Improving Service Performance and Mail Processing Efficiencies at Historically Low Performing Facilities

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Highlights

Background

The U.S. Postal Service needs effective and productive operations to fulfill its mission of providing prompt, reliable, and affordable mail service. In recent years, service performance and Postal Service efficiency has trended downward. In response, the Postal Service established strategies in its 10-year Delivering for America plan to improve service performance and mail processing efficiencies.

What We Did

Our objective was to evaluate service performance and processing efficiencies at 10 low performing mail processing facilities and determine potential areas for improvement. To accomplish our objective, we conducted observations and interviews at the 10 selected facilities. We also reviewed mail processing productivity data for letters, flats, packages, and manual operations; service performance and trends for First-Class, Periodicals, Marketing and Parcels; mail processing staffing (e.g., employee availability, turnover, etc.); and training and maintenance challenges. Our scope period was fiscal year (FY) 2020 to FY 2022, Quarter (Q)1.

What We Found

Service performance at the 10 facilities significantly improved in FY 2022, Q1 compared to the same period last year; however, each was generally less efficient in processing mail compared to

approximately 300 facilities nationwide. While implementation of the Delivering for America plan is ongoing, several challenges such as inherent facility conditions (multi-floor facilities, inadequate operational layouts, and overcrowding), low employee availability, inadequate management staffing, inadequate training, and turnover among newly hired employees, continue to affect these facilities' ability to meet service targets and process mail efficiently. We estimate that addressing the issues noted above would assist in bringing productivity within the 10 facilities up to the national average, resulting in savings of about $41.2 million annually. We also found mail processing machines at the 10 facilities, on average, had more machine jams and fewer pieces sorted per machine hour than the national average. This occurred due to lack of employee training and management oversight.

Recommendations

We provided eight recommendations to address the overarching causes of service performance and productivity inefficiencies and two recommendations to improve machine performance.

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Transmittal Letter

August 8, 2022

MEMORANDUM FOR: ISAAC CRONKHITE
CHIEF PROCESSING AND DISTRIBUTION OFFICER AND
EXECUTIVE VICE PRESIDENT

JENNY UTTERBACK
VICE PRESIDENT, ORGANIZATION DEVELOPMENT

Mary K. Lloyd

FROM: Mary Lloyd
Acting Deputy Assistant Inspector General
 for Mission Operations

SUBJECT: Audit Report – Improving Service Performance and Mail
Processing Efficiencies at Historically Low Performing
Facilities (Report Number 21-243-R22)

This report presents the results of our audit of Improving Service Performance and Mail
Processing Efficiencies at Historically Low Performing Facilities.

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: Postmaster General
Corporate Audit Response Management

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Results

Introduction/Objective

This report presents the results of our self-initiated audit on improving service performance and mail processing efficiencies at historically low performing facilities. Our objective was to evaluate service performance and processing efficiencies at 10 low performing mail processing facilities and determine potential areas for improvement. See Appendix A for additional information about this audit.

Background

The U.S. Postal Service needs effective and productive operations to fulfill its mission of providing prompt, reliable, and efficient mail and package service to all Americans — regardless of where they live — at affordable rates. While the Postal Service is at the heart of the mailing industry with approximately 300 mail processing facilities nationwide, it has been challenged with meeting the changing needs of the nation and its customers.[1]

Due to the Postal Service's universal service obligation — a commitment to deliver mail and packages to every U.S. address in every community — its commitment expands each year by more than 1 million delivery points as the nation's population grows and new businesses and homes are established. In fiscal year (FY) 2021 alone, the Postal Service processed about 129 billion mailpieces, with delivery to more than 163 million addresses.

Mailpieces are sorted and processed at Processing and Distribution Centers (P&DC) around the country. Mail sorted and processed at a P&DC will either be sent to another P&DC for additional processing or to a delivery unit for delivery. In recent years, the Postal Service has found that many of its facilities have been underutilized and inefficient due to continuous declines in volume for letters and flats, especially declines in First-Class Mail volume, which provides the largest contribution toward covering costs. Flats and letters declined by 23 percent and 45 percent, respectively, from FY 2012 to FY 2021, when packages increased by 131 percent. While packages generated approximately 42 percent of total revenue in FY 2021, about 94 percent of the Postal Service's volume still consisted of letters and flats during the same period.

The Postal Service divides mail into different services, called "classes". Each class of mail has different features, service levels, and postage rates. Service standards specify timeliness standards for delivering mail after receiving it from a customer and are determined by the class of mail, where it originates, and where it is going or destined. Generally, the farther the mail must travel, the more days for the service standard. The Postal Service has targets and uses the service standard for each class to measure how much mail was delivered.

On October 1, 2021, the Postal Service added up to two days for its First-Class service standards of delivery within the continental U.S., depending on the distance a mailpiece had to travel. The previous service standards for First-Class Mail were 1 to 3 days inside the continental U.S. and 4 to 5 days outside the continental U.S. The Postal Service estimated that 61 percent of First-Class Mail would remain unaffected by these changes. See Table 1 for a summary of Postal Service mail classes and service standards, effective October 1, 2021.

Table 1. Summary of Postal Service Classes and Service Standards

Category	Mail Class	Service Standard (days)
Market Dominant[2]	First-Class Mail	1 – 5
	Periodicals	3 – 9
	Marketing Mail	3 – 10
	Package Service	2 – 8
Competitive[3]	Packages	2 – 8
	Priority	1 – 3

Source: USPS.com and 39 U.S. Code of Federal Regulations §121.

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1   The Postal Service established initiatives in its 10-Year Plan, *Delivering for America: Our Vision and 10-Year Plan to Achieve Financial Sustainability and Service Excellence*, dated March 2021, to achieve financial stability and service excellence.
2   Products and services for which the Postal Service exercises sufficient market power that it can effectively set prices with limited competition.
3   A category of Postal Service products and services for which similar products and service are offered by private sector carriers.

The Postal Service has not met First-Class Mail service targets since FY 2012 and service performance has trended downward since FY 2017. In FY 2021, the Postal Service lowered its targets, explaining the change was due to not historically meeting service performance targets, in part, because of challenges faced during the COVID-19 pandemic; declining letters and flats volume; and the need to improve operational efficiency and precision. The Postal Service planned to readjust targets upward starting in FY 2022 as it continued implementing its 10-year plan. In FY 2022, Quarter (Q)1, the Postal Service began to improve service.

We initiated this audit to determine the causes of low service performance and processing inefficiencies at historically low performing Postal Service facilities.

To identify the 10 historically low performing facilities,[4] we created a model to judgmentally rank P&DCs using service performance scores from FYs 2014 to 2019, as well as more recent (FYs 2020 to 2021) service performance and productivity metrics. See Appendix A for additional information on how we selected the facilities.

The 10 facilities we judgmentally selected and reviewed included six in the Eastern region and four in the Western region. Eight of the facilities serve a combination of urban and rural populations while two serve solely urban populations. These 10 facilities serve a total urban population of about 24.9 million and a total rural population of about 7.2 million (see Table 2).

Table 2. Census Data for the 10 Historically Low Performing Facilities Reviewed

Facility	Location	Region	3-digit ZIP Codes	Urban Population	Rural Population
			Served By Facility		
██████	██████	Eastern	██████	1,809,931	168,592
██████	██████	Eastern	██████	3,054,402	2,258,421
██████	██████	Western	██████	2,956,238	0
██████	██████	Western	██████████████	4,957,013	1,358,222
██████	██████████	Eastern	██████	1,738,466	219,418
██████████	██████	Western	██████	1,833,532	1,596,723
██████████	██████	Eastern	██████	3,042,462	0
██████	██████	Eastern	██████████████	1,946,735	817,055
██████████	██████	Western	██████	1,722,137	745,012
██████████	██████	Eastern	██████████	1,853,477	39,019
			Total Population	**24,914,393**	**7,202,462**

Source: Census Bureau's 2021 population data and Postal Service's National Distribution Labeling List.
* Based on Census data, ████████████ rank among the top three most populated cities in the U.S.

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4   Our selection was limited to P&DCs that handled one billion or more mailpieces in FY 2020.

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> *"In FY 2021, the Postal Service also established strategies that included various operational and organizational changes as part of its 10-year plan to improve service performance and mail processing efficiencies."*

changes. In FY 2020, the Postal Service Board of Governors appointed a new Postmaster General and the Postal Service introduced its new organizational structure. In FY 2021, the Postal Service also established strategies that included various operational and organizational changes as part of its 10-year plan to improve service performance and mail processing efficiencies. We assessed service performance and mail processing efficiency at the 10 selected historically low performing facilities between FY 2020 and FY 2022, Q1.

Findings Summary

Postal Service management enacted several nationwide and facility specific improvements and best practices designed to improve service performance and efficiency. Management's main strategy was to increase the number of mail processing employees by 30,000 to help improve service performance, reduce overtime, and improve employee work schedules.

While service performance at the 10 facilities significantly improved in FY 2022, Q1 compared to the same period last year (SPLY), each facility was generally

Our audit scope and facility observations occurred during the global COVID-19 pandemic, which brought service issues to the forefront. However, the Postal Service's processing network was not operating at optimal efficiency prior to that time.[5] Additionally, during our scope period the Postal Service underwent various organizational

less efficient in processing the mail compared to over 300 other facilities nationwide. While implementation of the Delivering for America strategies is ongoing, there are several challenges affecting service performance and processing efficiency at the 10 facilities. Specifically, inherent facility conditions (multi-floor facilities, inadequate operational layouts, and overcrowding), low employee availability, inadequate management staffing, lack of formalized training for acting supervisors/managers and non-career employees, incomplete training records of newly promoted supervisors/managers, and turnover among newly hired employees continue to affect these facilities' ability to meet service targets and process mail efficiently.

Additionally, we found mail processing machines at the 10 facilities, on average, had more machine jams[6] and fewer pieces sorted per machine hour [7] than the national average. This occurred due to lack of employee training (e.g., improper preparation of mail and operator practices) and a lack of management oversight (e.g., not enough employees to run the machine, insufficient mail volume to run the machine, and issues with incompatible mail).

> *"Management's main strategy was to increase the number of mail processing employees by 30,000 to help improve service performance, reduce overtime, and improve employee work schedules."*

Improvements and Best Practices

The Postal Service enacted several improvements and best practices nationwide and at various facilities that may have contributed, in part, to improved service performance. This led to most facilities beginning to trend upward in FY 2022, Q1 compared to SPLY across all mail products in service performance (see Figure 1).

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5   U.S. Postal Service Office of Inspector General (OIG), *U.S. Postal Service's Processing Network Optimization and Service Impacts* (Report Number 19XG013NO000-R20, dated June 16, 2020).
6   To evaluate machine jam rates and throughput, we used the nationwide average, by each machine type, as the baseline.
7   Throughputs are defined as mailpieces processed per hour on a mail processing machine.

