a diverse pipeline of candidates through enhanced employee development, strengthening succession planning, and improving retention strategies.
- Implementing programs that improve the non-career employee experience.
- Elevating front-line leadership capabilities.

In addition, in recent and ongoing audits, we made several recommendations for the Postal Service to implement actions to address staffing and employee

availability issues. Specifically, we recommended the Postal Service to 1) develop a plan to increase staff availability once the impacts of COVID-19 begin to subside<sup>27</sup>; 2) address staffing issues at facilities operating below their authorized complement or with excessive vacancies<sup>28</sup>; 3) ensure mail processing peak season hiring plans include the potential impacts from COVID-19<sup>29</sup>; and 4) strengthen internal controls to ensure adequate employee availability during the upcoming peak season.<sup>30</sup> We will continue to monitor and track the Postal Service's implementation of those recommendations, as well as their strategies from their 10-Year Plan, to ensure improved efficiency in manual operations.

The Postal Service needs effective and efficient operations to fulfill its mission of providing prompt, reliable, and affordable mail service to the American public. The trend of declining productivity in manual mail processing may continue if inefficiencies are not addressed. Addressing causes that impact manual productivity will increase operational efficiency, help reduce costs, and better support the goals in the 10-year plan.

Addressing the issues identified in this report would assist the Postal Service with bringing mail processing facilities below the national average for manual processing productivity up to the national average, increasing efficiency in manual processing operations, and reducing 9.8 million workhours, resulting in savings of about \$395.6 million.

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***“Addressing causes that impact manual productivity will increase operational efficiency, help reduce costs, and better support the goals in the 10-year plan.”***

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<sup>26</sup> U.S. Postal Service, *Delivering For America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence*, dated March 2021.

<sup>27</sup> U.S. Postal Service's *Processing Network Optimization and Service Impacts* (Report Number [19XG013NO000-R20](#), dated June 16, 2020).

<sup>28</sup> *Assessment of Overtime Activity* (Report Number [20-209-R20](#), dated August 25, 2020).

<sup>29</sup> *Service Performance – First-Class Single Piece Letter Mail* (Report Number [21-047-R21](#), dated September 3, 2021).

<sup>30</sup> *Embargos and Redirections at U.S. Postal Service Facilities* (Report Number [21-112-R21](#), dated August 13, 2021).

### Recommendation #1

We recommend the **Vice President, Processing and Maintenance Operations**, direct facility management to review Postal Service productivity data and use it as a tool to monitor efficiency in manual operations as required by Postal Service policy and procedures.

### Recommendation #2

We recommend the **Vice President, Processing and Maintenance Operations**, evaluate current productivity targets for manual operations, properly align them with performance, and communicate those targets to facility management and employees.

### Recommendation #3

We recommend the **Vice President, Processing and Maintenance Operations**, properly account for workhours and workload in manual operations in accordance with Postal Service policy. At a minimum, require facility management to:

- Communicate to employees the importance of changing operations on the time clock and the importance of scanning all packages, via stand-up talks and/or communication boards.
- Place time clocks in areas that are easily accessible when employees change operations and monitor changes daily.
- Monitor manual package processing operations routinely throughout the day to visually confirm scans occur in each manual process that requires workhours to handle a package.
- Update manual letter and flat volume estimates yearly to ensure accurate volumes are being recorded.

### Recommendation #4

We recommend the **Vice President, Processing and Maintenance Operations**, direct facility management to assign a “gatekeeper” within each manual operation to reduce the volume of mail being processed in manual operations that could be run on mail processing machines.

### Recommendation #5

We recommend the **Vice President, Processing and Maintenance Operations**, communicate to employees the importance of re-running rejected mail on processing machines before sending to manual operations, via stand-up talks and/or communication boards.

## Management's Comments

Management generally agreed with the finding; agreed with recommendations 1 and 2; partially agreed with recommendations 3 and 5; and disagreed with recommendation 4, the monetary impact calculation, and the assumption that all machinable mail processed in manual operations is a handling error. See [Appendix B](#) for management's comments in their entirety.

Regarding recommendation 1, management stated that they will review productivity data and reinforce current policies and procedures regarding the use of productivity data. The target implementation date is June 30, 2022.