Figure 1. FY 2022, Q1 Service Performance Trends by Mail Class

First-Class Composite	Periodicals	Marketing Mail	First-Class Packages	Priority Mail
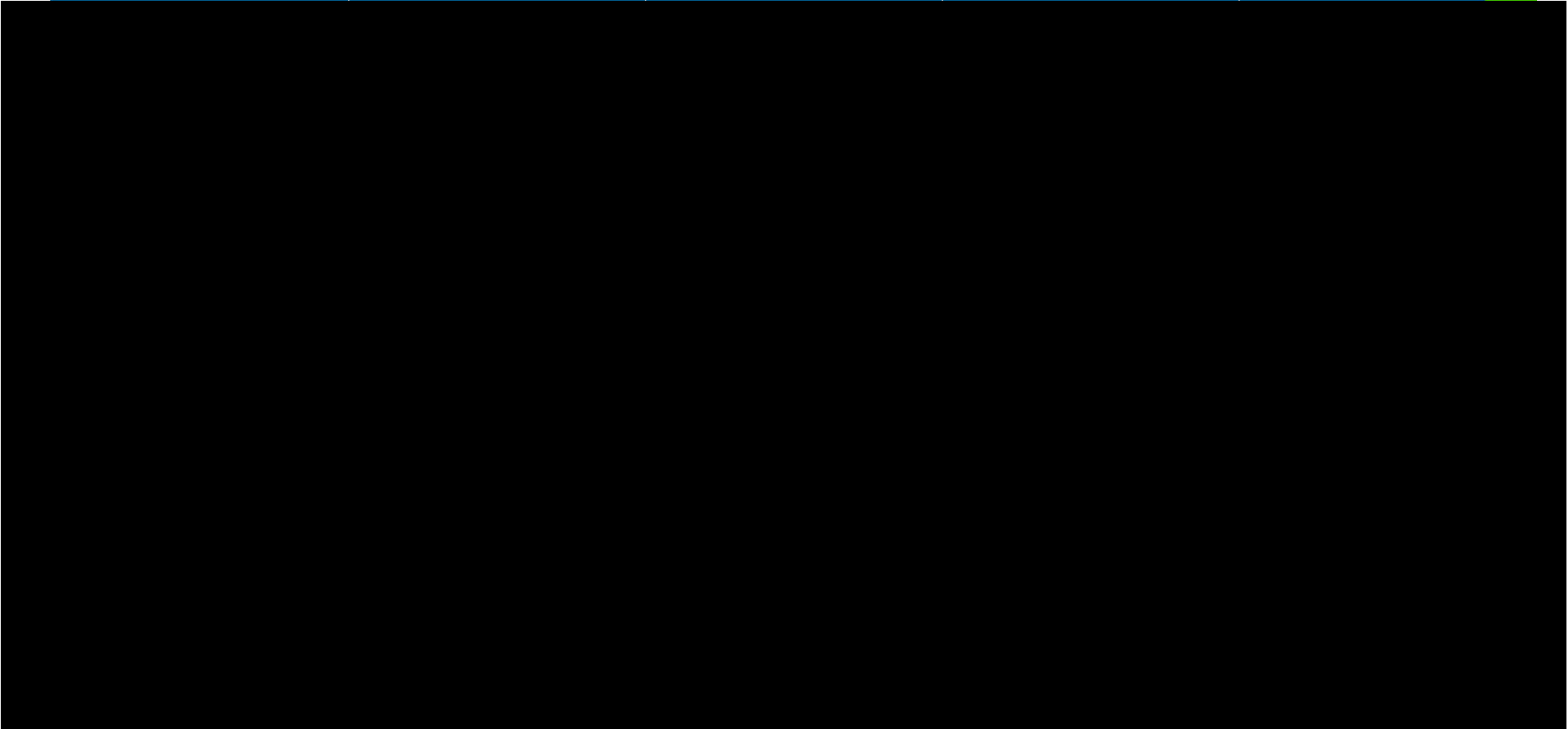
Source: OIG analysis from data obtained through Informed Visibility (IV) and Enterprise Data Warehouse (EDW).

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As of FY 2022, Q1 eight of 10 facilities improved their ranking in the model we used to rank and select the 10 lowest performing facilities for our review (see Table 3).

Table 3. Selected Facility Initial Ranking vs. FY 2022, Q1 Ranking (Ranking out of 99 Facilities – 1 is the Worst and 99 is the Best)

Facility	Initial Ranking	FY 2022, Q1 Ranking	Rank Position Increased
████████	3	23	20
████████	4	40	36
██████	1	9	8
██████	6	6	0
███████	5	46	41
█████████	7	28	21
█████████	2	8	6
███████	11	11	0
████████	8	10	2
███████	10	43	33

Source: OIG analysis from data obtained through IV, EDW, and Management Operating Data Systems (MODS).
████████ was initially ranked number 9; however, it was removed due to impacts from ████ and replaced with the ████████ which was ranked number 11.

As part of the 10-year Delivering for America plan, the Postal Service explored a wide range of opportunities to better serve its business and residential customers and the American public. We examined some nationwide and facility-specific initiatives that Postal Service management implemented to improve operations and service performance, including:

Nationwide Initiatives

- Onboarded 185,000 employees since the beginning of FY 2021, including backfilling 63,000 pre-career positions where employees were converted to career positions as well as 40,000 seasonal hires.[8]

- Created new performance indicators for mail processing managers designed to drive operating precision and efficiency. Specifically, the Postal Service created National Performance Assessment[9] (NPA) goals for completing mail processing operations on-time, improving operational efficiency compared to baselines, and increasing the number of pieces processed per workhour.

- Lifted a nationwide management hiring freeze that was in effect from August 2020 to May 2021, which allowed management to fill some vacancies.[10]

- Optimized operational plans to be facility-specific to address low service performance and mail processing inefficiencies. Headquarters management continually reviews each facility's compliance with the new times to ensure processing operations are completed on-time.

- Implemented peak season initiatives and various operational and organizational changes.

"As part of the 10-year Delivering for America plan, the Postal Service explored a wide range of opportunities to better serve its business and residential customers and the American public."

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8   Postal Regulatory Commission (PRC), *USPS Report on PRC Service Inquiries*, dated January 4, 2022.
9   A web-based system that collects performance-related metrics such as on-time delivery, revenue generation, efficiency, safety, and employee satisfaction, from source systems across the organization. These metrics are translated into balanced scorecards used to monitor the entire enterprise and individual units across the nation.
10 Postal Service, *Organizational Restructure Update*, dated May 19, 2021.

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Facility Initiatives

- At the ████████████, we observed supervisors and lead clerks in mail automation well versed in the processing metrics and the Run Plan Generator (RPG)[11] performance to plan and witnessed the lead clerks monitoring processing metrics via a visual display (see Figure 2).

Figure 2. ████████████ **Processing Metrics Visually Displayed**
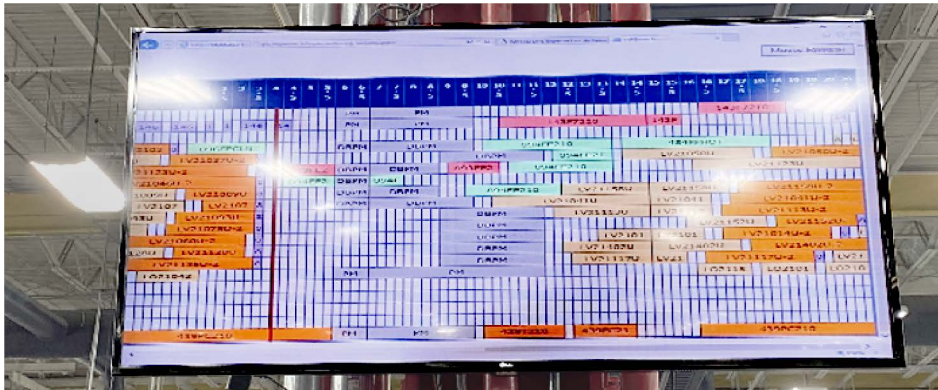
Source: OIG photograph taken at ████████ on March 3, 2022, at 4:17 a.m.

- At the ████████████ the leadership team conducted a study of their multi-floor facility to evaluate ways to optimize their internal mail flow. They reorganized the placement of machines, moving them from one floor to another to reduce the distance mail traveled in the facility, estimated to provide ████████ in workhour savings annually. In addition, management reviewed a machine jam report daily that identified employee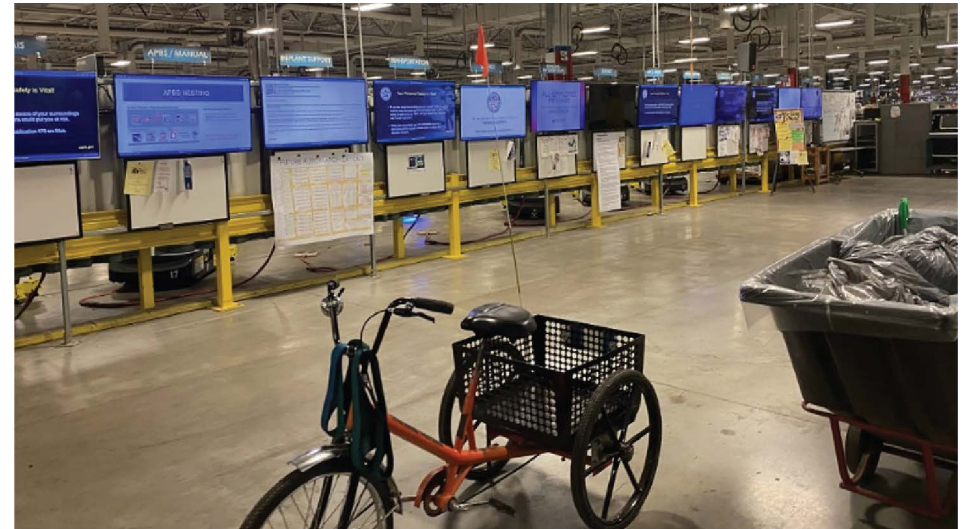s, their work shifts, and the associated machine with higher jam rates. It was used as a tool to reduce jams and machine wear and tear.

- Management at the ████████████████ identified problematic processing machines and took them offline during slow months to perform in-depth maintenance, with a focus on improving throughputs and productivity. Management also established a command center with several monitors to display key information for employees such as schedules, goals, and reminders (see Figure 3).

Figure 3. ████████████████████ **Communication Center**

Source: OIG photograph taken at the ████████████████ on November 17, 2021, at 8:00 p.m.

- At the ████████████, management created several event opportunities to increase employee engagement and morale, such as:

  - Invited various health providers to their facility to provide valuable information and offered gift bags for each work shift.

  - Engaged nurses and sponsors to discuss heart disease awareness and gave free blood pressure checks to employees.

  - Held holiday events throughout the year where employees won small gift card prizes and on-the-spot awards.

- At the ████████████████ monitors were set up around the facility to display kudos for employee accomplishments, retirements, and service milestones.

While we are not making any recommendations around these improvements and best practices, we encourage the Postal Service to continue these positive trends and share the best practices with facilities nationwide for possible implementation.

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11 A software application used by processing facilities to optimize machine usage and operational efficiency.

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## Finding #1: Overarching Service Performance and Productivity Inefficiencies

Generally, service performance increased at each of the 10 facilities since FY 2020. Specifically, from October 1, 2019, to December 31, 2021, the percentage of Marketing Mail, Periodicals, First-Class Packages, and Priority Mail delivered on-time from these facilities increased between ████████ percentage points.[12] Conversely, the amount of First-Class Mail delivered on-time from these facilities decreased slightly by 0.2 percentage points. Further, the Postal Service made significant improvements during the FY 2022 peak season (October to December 2021).[13] Compared to the FY 2021 peak season, every facility increased service performance across all mail products by an average of 16.5 percent, with the only decrease being Marketing Mail at the ████████ ████████████████████████████████████

Despite these improvements and adjustments to service performance targets, the 10 facilities generally failed to meet targets between FY 2020 and FY 2022, Q1 across five major mail products.[14] Specifically:

- In FY 2020, none of the 10 facilities met service performance targets.

- In FY 2021, ██████████ facilities met targets for First-Class Packages, ████████ met targets for Marketing Mail, and ██████████████ targets for Priority Mail.

- In FY 2022, five of 10 facilities met targets for Marketing Mail, ██████████ met targets for First-Class Packages, and one of the 10 met targets for Periodicals.

See Figure 4 for market dominant products' service performance compared to targets and Figure 5 for competitive products' service performance compared to targets.

Figure 4. Market-Dominant Products' Service Performance Compared to Targets, FY 2020 – FY 2022, Q1
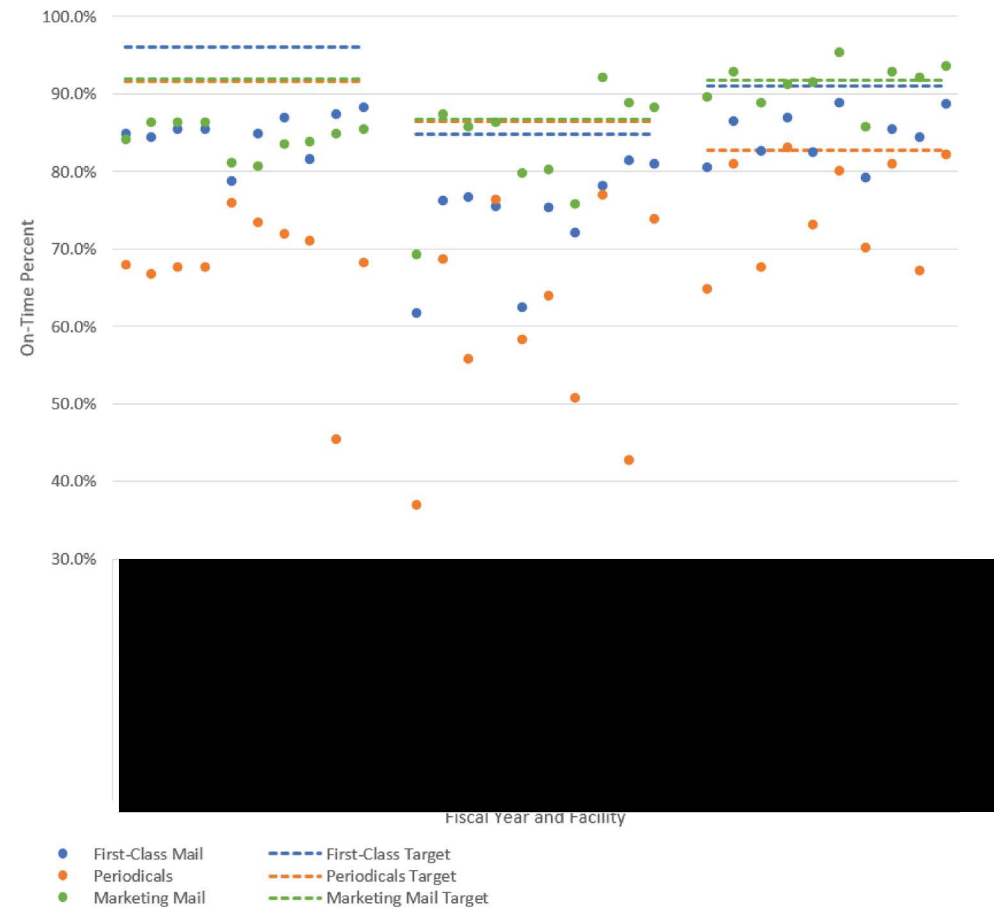
Source: OIG analysis from data obtained through IV and EDW.

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12 The methodology used in FY 2020 to obtain service performance scores for First-Class Packages and Priority Mail differed from FY 2021 and FY 2022 due to data limitations. FY 2020 includes competitive mailpieces that the Postal Service would normally exclude from service performance measurement based on a set of business rules.

13 As an extension to the audit's scope, we continued to evaluate the Postal Service's service performance through May 28, 2022, to determine if significant improvements continued (see Appendix D for detailed service scores by facility).

14 The Postal Service has service performance targets for each mail class/product and determines service performance by measuring how much mail was delivered by the service standard. We reviewed service targets for the following mail products: First-Class, Marketing, Periodicals, First-Class Packages, and Priority Mail.

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Figure 5. Competitive Products' Service Performance Compared to Targets, FY 2020 – FY 2022, Q1

- First-Class Packages
- First-Class Package Target
- Priority & Priority Express
- Priority / Priority Express Target
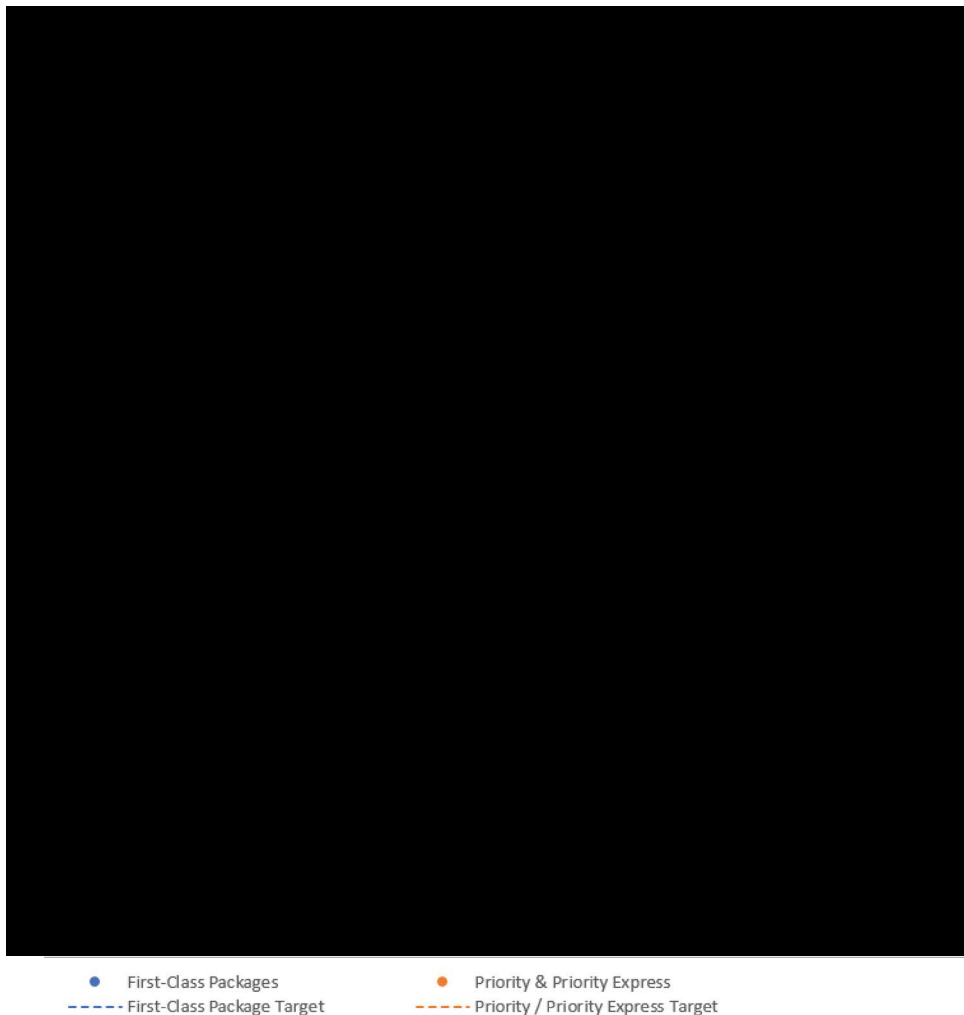
Source: OIG analysis from data obtained through IV and EDW.
Note: [REDACTED] does not have Package or Priority operations.

Additionally, although service performance improved at the 10 facilities, each facility was [REDACTED] in processing the mail (see Figure 6). Specifically, productivity (the amount of mail processed per workhour) [REDACTED] at:

- All 10 facilities by an average of 19.6 percent for letters operations.

- Six of 10 facilities by an average of [REDACTED] for flats operations.

- Eight of nine facilities by an average of [REDACTED] for package operations.[15]

- Seven of 10 facilities by an average of [REDACTED] for processing manual operations.

On average, the 10 facilities were [REDACTED] than the nationwide average in FY 2020, [REDACTED] in FY 2021, and [REDACTED] in FY 2022, Q1.[16]

Figure 6. Productivity Percentage Change in FY 2022, Q1 Compared to FY 2020

Source: OIG analysis from data obtained through EDW.
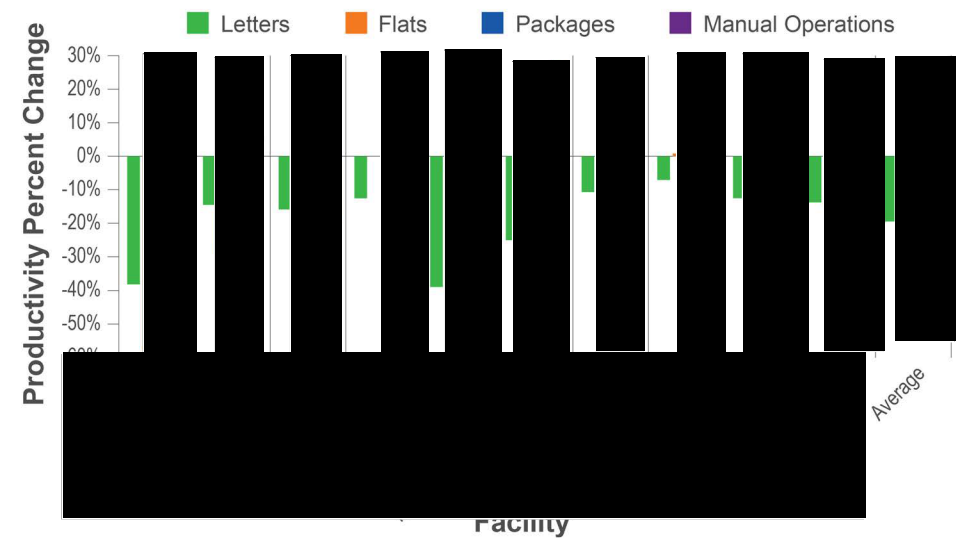
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15 [REDACTED] does not have package operations.
16 The productivity amount is the weighted average across all selected facilities and all mail shapes based on workhours, compared to the national average productivity for each mail shape.

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> *"While Postal Service management worked to make the best use of floor space at the 10 facilities, we found that each has inherent conditions — such as multiple levels, inadequate operational layouts, and overcrowding."*

Low service performance and processing inefficiencies occurred because of inherent facility conditions (multi-floor facilities, inadequate operational layouts, and overcrowding), low employee availability, inadequate management staffing, lack of formalized training for acting supervisors/managers and non-career employees, incomplete training records of newly promoted supervisors/managers, and turnover among newly hired employees.

To supplement our observations and discussions with Postal Service management, we surveyed 553 select manager/supervisors who held various positions identified by the Postal Service at the 10 low performing facilities. When asked "What do you believe are the main reasons for mail processing and service challenges at your facility?", the 209 managers/supervisors who responded identified ████████████████████████████████, ██████████████████████ as the top four causes of service performance and mail processing challenges — all of which were similar to the causes we identified above.

Facility Conditions

While Postal Service management worked to make the best use of floor space at the 10 facilities, we found that each has inherent conditions — such as multiple levels, inadequate operational layouts, and overcrowding — that limit efficiency and constrain mail flow (see Table 4). On average, the facilities have been in use over 35 years and the Postal Service has seen the type of mail and methods used to process mail change drastically in that time. Between FY 2007 and FY 2020, total mail volume for the Postal Service had declined by 42 percent

while package volume during this same period had more than doubled. Between FY 2014 and FY 2021, letter and flat volumes at the 10 facilities declined by 14 and 37 percent, respectively, while package volume increased by 379 percent.

Table 4. Inherent Facility Conditions

Facility	Multi-Floor	Inadequate Operational Layout	Overcrowded
██████████	Yes	Yes	No
██████████	Yes	Yes	No
██████████	Yes	Yes	No
██████████	No	Yes	Yes
██████████	No	Yes	Yes
███████████████ ██	No	Yes	No
████████████ ██	Yes	Yes	Yes
████████████	No	Yes	Yes
██████████ ██	No	No	Yes
████████████	Yes	Yes	Yes

Source: OIG analysis from facility observations and discussion with Postal Service management.

Multi-Level

Five of the 10 facilities use multiple levels to process mail; therefore, mail processing employees must load mail in containers and manually transfer it between floors using elevators and/or tray management systems.[17] This limits how fast mail can be moved from operation to operation and eventually to dispatch (see Appendix C). Management at the ████████████ stated that using the elevators to transport mail between floors added two hours per day to each operation. Management at the ████████████ and ████████████ also expressed concerns about their facilities not being as efficient as others because they use multiple floors. Additionally, elevators can breakdown frequently causing

17 The tray management system is used to transport letter trays within the facility and significantly reduces the transport time and handling of trays.

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further delays and inefficiencies. During our site visit to the ██████████ we found that eight out of 15 elevators were inoperable.

Inadequate Operational Layout

Management at nine of the 10 facilities noted that the operational layout in their facility could be improved. Identified improvements include rearranging machines to enable more efficient mail flow and better supervision, knocking down walls to create additional space, and changing the layout of the dock area to enable more efficient staging of mail. Management at nine of the 10 facilities stated that they had not undertaken efficiency studies at their facilities to optimize the operational layout.

Overcrowded Conditions

We observed spacing and mail flow issues at six of the 10 facilities created by excess Mail Transport Equipment[18] (MTE) and/or pallet-sized cardboard boxes[19] filled with recycled cardboard blocking exits, doorways, electrical panels, and fire extinguishers (see Figure 7, Figure 8, Figure 9, and Figure 10).

Figure 7. Excess MTE and Cardboard at ██████████

Source: OIG photographs taken during week of February 14, 2022, at ██████████

Figure 8. Excess MTE at ██████████

Source: OIG photographs taken during week of November 4, 2021, at ██████████

Figure 9. Blocked Doorway and Exits
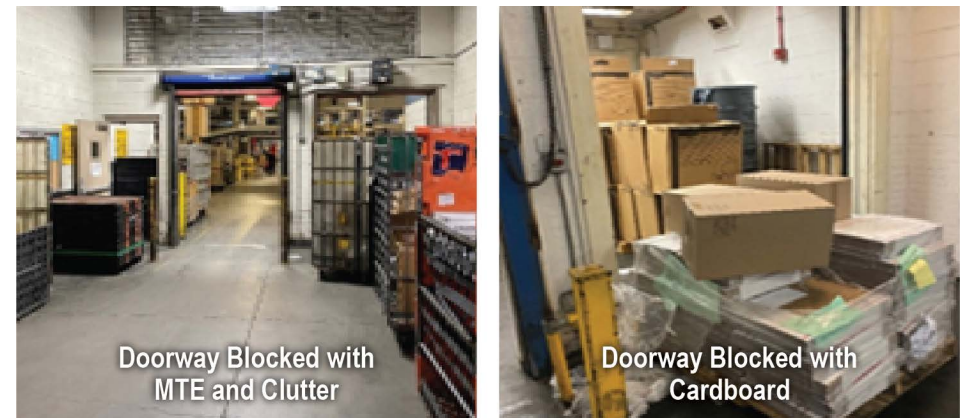
Source: OIG photograph taken during week of January 17, 2022, at ██████████

Source: OIG photograph taken during week of September 28, 2021, at ██████████

> *"Management at nine of the 10 facilities stated that they had not undertaken efficiency studies at their facilities to optimize the operational layout."*

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18 MTE consists of containers (including sacks, pouches, trays, wheeled containers, pallets, etc.) used to contain mail during processing and transporting it between Postal Service facilities, delivery units, mailers, and contractors. MTE is purchased and distributed by the USPS for transporting mail.
19 A pallet-size box used for shipping mail in bulk quantities.