Regarding recommendation 2, management stated that they will evaluate current productivity targets for manual operations and, to the extent possible, align them with performance targets. Management stated they will communicate those targets to facility management and employees. The target implementation date is June 30, 2022.

Regarding recommendation 3, management stated that they will communicate requirements related to clock rings and scanning. However, they stated that they will not update manual volume estimates because it is no longer necessary with the current system, and will not add or relocate time clocks. The target implementation date is January 31, 2022.

Regarding recommendation 4, management stated that gatekeepers add cost to the operation and increase the risk that mail will be returned to automation that will not process correctly. They also stated that supervisors for Distribution Operations are responsible for addressing mail flow errors.

Regarding recommendation 5, management stated they will communicate the importance of rerunning rejected mail via stand-up talks and communication boards. The target implementation date is November 30, 2021.<sup>31</sup>

Regarding the methodology used to calculate the monetary impact, management stated that the comparison of how close each facility came to meeting their Mail Processing Variance (MPV) targets compared to the national average was not an intended use for the data of the MPV model and that the monetary calculation disregards limitations to the MPV system.

## Evaluation of Management's Comments

The OIG considers management's comments responsive to recommendations 1, 2, and 5 and the corrective actions should resolve the issues identified in the report. We consider management's comments nonresponsive to recommendations 3 and 4.

Regarding recommendation 3, management did not fully meet the intent of the recommendation to properly account for workhours and workload in manual operations in accordance with Postal Service policy. In terms of workhours, Postal Service procedures require that all workhours be reported under the operation and functional activity being performed. However, we found that at eight of the nine mail processing facilities employees did not always charge workhours to the correct operation. We believe that placing time clocks in areas that are easily accessible when employees change operations and monitoring those operational changes daily would help ensure workhours are properly reported under the performed operation.

In terms of workload, Postal Service policy requires all processing facilities to update their manual letter and flat volume estimates yearly to account for the flow of letter and flat volume into manual operations. As stated in the report, the last significant update to manual volume estimates by facilities nationwide occurred in 2016. Without implementation of this policy or updating the policy to better reflect how often volume estimate updates should be reviewed, the Postal Service cannot verify that mail flow changes have been accounted for and that accurate volume estimates are being used for manual letter and flat operations. Therefore,

we view the partial agreement on recommendation 3 as unresolved and will work with management through the audit resolution process.

Regarding recommendation 4, per Postal Service policy, supervisors are responsible for ensuring that only manual mail is in the operation and that machinable mail is returned to automation. In addition, to avoid unnecessary manual sortation, Postal Service procedures require facilities to maintain a "gatekeeper" in manual letter operations. As stated in the report, we observed machinable mail in manual letter, flat, and package operations that management agreed was machinable, but could not explain why it was being manually sorted. To prevent unnecessary and more costly manual sortation of mailpieces, we believe the Postal Service should enforce its requirement for a gatekeeper in manual letter operations, and also believe it would be a best practice to implement a similar procedure for manual flat and package operations. We view the disagreement on recommendation 4 as unresolved and will work with management through the audit resolution process.

Regarding the monetary impact, the MPV system calculates productivity goals based on the operations at a given facility, measures productivity by operation, and compares actual productivity to the goal. As stated in the report, postal policies require mail processing facility managers to ensure that they are meeting productivity goals and to use those goals to determine staffing assignments and help supervisors monitor productivity. We took a conservative approach to calculating the national average of productivity compared to the goals by identifying and excluding data outliers. We then calculated workhour savings based on improving the manual productivities of facilities below the national average for the percentage of goal achieved compared to the national average. Management did not provide a new monetary impact or support for how they would calculate the impact. We believe our analysis is reasonable and potential exists to reduce workhours by implementing our recommendations.

Regarding management's disagreement with the assumption that all machinable mail processed in manual operations is a handling error, we did not make this statement in the report. We recognize that there are various reasons for mail to be processed manually, including facility limitations for sorting mail in automation,

<sup>31</sup> While official comments show a date of November 31, 2021, Postal Service management provided a corrected target implementation date of November 30, 2021, in a subsequent email.