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Figure 10. Blocked Electrical Panel and Fire Extinguisher

Electrical Panel Blocked by MTE

Fire Extinguisher Blocked by MTE and Cardboard

Source: OIG photograph taken during week of October 18, 2021, at ██████████████.
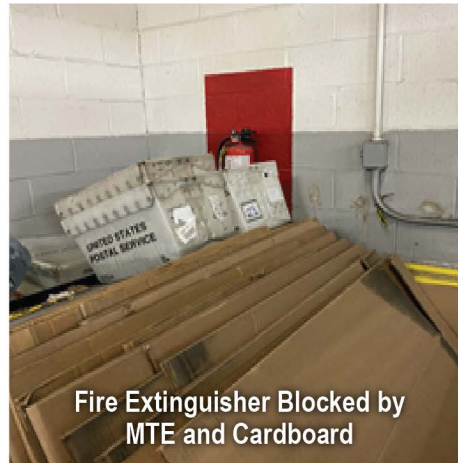
Source: OIG photograph taken during week of February 28, 2022, at ██████████████.

The ██████████████ receives mixed MTE and cardboard recycling for all surrounding postal facilities. The volume of MTE and recycling impeded the mail flow between floors in the facility and created an excess of 17 trailers used as MTE storage. Management at the ██████████████ indicated that the local MTE Service Center (MTESC) was having personnel issues and were unable to pick up their excess MTE. At the ██████████████ a manager indicated that they had outgrown the building. Other managers at various facilities stated that removing excess MTE, cardboard, garbage, and clutter, and moving machines closer to the dock would increase efficiencies and floor space.

The Postal Service is in the process of implementing a Get It Right (GIR) initiative[20] to reduce cardboard purchase costs. The initiative will improve cardboard handling and reuse, minimize work floor congestion, and optimize recyclable (i.e., non-reusable) cardboard handling efficiency. Therefore, as a result of the corrective action being taken, no recommendation will be made regarding the excess cardboard found during this audit.

However, facility managers must manage and determine the application and control of MTE within their area. The platform supervisor must ensure that MTE is properly managed to provide a smooth flow of equipment for plant use, maintain a clean platform area, and load and dispatch properly prepared excess MTE to the MTE Service Center.[21] Postal guidelines state that facilities should only have enough MTE on hand for one week of normal operations.[22] Failing to adequately manage MTE leads to excessive amounts, which can impact employee safety, mail flow, and overall efficiency. The facilities should have sufficient workspace to handle the mail processing volume for their area.[23]

Having processing operations on multiple floors, inadequate operational layouts, insufficient staging space or overcrowded conditions limits facilities' efficiency of operations and increases the risk of delays in service.

In addition to the facility conditions identified affecting service performance and efficiency, we also found safety, security, and potential health issues related to unsecured doorways and restroom facilities needing repair (see Appendix E).

Traffic

While facility conditions affected service performance and efficiency, we also considered the facility's physical location as a factor. We identified that these 10 Postal Service facilities may be challenged to meet service performance and consistent, on-time delivery based on the average driving distance in their mail

> *"Having processing operations on multiple floors, inadequate operational layouts, insufficient staging space or overcrowded conditions limits facilities' efficiency of operations and increases the risk of delays in service."*

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20 The GIR initiative deadline for Processing Facility Certifications is June 3, 2022. As of May 25, 2022, 88 percent of mail processing facilities have completed certification.
21 Handbook PO-413, *Platform Operations*, Section 8-1/2, dated December 2013.
22 Handbook PO-502, *Mail Transport Equipment*, Section 2-8, dated June 2017.
23 Handbook PO-420, *Plant Guidelines*, Section 5-1.2, dated November 1999.

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service area. Management at the ██████████ cited population and traffic shifts that hinder them from receiving and processing mail timely. At the ██████████ ██████, management stated that truck drivers who go to the ██████████ facility are sometimes impacted by traffic that is out of their control and causes late trip breakdowns. Additionally, management at the ██████████ indicated that their facility is in a major metropolitan area ██████████ so traffic is a main reason for reduced service performance.

We created an interactive map based on facility statistics and historical road and traffic data which illustrates some challenges faced by the 10 P&DCs. The map shows traffic patterns during three select times (2:00 a.m. – less traffic; 7:00 a.m. – morning rush hour; and 5:00 p.m. – afternoon rush hour).[24] See Appendix B.

Low Employee Availability and Staffing

Facilities struggled with employee availability, in part, due to the COVID-19 pandemic. Management at all 10 facilities stated that low staffing and employee availability resulted in large impacts on the Postal Service's ability to meet service performance targets. The average employee availability in FY 2020 and FY 2021 for all 10 facilities was ██ percent and ██ percent, respectively.[25] This was slightly below the national employee availability of ██ percent and ██ percent in FY 2020 and FY 2021, respectively.

Further, some employees were hired but unavailable to work for an extended amount of time. As of year-end FY 2021, the selected facilities had a combined ██ employees, or ██ percent of the total workforce, who were out of work for eight weeks or longer. This impacted the facilities' ability to hire other employees because inactive employees were holding the positions. Low employee availability continued into FY 2022, Q1 as employee availability remained at ██ percent at the 10 selected facilities.[26]

The Postal Service has struggled to meet on-time service performance and remain efficient due to these staffing challenges. However, as part of the 10-year plan, the Postal Service plans to update its processing complement, modeling procedures to ensure optimal employee allocation, align its workforce with its operating plans, reduce the overtime demands on employees, achieve predictability and precision, and improve employee engagement and retention. In addition, previous audit reports have made recommendations on efforts to increase employee availability[27] and reduce unscheduled leave;[28] therefore, we will not make a recommendation as a result of our observations.

Inadequate Management Staffing

In all 10 selected facilities, the Supervisor of Distribution Operations (SDO) position has been understaffed since FY 2020. In addition, the Manager of Distribution Operations (MDO) position was understaffed at ████ of 10 facilities in FY 2020, and ████ of 10 facilities in both FY 2021 and FY 2022, Q1.

The understaffed management workforce, along with low employee availability, caused the Postal Service to rely more heavily on acting supervisors and managers. Specifically, at the 10 selected facilities, ████ employees acted in a supervisor/manager role at some point between FY 2020 and FY 2022, Q1. About ████ percent (or ████ employees) were acting for 3 months or longer (see Table 5).

> **"The Postal Service plans to update its processing complement, modeling procedures to ensure optimal employee allocation, align its workforce with its operating plans, reduce the overtime demands on employees, achieve predictability and precision, and improve employee engagement and retention."**

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24 The National Highway Traffic Safety Administration defines rush hour to comprise the time periods from 7:00-9:30 a.m. and 3:30-6:30 p.m.
25 The USPS NPA target for employee availability in FYs 2020 and 2021 was ██ percent.
26 The USPS NPA target for employee availability in FY 2022 is ██ percent.
27 OIG, *U.S. Postal Service's Processing Network Optimization and Service Impacts* (Report Number 19XG013NO000, dated June 16, 2020).
28 OIG, *Unscheduled Leave – Absence Without Leave (AWOL) Status* (Report Number 21-140-R22, dated January 7, 2022).

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Table 5. Total Employees Acting at a Higher Level Between FY 2020 – FY 2022, Q1

Facility	Total Acting	Duration of Acting Role			
		One Month or Longer	3 Months or Longer	6 Months or Longer	1 Year or Longer
Total/Average	**1,082**	**38.4%**	**17.6%**	**8.9%**	**2.9%**

Source: OIG analysis from data collected from USPS Time and Collection System (TACS).[29]

The number of acting supervisors/managers for the 10 facilities combined was equivalent to an average of ▮ Full-Time Equivalent[30] employees per FY, or ▮ percent of their managing workforce.

Further, during our facility site visits, we conducted multiple observations lasting about three hours each during key high operational times. At each of the 10 facilities, we were ▮▮▮▮▮▮▮▮▮▮▮▮▮▮ during at least one observation. Supervisors should be coordinating mail-flow activities, monitoring equipment and crew performance, and ensuring a safe work environment.[31]

The lack of full-time managers and supervisors led to the lack of sufficient management oversight over employees and contributed, in part, to the processing challenges identified.

Training Inadequacy

Lack of Standardized Training

The lack of full-time managers and supervisors resulted in reliance on acting managers and supervisors who were not adequately trained. New employees, particularly non-career employees, similarly did not receive standardized training. The Postal Service did not have a standardized training program in place for acting supervisors/managers or non-career employees. Most acting supervisors/managers and non-career employees received informal on-the-job training that varied based on the experience of the trainer, location, training methods, and materials provided. Management at seven facilities indicated that training for non-career employees consisted of orientation and on-the-job training; however, based on analysis of Postal Service exit surveys[32] for 590 non-career employees, 43 percent indicated that they did not receive any orientation training.

According to Postal Service policy, supervisor duties include ensuring that employees receive adequate training to perform their jobs.[33] Postal policy cautions that supervisors may cause low productivity by failing to know what is expected of employees and/or

> *" The lack of full-time managers and supervisors resulted in reliance on acting managers and supervisors who were not adequately trained."*

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29 A Postal Service system that automates the collection of employee time and attendance information.
30 A Full-Time Equivalent employee is equal to an assumed 2,080 workhours in a year or 520 workhours in a quarter.
31 Handbook PO-420, Section 3-2, dated November 1999.
32 The Postal Service conducts an exit survey when employees leave the organization. Postal Service exit surveys were obtained for FYs 2020 and 2021.
33 Handbook PO-420, Section 2-2(u), dated November 1999.

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failing to convey those expectations, and failing to take appropriate action when employees do not produce at the expected rate.[34] Management at one facility noted inexperienced acting supervisors and managers were uncomfortable discussing performance with employees and stated that leadership training would be beneficial.

Without a standardized training program for acting supervisors/managers, there is a learning gap that may impact the training, skills, and knowledge that non-career employees receive. The effects of a lack of a standardized training program were also exacerbated by the number of supervisors and managers who had been in an acting role for extended periods of time, as indicated in the previous section.

Newly Promoted Supervisors/Managers Training Not Completed

The Postal Service requires newly promoted supervisors to take position specific courses; however, between FY 2020 and FY 2021, newly promoted supervisors/managers at the 10 selected facilities generally had not completed required training. About 8 percent of required courses were completed within six months of an employee being promoted, while over 80 percent of courses had not been completed at all (see Table 6).

Table 6. Required Training Courses Completed by Newly Promoted Supervisors/Managers

Job Title	Number of Newly Promoted Supervisors and Managers	Courses Required to be Completed within 6 Months	Total Number of Courses Required to be Completed within 6 Months by the Newly Promoted Supervisors	Courses Completed within 6 Months	Courses Completed after 6 Months	Courses Not Completed
Supervisor, Distribution Operations	33	12	396	36 (9.1%)	42 (10.6%)	318 (80.3%)
Manager, Distribution Operations	15	2	30	1 (3.3%)	2 (6.7%)	27 (90%)
Manager, In-Plant Support	2	2	4	0 (0%)	1 (25%)	3 (75%)
Operations Industrial Engineer	7	1	7	0 (0%)	0 (0%)	7 (100%)
Supervisor, Maintenance Operations	8	1	8	1 (12.5%)	5 (62.5%)	2 (25%)
Manager, Maintenance	10	1	10	0 (0%)	2 (20%)	8 (80%)
Maintenance Engineering Specialist	1	1	1	0 (0%)	0 (0%)	1 (100%)
Operations Support Specialist	1	0	0	N/A	N/A	N/A
Total			**456**	**38 (8.3%)**	**52 (11.4%)**	**366 (80.3%)**

Source: OIG analysis of training data obtained from USPS Training Development for required training.

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34 Handbook PO-413, Section 4, dated December 2013.

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Within six months of being promoted, newly promoted supervisors and managers must complete training that covers positions specific skills and knowledge a supervisor/manager needs, including leadership, time and attendance management, and safety trainings. The required courses are based on the position and range from a total of 12 required training courses for newly promoted SDOs to zero required training courses for a newly promoted Operations Support Specialist.

Each employee, his or her supervisor or manager, and the organization share responsibility for employee training and development.[35] When managers are not adequately trained and do not complete the required courses, it affects the entire organization. Employees look to management for their knowledge and ability to solve issues; and can become discouraged, less motivated, and less productive with untrained supervisors and managers.

> "*Each employee, his or her supervisor or manager, and the organization share responsibility for employee training and development.*"

As part of the Delivering for America plan, the Postal Service is investing in its employees to stabilize and empower its workforce and evaluating its front-line leadership capabilities and recently highlighted a new supervisor training to launch sometime in 2022 to equip them for success.

Turnover Among Newly Hired Employees

The Postal Service has struggled for years with high turnover rates.[36] In FY 2020 and FY 2021, the Postal Service's average yearly turnover rates among the 10 facilities, in total, ███████████████████████████████████ ███████████████████████████████████ ███████████████████████████████ (see Table 7).

Table 7. Average Yearly Turnover Rate FY 2020 – FY 2021

Facility	Turnover Rate			Total Turnover
	Management	Career Employees	Non-Career Employees	
███				

Source: OIG analysis from data collected from USPS Human Resources Business Intelligence.

Higher Than National Average

The Postal Service particularly struggles with its non-career workforce as shown above. Further, ███████████████████████████████ ████████████████████████████. Of the ████████ ███

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35 Employee and Labor Manual 52, *Training and Development*, Chapter 7, March 2022.
36 Turnover rate equals the number of employees who left the Postal Service throughout the year divided by the number of employees who were working at the Postal Service at the beginning of that year.
37 Non-career employees include individuals who are hired on a temporary basis and, therefore, not conducive to an efficient/effective workforce.

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[██] (see Figure 11). This makes it harder for the Postal Service to fill and maintain staffing needs timely. Specifically, management at three facilities stated that it was difficult to remain efficient due to having to continually hire new employees.

Figure 11. FY 2020 – FY 2021 Resignations by Tenure
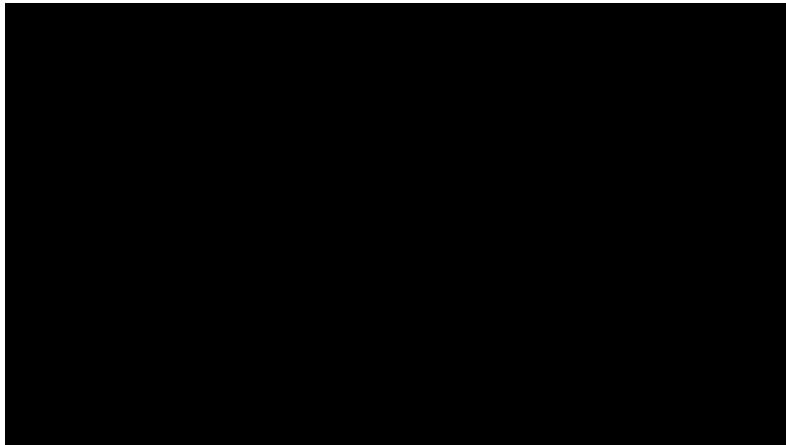
[██]

Source: OIG analysis from data collected from USPS Human Resources Business Intelligence.

To better understand why newly hired employees left the Postal Service shortly after being hired, we analyzed the Postal Service's exit survey results from FY 2020 and FY 2021 for the 10 selected facilities. Based on the questions asked in exit surveys of 590 non-career employees:

- [████████████████████████████████████]

- [████████████████████████████████████]

- [█████████████]; and

- [███████████████████████]

As noted, employees responded that a lack of scheduling flexibility was one of the main drivers for leaving the Postal Service. [██] The Postal Service has made a concerted effort to continue to hire and develop more employees based on a strategic plan to right size its staff complement for each facility and improve work schedules with the goal of being an "employer of choice".

However, the results of these surveys were not shared directly with facility management but were instead posted to an internal Postal Service website. Many facility managers we interviewed were not aware that a survey was performed or of the responses. Sharing management and employee surveys is critical for demonstrating and maintaining employee trust and two-way communication. It further encourages a culture of transparency and accountability by showing Postal Service management the survey results.

We estimate that addressing the issues noted above would assist in raising productivity rates to the national average and increase efficiency, resulting in $82.4 million of associated cost savings. Our recommendations in this report are focused on the 10 historically low performing facilities. However, they may also be useful for other facilities that may be experiencing similar challenges and could have broader application. We suggest the Postal Service consider broader application, where appropriate.

> *"Employees responded that a lack of scheduling flexibility was one of the main drivers for leaving the Postal Service. In* [████████]*,* [██████████] [███████████] [█████████████] [█████████████] [███████] [██████████████] [████████████] [█████████]*"*

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Recommendation #1

We recommend the **Chief Processing and Distribution Officer and Executive Vice President,** evaluate efficiency at the 10 facilities to identify inefficiencies in the mail flow (e.g., facility layout/location, space constraints, customer and service impacts, and equipment relocation costs) and, based on the results, consider properly aligning the impacted facilities to efficiently meet the challenges they face based on changes in market demand.

Recommendation #2

We recommend the **Chief Processing and Distribution Officer and Executive Vice President,** develop and implement an action plan, with milestones and measurable goals, to address all safety and health issues identified during our audit of the 10 facilities.

Recommendation #3

We recommend the **Chief Processing and Distribution Officer and Executive Vice President,** in accordance with policies and procedures, remove excess mail transport equipment from the 10 facilities.

Recommendation #4

We recommend the **Chief Processing and Distribution Officer and Executive Vice President,** continue to evaluate and implement management staffing and retention strategies and reduce the percentage of acting supervisors/managers at the 10 facilities.

Recommendation #5

We recommend the **Chief Processing and Distribution Officer and Executive Vice President,** create a formalized program to track and provide standardized training for any employee at the 10 facilities who assumes a role as an acting manager or supervisor and consider implementing the program nationwide.

Recommendation #6

We recommend the **Chief Processing and Distribution Officer and Executive Vice President,** ensure that all non-career employees receive orientation training at the 10 facilities and explore ways to standardize on-the-job training nationwide to reduce the learning gap that may impact employee training, skills, and knowledge.

Recommendation #7

We recommend the **Vice President, Organization Development,** reinforce procedures to verify that required training for newly promoted supervisors and managers at the 10 facilities is completed in the period required to gain the needed knowledge, skills, and abilities to optimally perform their role; and consider implementing the procedures nationwide.

Recommendation #8

We recommend the **Chief Processing and Distribution Officer and Executive Vice President,** evaluate all employee exit/stay survey responses quarterly and communicate the results directly with management at the 10 facilities to ensure transparency and accountability and consider implementing the evaluations and communications of employee surveys nationwide.

Finding #2: Mail Processing Machine Performance

Machine Jams

Mail processing machines at the 10 facilities, on average, had more jams and fewer pieces sorted per machine hour than the national average[38] from FY 2020 through FY 2022, Q1. Machine jam rates[39] at the 10 facilities were, on average, ███ percent above the national average, with the highest rates occurring on letter and flat processing machines.

Management at eight of the 10 facilities attributed the high machine jam rates, in part, to ████████████████████████████████████. Specifically, management said that employees do not always properly prepare,

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jog,[40] cull,[41] and load the mailpieces into the machines, resulting in mailpieces becoming jammed in the machine or shredded.

Machine Throughput

Machine throughputs[42] at the 10 facilities, on average,[43] were ███████ than the national average during FY 2020 through FY 2022, Q1. This occurred because of ████████████████████████████ ███████████████████████████████ ████████████

Supervisors must ensure that throughput and acceptance goals and productivity goals are being met and that employees receive adequate training to perform their jobs, recognize both good and bad performance, and check mail inventories and daily projections to ensure adequate staffing.[44]

> *"Machine throughputs at the 10 facilities, on average, were █████ ████ than the national average during FY 2020 through FY 2022, Q1."*

Properly preparing and loading compatible mailpieces into machines improves the machine's performance by reducing the jam rate, which will result in higher throughputs and reduced mail damage.

Recommendation #9

We recommend the **Chief Processing and Distribution Officer and Executive Vice President,** provide refresher training to employees and supervisors at the 10 facilities on proper procedures for preparing, feeding, jogging, and culling mail prior to processing mail to prevent or reduce machine jams.

Recommendation #10

We recommend the **Chief Processing and Distribution Officer and Executive Vice President,** issue supplemental guidance on management oversight to remind supervisors to check mail inventories and daily projections to ensure each machine is adequately staffed.

Management's Comments

Management generally disagreed with the findings and methodology used to determine the monetary impact; disagreed with recommendations 1, 4, and 5; and agreed with recommendations 2, 3, 6, 7, 8, 9, and 10. See Appendix F for management's comments in their entirety.

Regarding the findings, management stated that the audit took a sampling of 10 historically underperforming facilities and attempted to draw conclusions regarding the entire nation by extrapolating the data. Management also noted that COVID-19 had a substantial impact on the Postal Service and believes the audit did not make allowances for this unprecedented challenging time as three of the causes cited for mail processing and service challenges — low employee availability, insufficient supervision, and below average or poor morale — were all directly related to pandemic conditions.

Management also stated that they disagree with the audit's evaluation of the negative impact of lack of training, and that "detail assignments" for supervisors and managers are designed to be part of the learning process and have historically been very effective. In addition, management disagrees with the OIG's evaluation of efficiency, stating that they adjusted staffing at facilities and productivity rates temporarily decreased. However, management believes the metrics will adjust to optimum levels over time. Lastly, management agreed that the operational layout at some facilities could be improved to enable more efficient mail flow.

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40 To hit or shake a handful of mailpieces against a hard surface to align their edges.
41 To remove nonletter mail (such as small parcels, rolls, and odd-shaped material) from letter mail (and nonmachinable mailpieces from machinable and automation pieces) by hand or machine.
42 Throughputs are defined as mailpieces processed per hour on a mail processing machine.
43 We calculated average throughput by machine type at each facility and then calculated the average for all 10 facilities.
44 Handbook PO-420, Section 2-2(o)(u)(v)(b), dated November 1999.

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Regarding the monetary impact, management disagreed with the calculation of monetary savings, and stated that they have been unable to independently replicate the methodology used to calculate total cost savings. Management also had concerns regarding the use of a national average for comparison among all mail processing facilities, as each facility is unique in the mail it processes. In addition, management had concerns about the OIG using data from the Mail Processing Variance (MPV) application, as it is no longer recognized as the efficiency model for mail processing. Lastly, management stated that the questioned costs cannot be substantiated with the observations conducted at these facilities. Without observations matched to actual operations and validated against workhours used, management stated that the OIG cannot accurately assess the potential for productivity increases within a manual operation and correlate that to a cost to the Postal Service.

Regarding recommendation 1, while management does not agree, they stated that the Delivering for America plan, or network modernization plan, will address this recommendation in a standardized and holistic manner.

Regarding recommendation 2, management stated that they resolved all safety and health issues the OIG identified. The target implementation date is September 30, 2022.

Regarding recommendation 3, management stated that the Office of Strategic Planning has re-issued Standard Work Instructions regarding the proper handling of MTE to all sites. In addition, management provided evidence of the removal of excess MTE observed during the audit. The target implementation date is October 31, 2022.

Regarding recommendation 4, while management does not agree, they are currently implementing strategies and efforts to increase non-bargaining complement and collaborating with Human Resources on strategies for filling vacancies and retaining non-bargaining employees.

Regarding recommendation 5, management stated that they do not have plans to create a formalized program to track and provide standardized training to employees who assume acting manager or supervisor roles. Management added

that acting roles are intended to provide on-the-job training experience, and they can use these "details" to fill a short-term organizational need.

Regarding recommendation 6, management stated that they are working to validate training needs/deficiencies for newly hired non-career employees. Specifically, the Vice President, Human Resources, is currently working through the development of national tools to enhance tracking and oversight of any required training programs for newly hired bargaining team members. The target implementation date is October 31, 2022.

Regarding recommendation 7, management stated that they are in the process of issuing a memorandum of expectations relative to newly promoted supervisors and managers as well as the programs supporting them. They are working to validate training needs/deficiencies for newly promoted supervisors and managers. The Vice President, Human Resources, is currently working through the development of national tools to enhance tracking and oversight of any required training programs for non-bargaining and bargaining team members. The target implementation date is October 31, 2022.

Regarding recommendation 8, management stated that they will communicate the availability and results of the exit/stay surveys in the Workforce Planning dashboard to Operations, and reinforce the need to leverage this information to improve employee retention. The target implementation date is September 30, 2022.

Regarding recommendation 9, management stated that they have provided training documents for Delivery Bar Code Sorter (letter mail processing machine) feeding/jogging processes to the 10 facilities and expects each facility to provide refresher training to operators. The target implementation date is October 31, 2022.