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dimensions or address quality of the mailpieces, or to meet service standards when machines are at capacity. However, processing mail manually is more costly and less productive than doing it on a machine. As stated in the report, the Postal Service has procedures in place to reduce the manual processing of mail whenever it can be processed on a machine.

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

## Scope and Methodology

The scope of our audit was a nationwide review of manual mail processing productivity (pieces processed per hour) for letters, flats, and packages. We reviewed the processing capacity for letters, flats, and packages at selected facilities from October 1, 2019, through June 30, 2021.

To accomplish our objective, we:

- Analyzed volume, workhours, productivity, and employee availability for manual mail processing in FY 2020 and FY 2021.
- Performed site observations at nine mail processing facilities with low manual mail processing productivity (productivity percent achieved, volume, and workhours) for letters, flats, or packages and determined causes for low productivity in manual processing. Three of the visits were conducted virtually with facility management and therefore did not include observations of the operation by the OIG.
- Interviewed facility plant managers and mail processing managers at the selected sites to identify causes for low productivity in manual processing.

We conducted this performance audit from March through September 2021 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on August 19, 2021, and included their comments where appropriate.

We assessed the reliability of EDW, MODS, Mail Processing Variance, WebEOR, and Workforce Function1 Scheduler by reviewing related documentation and 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	Objective	Report Number	Final Report Date	Monetary Impact (in millions)
<i>U.S. Postal Service's Processing Network Optimization and Service Impacts</i>	Determine if the processing network is operating at optimal efficiency and meeting service standards.	19XG013NO000-R20	June 16, 2020	\$385
<i>Manual Flats Processing Operations at the Tucson, AZ, Processing and Distribution Center</i>	Assess manual flats processing operations at the Tucson P&DC in Tucson, Arizona.	20-163-R20	March 9, 2020	N/A
<i>Manual Flats Processing Operations at the Birmingham, AL, Processing and Distribution Center</i>	Assess manual flats processing operations at the Birmingham P&DC in Birmingham.	20-161-R20	February 12, 2020	N/A
<i>Manual Letter Processing Operations at the Industry, CA, Processing and Distribution Center</i>	Assess manual letter processing operations at the Industry P&DC in the City of Industry, CA.	20-098-R20	December 23, 2019	N/A
<i>Manual Parcel Operations at the Brooklyn, NY, Processing and Distribution Center</i>	Assess manual parcel processing operations at the Brooklyn P&DC.	20-099-R20	December 23, 2019	N/A
<i>Manual Letter Processing Operations at the North Bay, CA, Processing and Distribution Center</i>	Assess manual letter processing operations at the North Bay P&DC in Petaluma, CA.	20-065-R20	December 9, 2019	N/A
<i>Manual Parcel Processing Operations Harrisburg, PA, Processing and Distribution Center</i>	Assess manual parcel processing operations at the Harrisburg P&DC.	20-064-R20	December 2, 2019	N/A
<i>U.S. Postal Service Processing Network Optimization</i>	Evaluate trends and practices the Postal Service uses to optimize its processing network.	NO-AR-19-006	September 9, 2019	N/A

# Appendix B: Management's Comments

MIKE L. BARBER  
VICE PRESIDENT  
PROCESSING AND MAINTENANCE OPERATIONS



September 7, 2021

JOSEPH WOLSKI  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Management Response: Manual Mail Processing Efficiency (Report  
Number 21-131-DRAFT)

This memo is in response to the subject audit conducted by the Office of the  
Inspector General (OIG).

The United States Postal (USPS) agrees with some of the findings and  
recommendations in the audit. We disagree, however, with the assumption that  
all machinable mail processed in a manual operation is a handling error. Mail  
can be diverted to manual operations where there are capacity limitations to  
clearing mail timely in automation. There is also machinable mail which must be  
worked in a manual operation by design (miscoded mail, Postal Automated  
Redirection System - PARS/FPARS manual mail, etc.). Management also  
disagrees with the recommendation to assign a Gatekeeper in every manual  
operation.