Regarding recommendation 10, management stated that they will send a memorandum to supervisors at the 10 facilities reminding them to consistently use RPG and the Informed Visibility Employee Scheduler to ensure accurate staffing and projections. The target implementation date is September 30, 2022.

Evaluation of Management's Comments

The OIG considers management's comments responsive to recommendations 1 through 4 and 6 through 10, and corrective actions should resolve the issues identified in the report. We consider management's comments nonresponsive to recommendation 5.

Regarding recommendations 1 and 4, although the Postal Service disagreed, the actions it has already taken and the proposed steps ahead will remediate the concerns brought forth in the audit report and, therefore, meet the intent of the recommendations.

Regarding recommendation 5, we disagree with management's assertion that employees in an acting role (i.e., on "detail") are used to fill a short-term organizational need. Our analysis found that about ████████████████ of employees who acted in a supervisor/manager role at some point between FY 2020 and FY 2022, Q1, were acting for ████████████ – and ██████ of those employees acted for ████████ In addition, while we acknowledge that acting roles are intended to provide on-the-job training experiences, we note that this is informal and varied based on the experience of the trainer, location, training methods, and materials provided. Therefore, it is important to create a formalized program to track and provide standardized training to those who assume a role as an acting manager or supervisor. We view the disagreement on recommendation 5 as unresolved and plan to pursue it through the audit resolution process.

Regarding the findings, we focused on only the 10 historically low performing facilities; however, we suggested the Postal Service consider a broader application of our recommendations, where appropriate (i.e.,– if other facilities experienced similar challenges). This audit did not draw conclusions for the entire nation. In addition, we noted in this report that the COVID-19 pandemic had an impact on the Postal Service, bringing service issues to the forefront; however, we also note that the processing network was not operating at optimal efficiency prior to the pandemic. The historically low performing facilities were selected using data going back to FY 2014. The data showed that these facilities were low performing before the pandemic began.

Further, while management acknowledged that productivity has decreased due to staffing adjustments, they stated that they believe this decrease is temporary. However, we are unable to evaluate whether this productivity decrease is temporary based on the data available at the time of this report.

Regarding management's concerns about the calculation of the monetary impact, we used stated targets for each mail processing operation from the MPV application as this was the system in effect during the period of analysis (FY 2020, Q2 through FY 2022, Q1). The national average was calculated using MPV targets to identify the average productivity compared to the target. The OIG provided the data and methodology to the Postal Service without limitation for review. While we recognize the Postal Service's concerns with using the national average, we consider our approach conservative as we excluded data that we determined to be outliers from the national average. Management did not provide any other productivity support or targets that were inclusive of our scope period.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendations 1, 4, 5, 6, 7, 8, 9, and 10 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. As we have reviewed evidence of Postal Service actions taken, we consider recommendations 2 and 3 closed with the issuance of this report.

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Appendices

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Appendix A: Additional Information

Scope and Methodology

The scope of our audit was to assess service performance and mail processing efficiency at 10 historically low performing facilities between FY 2020 and FY 2022, Q1 (October 1, 2019 – December 31, 2021). We created a model to judgmentally rank low performing P&DCs by comparing on-time service performance for First-Class Mail, Periodicals, Marketing, and Priority Mail; and mail processing efficiency (productivity) for letters, flats, packages, and manual operations. Specifically, we selected 10 historically low performing P&DCs by comparing service performance and productivity in FY 2020 to that of all other P&DCs. Additionally, we factored in facilities that have historically struggled by comparing service performance between FY 2014 and FY 2019. Our model was limited to facilities that handled one billion or more mailpieces in FY 2020.

To accomplish our objective, we:

■ Performed observations at the 10 selected facilities to determine root causes of inefficiencies and low service performance.

■ Conducted meetings with key personnel from Postal Service headquarters and performed interviews with management (e.g., plant manager, maintenance manager, manager, in-plant support, etc.) at the 10 selected facilities.

■ Surveyed management and supervisors at the 10 selected facilities who held various positions identified by the Postal Service to obtain anonymous feedback and determine the top causes of service performance and mail processing challenges.

■ Identified internal and external factors that impact mail service or processing efficiency.

■ Analyzed service performance and trends of service performance for First-Class Mail, Periodicals, Marketing Mail, and parcels at each of the selected facilities and compared them to nationwide service performance and trends.

■ Analyzed productivity for letters, flats, packages, and manual operations.

■ Analyzed mail processing staffing including complements, employee availability, management in an acting role, and turnover (including a review of Postal Service administered exit surveys).

■ Obtained a list of employees from the Postal Service who were promoted to a management position at one of the 10 facilities during FY 2020 and FY 2021 (including their training records), obtained a list of trainings for newly promoted employees who are required to complete them, and compared the two.

■ Analyzed maintenance challenges including machine throughput, machine jams, preventative maintenance completion, and maintenance staffing at the selected facilities.

■ Reviewed the Postal Service's 10-year plan and any related initiatives incorporated in our scope period and determined any positive or negative impacts on mail processing operations.

We conducted this performance audit from September 2021 through August 2022 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 June 15, 2022, and included their comments where appropriate.

We assessed the reliability of any computer-generated data used for the purpose of this report. Specifically, we assessed the reliability of Informed Visibility, eMARS, eMIRS, EDW, Web MODS, MPV Goals, TACS and Workforce Analytics by interviewing agency officials knowledgeable about the data and reviewing related documentation. We determined that the data are sufficiently reliable for the purposes of this report.
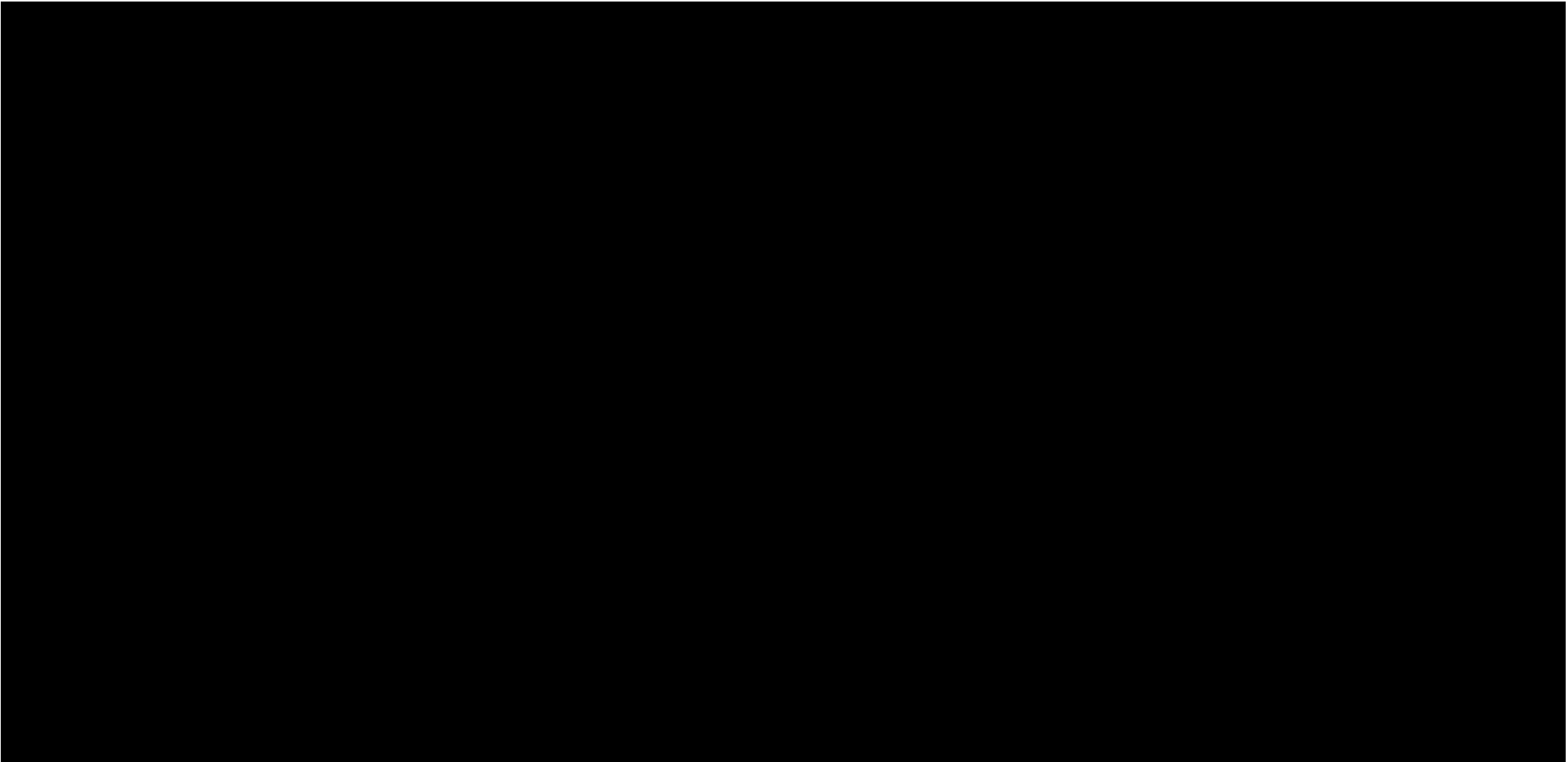
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Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact (in Millions)
Mail Transport Equipment	Assess the Postal Service's management of the Mail Transport Equipment (MTE) program.	21-229-R22	4/14/2022	$205.2
Unscheduled Leave – Absent Without Leave (AWOL) Status	Assess management of Postal Service employees in AWOL status to identify opportunities to timely address employees in AWOL status and manage cost.	21-140-R22	1/7/2022	$11.4
Efficiency of Operations at the Baltimore, MD Processing & Distribution Center (P&DC)	Evaluate efficiency of plant operations at the Baltimore, MD P&DC to identify mail processing issues that could affect delivery units served by the P&DC.	21-237-R22	12/16/2021	None
Peak Season Preparedness	Evaluate Postal Service's preparedness for the fiscal year 2022 peak mailing season.	21-206-R22	11/19/2021	None
Manual Mail Processing Efficiency	Assess the efficiency of Postal Service's manual mail processing operations.	21-131-R21	9/21/2021	$395.6
Nationwide Service Performance	Assess the Postal Service's service performance for all mail classes over an 18-month period and determine the most common failure points in the mail flow process.	21-120-R21	9/20/2021	None
Service Performance – First-Class Single Piece Letter Mail	Evaluate service performance for First-Class Single Piece letter mail nationally and in 17 selected districts.	21-047-R21	9/3/2021	None
Mail Operations at the Denver, CO Processing and Distribution Center	Evaluate mail conditions at the Denver, CO P&DC.	21-151-R21	7/27/2021	None
Service Performance of Election and Political Mail During the November 2020 General Election	Evaluate the Postal Service's service performance of election and political mail during the November 2020 general election.	20-318-R21	3/5/2021	None

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Report Title	Objective	Report Number	Final Report Date	Monetary Impact (in Millions)
Deployment of Operational Changes	Provide our evaluation of those operational changes to management with recommendations for corrective actions.	21-014-R21	11/6/2020	None
Package Delivery in Rural and Dense Urban Areas	Explore the unique issues related to package delivery in remote rural and dense urban areas, and to identify opportunities to remedy the challenges.	RISC-WP-20-008	9/16/2020	None
U.S. Postal Service's Processing Network Optimization and Service Impacts	Determine if the Postal Service's processing network is operating at optimal efficiency and meeting service standards.	19XG013NO000-R20	6/16/2020	$385.6
Assessment of the U.S. Postal Service's Service Performance and Costs	Analyze service performance and cost trends of the Postal Service over the last five years.	NO-AR-19-008	9/17/2019	None
U.S. Postal Service Processing Network Optimization	Evaluate trends and practices the Postal Service uses to optimize its processing network.	NO-AR-19-006	9/9/2019	None
First-Class Mail Service Performance Measurement in the Northeast Area	Evaluate the Postal Service's strategy to improve First-Class Mail service performance scores in the Northeast area.	NO-AR-18-006	5/22/2018	None

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Appendix B: Interactive USPS Facility Map

We created an interactive map that identifies the challenges faced by 10 Postal Service P&DCs in metropolitan areas (see Figure 12). This map includes a "Getting Started" s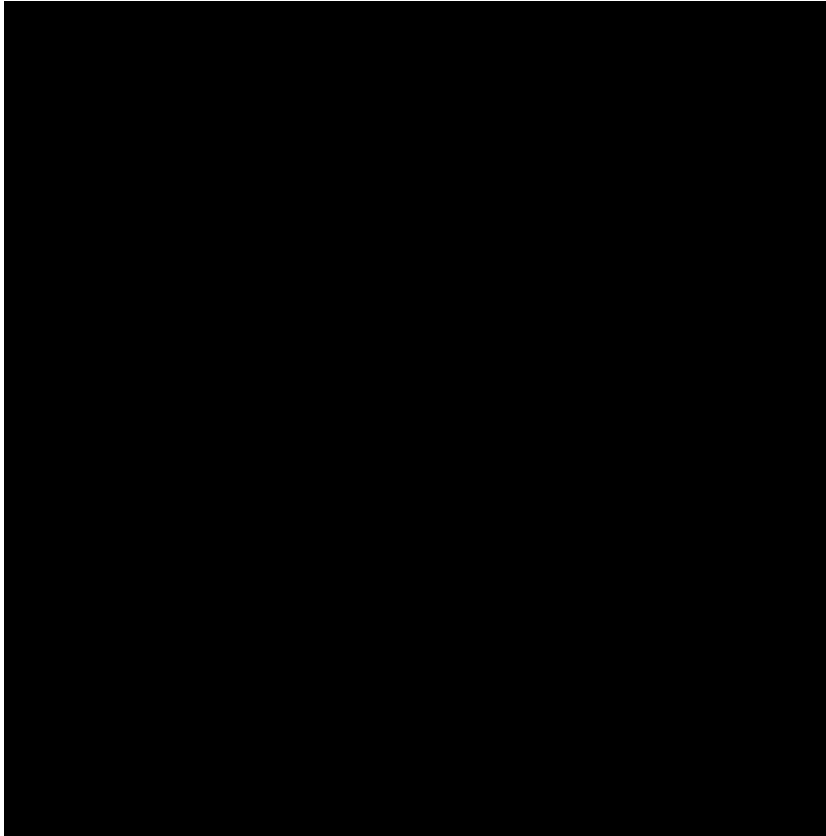ection, P&DC mail service area, average 1-hour driving distance at 2:00 a.m., 5:00 p.m., and 7:00 p.m. (see Figure 13), facility statistics information (see Figure 14), a map legend, and data source content that can be viewed ████.

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For illustration purposes, ████████████████ shows the average driving distance from the facility at 2:00 a.m., 5:00 p.m., and 7:00 p.m. Based on the average 1-hour driving distance, the facility would only be able to timely reach a segment of the mail service area and may require more time to fulfill their service commitment. See highlighted mail service area in light blue (see Figure 13).

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Because historical data is used in our map illustration, it is important to note that all 10 facilities may face disruptions on any given day due to weather, traffic, road closures, ongoing city/local events, etc. These disruptions may cause delays at a particular time of day (e.g., rush hour) and extend the time required to deliver and receive the mail, thus impacting mail service. The map also includes facility specific statistics information (see Figure 14).
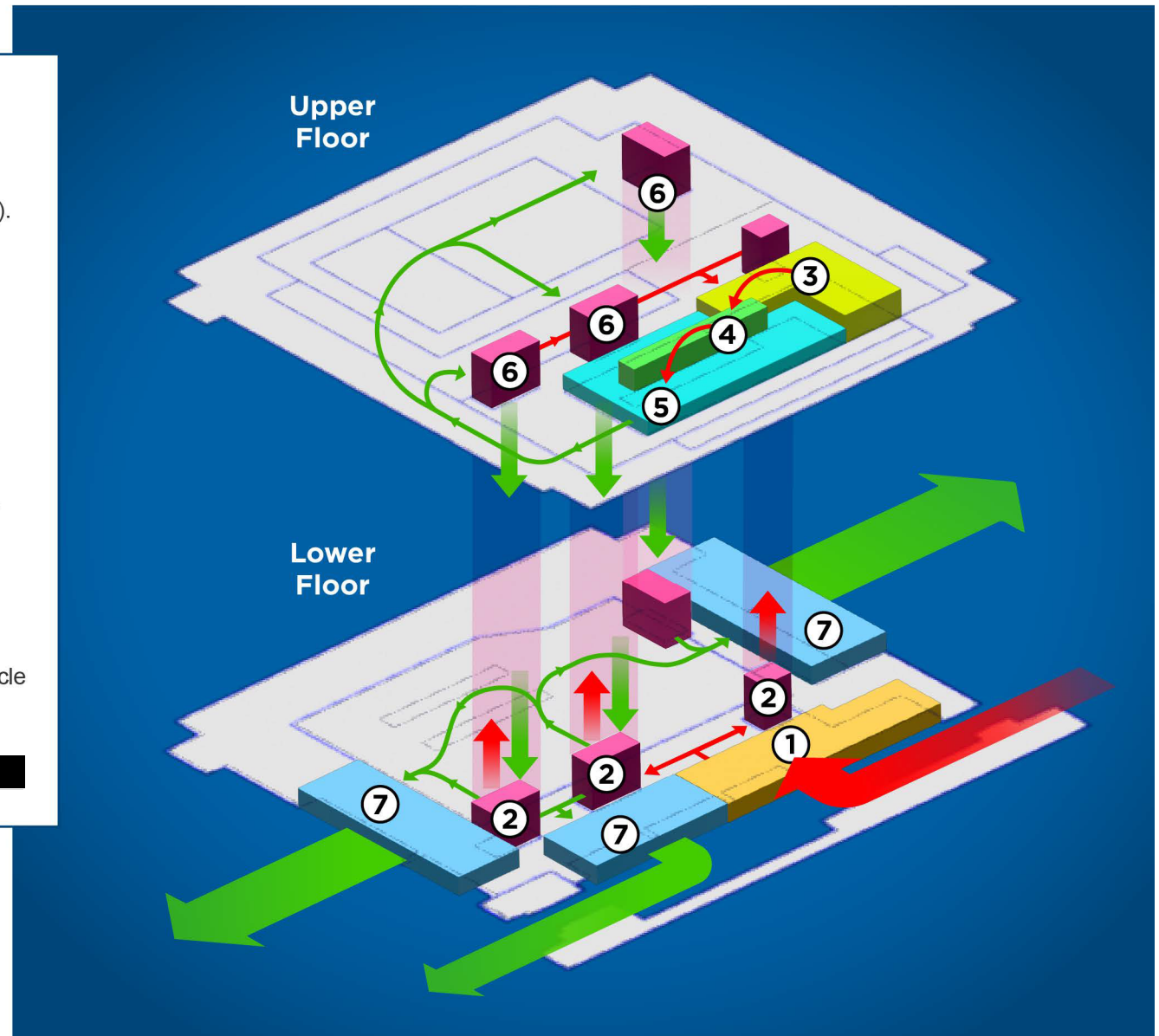
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Appendix C: Multi-Story Facility Diagram Example

Example of Inbound/Outbound Mail Flow for a Multi-Story Facility
(Some facilities may have two or more floors)

1. Mail moved from dock to elevators (inbound).

2. Mail moved to upper floor utilizing multiple elevators.*

3. Mail moved from elevators to machine for mail processing.

4. Mail processed on parcel bundle sorter to sort packages.

5. Mail completed processing awaiting transfer to dock.

6. Mail moved from upper floor to lower floor, then to dock.

7. Mail moved from dock to transportation vehicle for dispatch (outbound).

*Average inbound elevator trips per day ~125, based on ████████

████████████████████

Upper Floor

Lower Floor

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Appendix D: Service Performance Scores (October 1, 2019 – May 28, 2022)

While the 10 selected facilities generally underperformed compared to national service performance, service performance from FY 2020 through May 28, 2022, improved at the 10 facilities on average by ▓▓ percent across all mail products. Specifically (see Table 8):

- Seven of 10 facilities improved in First-Class Mail.

- Nine of 10 facilities improved in Periodicals.

- All 10 facilities improved in Marketing Mail.

- ▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓.

- Seven of eight facilities[46] improved in Priority and Priority Express Mail.

Table 8. Service Performance of 10 Historically Low Performing Facilities (October 1, 2019 through May 28, 2022)

Facility	Fiscal Year	Percentage On-Time				
		First–Class Letters and Flats	Periodicals	Marketing	First-Class Packages	Priority and Priority Express
	2020	84.9	68.1	84.2	▓	80.9
▓▓▓▓▓▓	2021	61.8	37.1	69.3	▓	51.8
	2022*	83.0	69.9	89.9	▓	84.2
	2020	84.3	66.9	86.4	▓	
▓▓▓▓▓▓	2021	76.1	68.6	87.5	▓	
	2022*	87.5	83.1	93.2	▓	
	2020	85.5	67.7	86.3	▓	78.9
▓▓▓▓▓	2021	76.6	55.8	85.8	▓	74.3
	2022*	86.4	73.9	92.5	▓	89.0
	2020	85.6	76.7	85.9	▓	81.9
▓▓▓▓▓	2021	75.6	76.6	86.3	▓	78.7
	2022*	86.7	82.7	91.9	▓	89.2

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45 ▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓.
46 ▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓.

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Facility	Fiscal Year	Percentage On-Time				
		First–Class Letters and Flats	Periodicals	Marketing	First-Class Packages	Priority and Priority Express
■■■■■■■	2020	78.8	76.0	81.1	■■■	85.9
	2021	62.5	58.4	79.8	■■■	72.4
	2022*	83.9	80.3	92.7	■■■	88.6
■■■■■■■■■■■	2020	84.9	73.4	80.7	■■■	71.7
	2021	75.4	63.9	80.3	■■■	69.8
	2022*	89.2	82.3	96.1	■■■	90.2
■■■■■■	2020	87.1	72.0	83.6	■■■	86.7
	2021	72.2	50.8	75.7	■■■	72.0
	2022*	82.1	71.5	87.1	■■■	86.5
■■■■■■	2020	81.7	71.2	83.9	■■■	84.5
	2021	78.3	77.2	92.3	■■■	85.5
	2022*	86.5	82.0	93.6	■■■	92.7
■■■■■■■■	2020	87.5	45.4	84.9		
	2021	81.5	42.9	89.0		
	2022*	85.6	70.0	93.5		
■■■■■■■	2020	88.2	68.3	85.5	■■■	85.1
	2021	80.9	73.8	88.3	■■■	84.4
	2022*	89.3	84.0	94.6	■■■	93.9

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Facility	Fiscal Year	Percentage On-Time				
		First–Class Letters and Flats	Periodicals	Marketing	First-Class Packages	Priority and Priority Express
Average 10 Selected Facilities	2020	85.2	70.9	84.4	▮	82.0
	2021	74.5	63.8	84.0	▮	75.3
	2022*	86.3	79.1	92.6	▮	89.0
Average Change	2020 – 2022*	1.1%	8.1%	8.2%	▮	7.0%

Source: OIG analysis from data obtained through IV and EDW. Numbers rounded to the nearest tenth.
* FY 2022 is through May 28, 2022

Average Service Performance Increased since FY 2020
Average Service Performance Decreased since FY 2020
Facility Does Not Process Mail Product

Improving Service Performance and Mail Processing Efficiencies at Historically Low Performing Facilities
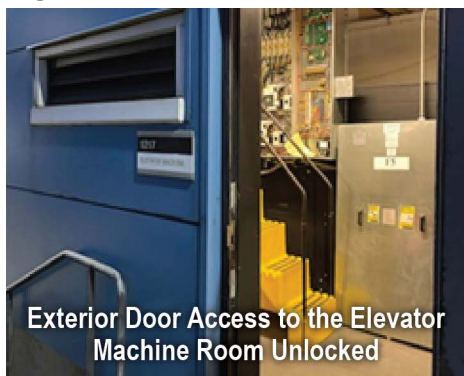Report Number 21-243-R22

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Appendix E: Security, Safety, and Health Issues

In addition to identified facility conditions affecting service performance and efficiency, we also found safety, security, and potential health issues related to unsecured doorways and restroom facilities needing repair.
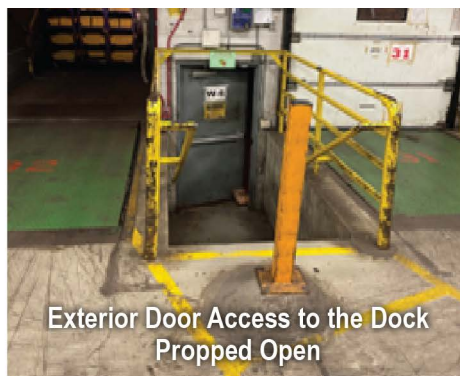
Unsecured Doorways

Our team observed two of 10 facilities that had unsecured doors that potentially provide access to unauthorized outsiders and place employee safety and the facility at risk (see Figure 15).