The USPS does not agree with the monetary impacts detailed in the audit. The  
OIG calculated productivity and performance percent achieved as defined by the  
Mail Processing Variance (MPV) model. They compared how close each facility  
came to meeting their MPV productivity targets compared to the national  
average. While the OIG removed outliers from the data, there are still flaws to  
this system. MPV data was never intended to be used in this manner and has  
inherent limitations. Volumes are only estimates. Productivity targets are  
developed using top quartile demonstrated performance. Calculating savings  
based on the assumption that all plants have the capability to achieve the  
average ignores local conditions that prevent performance to the average. The  
monetary calculations disregard basic limitations to the MPV system. For  
example, PARS mail which requires manual processing outside the Combined  
Input Output Sub-System (CIOSS) host plant is not credited to the plant  
performing the work. This artificially reduces manual letter productivity and  
overstates savings potential. Also, monetary savings were estimated in  
situations where employees were clocked onto the wrong operation as detailed in

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WWW.USPS.GOV

the audit. Savings are not generated by correct clock rings. The costs only shift to a different operation.

Recommendation #1:

We recommend the **Vice President, Processing and Maintenance Operations**, direct facility management to review Postal Service productivity data and use it as a tool to monitor efficiency in manual operations as required by Postal Service policies and procedures.

Management Response/Action Plan:

Management agrees to review productivity data and to reinforce current policies and procedures regarding the use of productivity data.

Target Implementation Date: 06/30/2022

Responsible Official:

Sr. Director Strategic Planning & Implementation

Recommendation #2:

We recommend the **Vice President, Processing and Maintenance Operations**, evaluate current productivity targets for manual operations, properly align them with performance, and communicate those targets to facility management and employees.

Management Response/Action Plan:

Management agrees to evaluate current productivity targets for manual operations and, to the extent possible, align them with performance targets. USPS will communicate those targets to facility management and employees.

Target Implementation Date: 06/30/2022

Responsible Official:

Sr. Director Strategic Planning & Implementation

Recommendation #3:

We recommend the **Vice President, Processing and Maintenance Operations**, properly account for workhours and workload in manual operations in accordance with Postal Service policy. At a minimum, require facility management to:

- Communicate to employees the importance of changing operations on the time clock and the importance of scanning all packages via stand-up talks and/or communication boards.
- Place time clocks in areas that are easily accessible when employees change operations and monitor changes daily.
- Monitor manual package processing operations routinely throughout the day to visually confirm scans occur in each manual process that requires workhours to handle a package.
- Update manual letter and flat volume estimates yearly to ensure accurate volumes are being recorded.

Management Response/Action Plan:

Management partially agrees with this recommendation. USPS agrees to continue the communication of requirements related to clock rings and scanning. Management does not agree to update the manual volume estimates annually as this is no longer necessary with the current system. Management also does not agree to add or relocate time clocks.

Target Implementation Date: 01/31/2022

Responsible Official:

Sr. Director Strategic Planning & Implementation

Recommendation #4:

We recommend the **Vice President, Processing and Maintenance Operations**, direct facility management to assign a "gatekeeper" within each manual operation to reduce the volume of mail being processed in manual operations that could be ran on mail processing machines.

Management Response/Action Plan:

Management disagrees with this recommendation. Gatekeepers add cost to the operation and increase the risk that mail will be returned to automation that will not process correctly. Supervisors, Distribution Operations are responsible for addressing mail flow errors that send mail to manual operations in error.

Target Implementation Date: n/a

Responsible Official: n/a

Recommendation #5:

We recommend the **Vice President, Processing and Maintenance Operations**, communicate to employees the importance of re-running rejected mail on

processing machines before sending to manual operations, via stand-up talks and/or communication boards.

Management Response/Action Plan:

Management partially agrees with this recommendation. While rerunning rejected mail, has the potential to improve productivity, the type of reject and conditions such as machine capacity and dispatch times may prevent the practice in some situations. Management will communicate the importance via stand-up talks and communication boards.

Target Implementation Date: 11/31/2021

Responsible Official:

Sr. Director Strategic Planning & Implementation



Mike L. Barber

cc: Manager, Corporate Audit Response Management

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

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

For media inquiries, please email  
[press@uspsoig.gov](mailto:press@uspsoig.gov) or call 703-248-2100