Figure 15. Unsecured Doors

Exterior Door Access to the Elevator Machine Room Unlocked

Exterior Door Access to the Dock Propped Open

Source: OIG photograph taken during week of February 14, 2022, at ▮▮▮▮▮▮▮▮

Source: OIG photograph taken during week of October 18, 2021, at ▮▮▮▮▮▮▮▮

Conditions related to building security and safety also occurred due to competing priorities or lack of management oversight to address these issues. Management should have provided sufficient oversight to personnel responsible for maintaining facilities, reported safety and security issues as they arose, and followed up on correction of the deficiency. Occupational Safety and Health Administration (OSHA) requirements[47] and postal guidelines require employers to provide a safe and healthy workplace free of recognized hazards.[48]

Management's attention to security and safety deficiencies can reduce the risk of injuries to employees and customers; eliminate unauthorized access to the facility

and potential OSHA penalties; and improve employee morale and efficiency of operations.

Facility Restroom/Locker Room

At four of the 10 facilities visited, we observed restroom facilities that needed repair, with many bathroom stalls out of order and many dirty overall (see Figure 16).

Figure 16. Women's Restroom/Locker Room at ▮▮▮▮▮▮▮▮

Out of Order

Non-Functioning

Dirty Shower

Broken Locker Room Bench
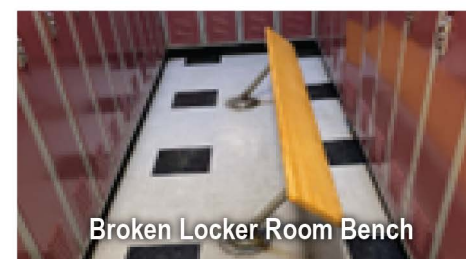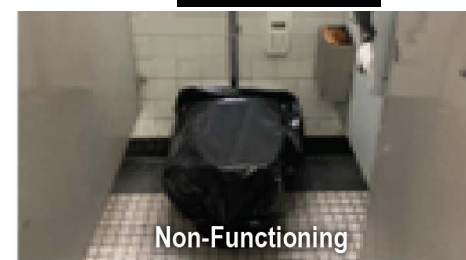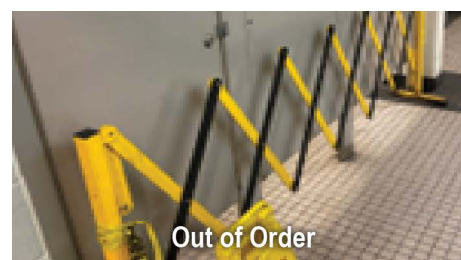
Source: OIG photographs taken during week of October 18, 2021, at the ▮▮▮▮▮▮▮▮

Lack of management engagement and supervision can lead to needed cleaning, maintenance, and repair work not being completed timely. OSHA regulations state that washing facilities shall be maintained in a sanitary condition.[49] Dirty or non-functioning restrooms can affect employee morale as it makes staff feel unappreciated, which can lead to less employee engagement and productivity. In addition, failing to maintain restroom facilities could be an OSHA violation resulting in fines.

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47 OSHA Act of 1970, OSHA 29 CFR 1910.37(a)(3), OSHA 29 CFR 1910.157 (c)(1), OSHA 29 CFR 1910.303 (g)(1).
48 Handbook EL-801, *Supervisor's Safety Handbook*, dated July 2020.
49 OSHA 29 CFR 1910.141(d)(1).

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Appendix F: Management's Comments

UNITED STATES POSTAL SERVICE

July 21, 2022

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Improving Service Performance and Mail
Processing Efficiencies at Historically Low Performing Facilities (Report
Number 21-243-Final)

Thank you for providing the Postal Service an opportunity to review and comment on the findings and recommendations contained in the draft audit report, *Improving Service Performance and Mail Processing Efficiencies at Historically Low Performing Facilities.*

The OIG acknowledges some of the factors that cause performance variance from plant to plant, but generally disregards those factors in the findings. The audit took a sampling of 10 historically under-performing facilities during an unprecedented challenging time for Operations and attempted to draw conclusions regarding the entire nation by extrapolating the data.

The audit report acknowledges that the facility observations occurred during the global COVID-19 pandemic, without making allowances for the resulting adverse conditions. Three of the causes cited for mail processing and service challenges were all directly related to pandemic conditions; ████████████████████████ ████████████████████ Machine throughputs were impacted by low employee availability when machines were operated with fewer operators than optimal. Training completion rates were impacted when there were absences that had to be covered, reducing time for training. Congested conditions related to excess MTE in the plants was also directly related to the pandemic. Drivers were often unavailable to transport the MTE.

Furthermore, the audit draws conclusions regarding the causes of low service performance with little or no evidence of causal correlation. USPS disagrees with the evaluation of the negative impact of the purported "lack of training". Moving the mail is complex. USPS trains employees on a need-to-know basis, providing information specific to the type of work an employee does or a supervisor oversees. Training consists of both formal training courses and on-the-job training. "Detail Assignments" for supervisors and managers are designed to be part of the learning process and have historically been very effective. These assignments provide an opportunity for management to evaluate the leadership skills of the individuals on detail.

The audit reported that analysis of exit surveys for 590 non-career employees indicated that ███████████████████████████████████████ Documentation was provided to the OIG on June 17, 2022, showing that 96% of the employees who allegedly did not receive orientation training had training records on file indicating that they did attend the training.

USPS also disagrees with the OIG analysis of efficiency. Facilities that were understaffed were able to achieve higher productivity rates, but often at the cost of decreases in service performance and employee retention. As staffing was adjusted in facilities, including planning for attrition, some productivity rates were temporarily decreased. Over time, the metrics will adjust to optimum levels.

Management disagrees with footnote 39, which states that employees hired on a temporary basis are not conducive to an efficient/effective workforce. Temporary employees are utilized as an effective way to successfully process seasonal surges in volume.

USPS agrees that the operational layout in some facilities could be improved to enable more efficient mail flow, however The Delivering for American Plan, specifically the network modernization effort, will address these opportunities in a standardized and holistic manner.

Monetary Impact

Management disagrees with the OIG Monetary Impact statement for this audit. There was no data provided to management and USPS has been unable to independently replicate the data due to the vague nature of the calculated total cost savings provided in the "Monetary Impact Form" for this audit. Also, management has concerns regarding the methodology that is stated in the report. Details were not shared with USPS about specific plant manual observations related to the Questioned Costs.

In particular, the assumption was made that a national *average* of all mail processing facilities is an appropriate goal and/or target for all facilities to achieve. However, all mail processing facilities are not created equal, nor do they all process the same mail and/or package mix and volume. For example, there are facilities that have only one primary operation such as delivery point sequencing letters, whereas all the facilities selected for this audit have some of the largest and most complicated operations within the nation. These operations vary widely when comparing productivity levels in facilities with various operations and ignores the practical differences in optimum productivity. Thus, the USPS believes that this is not an appropriate calculation to assume questioned costs.

Additionally, the OIG used data from the MPV application. This application is no longer recognized by USPS Mail Processing as the efficiency model for mail processing. MPV used workhours as defined by the Time and Attendance Collection System (TACS). TACS relies on the mail processing supervisor or the craft employee to make a badge

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move when moving between operations. Supervisors may move multiple employees from one operation to another as the needs of Mail Processing operations change throughout a workday. This is a typical activity to ensure timely clearance of committed mail volume. Accuracy of employee moves can and will significantly impact reported productivity with an MPV target. Overall productivity in a facility across a specific time-period and actual observations are needed to determine whether plant supervisors are providing oversight of manual operations, ensuring accurate clock ring data.

Lastly, *Questioned Costs* are defined as a cost that the U.S. Postal Service Office of Inspector General (OIG) believes is unnecessary, unreasonable, or an alleged violation of law, regulation or contract. None of those can be specifically justified nor substantiated with observations at these mail processing facilities. There is insufficient reporting that would lead management to understand that there was poor productivity or a lack of related oversight in the locations where the audits were conducted. Without observations matched to actual manual operations that could be validated against the workhours used, the OIG cannot accurately assess the potential for productivity increases within a manual operation and correlate that to a cost to the USPS.

Recommendation [1]:
We recommend the Chief Logistics & Processing Operations Officer and Executive Vice President evaluate efficiency at the 10 facilities to identify inefficiencies in the mail flow (e.g., facility layout/location, space constraints, customer and service impacts, and equipment relocation costs) and, based on the results, consider properly aligning the impacted facilities to efficiently meet the challenges they face based on changes in market demand.

Management Response/Action Plan:

Management disagrees with this recommendation. The Delivering for American Plan, specifically the network modernization effort, will address this recommendation in a standardized and holistic manner. Non-standardized, isolated and partial evaluations would be detrimental to the holistic network modernization effort.

Target Implementation Date: N/A

Responsible Official: N/A

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Recommendation [2]:

We recommend the **Chief Logistics & Processing Operations Officer and Executive Vice President** develop and implement an action plan, with milestones and measurable goals, to address all safety and health issues identified during our audit of the 10 facilities.

Management Response/Action Plan:

Management agrees with this recommendation. OIG provided a list of all safety and health issues identified, which were immediately corrected. All reported deficiencies are resolved. Management requests this recommendation be closed with issuance of the final report.

Target Implementation Date: 9/30/22

Responsible Official: VPs, Regional Processing Operations

Recommendation [3]:

We recommend the **Chief Logistics & Processing Operations Officer and Executive Vice President**, in accordance with policies and procedures, remove excess mail transport equipment from the 10 facilities.

Management Response/Action Plan:

USPS agrees with this recommendation. Strategic Planning re-issued four Standard Work Instructions regarding the proper handling of MTE to all sites.

- SWI Gaylord Reuse
- SWI LMP Technical Work Instruction Flat Tubs Stacking
- SWI EMM Prep
- SWI Reusable Cardboard Flat Stacking Opening Unit

Management requests this recommendation be closed with issuance of the final report based on documentation of reissued policies and improved conditions.

Target Implementation Date: 10/31/22

Responsible Official: VPs, Regional Processing Operations

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Recommendation [4]:
We recommend the **Chief Logistics & Processing Operations Officer and Executive Vice President** continue to evaluate and implement management staffing and retention strategies and reduce the percentage of acting supervisors/managers at the 10 facilities.

Management Response/Action Plan:

Management disagrees with this recommendation. Current strategies and efforts have resulted in Non-Bargaining complement increases in six of the facilities. We will continue to work and collaborate with HR on strategies for filling vacancies and retaining Non-Bargaining employees.

Target Implementation Date: N/A

Responsible Official: N/A

Recommendation [5]:
We recommend the **Chief Logistics & Processing Operations Officer and Executive Vice President** create a formalized program to track and provide standardized training for any employee at the 10 facilities who assumes a role as an acting manager or supervisor and consider implementing the program nationwide.

Management Response/Action Plan:

Management disagrees with this recommendation. USPS does not have plans to create a formalized program to track and provide standardized training for employees who assume a role as an acting manager or supervisor. Acting positions are intended to be on-the-job training experience to provide the opportunity for employees to learn and to provide an opportunity for management to evaluate the work and evaluate the leadership skills of the individuals on detail. "Details" can be used to fill an organizational need short-term and for development purposes.

Target Implementation Date: N/A

Responsible Official: N/A

<u>Recommendation [6]:</u>
We recommend the **Chief Logistics & Processing Operations Officer and Executive Vice President** ensure that all non-career employees receive orientation training at the 10 facilities and explore ways to standardize on-the-job training nationwide to reduce the learning gap that may impact employee training, skills, and knowledge.

<u>Management Response/Action Plan:</u>

Management agrees with this recommendation. Specific to the 10 facilities in this report, USPS is currently working to validate newly hired non-career employees' training needs and coordinating available training dates for anyone deficient in required training. VP Human Resources is currently working through the development of national reporting/dashboards/visualizations necessary to enhance tracking and oversight of any official and required training programs for newly hired bargaining team members. Expected completion date of national reporting/dashboards/visualizations – no later than 10/1/2022.

<u>Target Implementation Date</u>: 10/31/22

<u>Responsible Official</u>: VP Human Resources

<u>Recommendation [7]:</u>
We recommend the **Vice President, Organization Development** reinforce procedures to verify that required training for newly promoted supervisors and managers at the 10 facilities is completed in the period required to gain the needed knowledge, skills, and abilities to optimally perform their role; and consider implementing the procedures nationwide.

<u>Management Response/Action Plan:</u>

Management agrees with this recommendation. The DPMG/CHRO, CRDO and CPDO are in the process of issuing a joint memo of expectations relative to newly promoted supervisors and managers and the current programs supporting them. Specific to the 10 facilities in this report, we are currently working to validate newly promoted supervisor's and manager's training needs and coordinating available training dates for anyone deficient in required training. VP Human Resources is currently working through the development of national reporting/dashboards/visualizations necessary to enhance tracking and oversight of any official and required training programs for our non-bargaining and bargaining team members. Expected completion date of national reporting/dashboards/visualizations – no later than 10/1/2022.

<u>Target Implementation Date</u>: 10/31/22

<u>Responsible Official</u>: VP Human Resources

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Recommendation [8]:

We recommend the **Chief Logistics & Processing Operations Officer and Executive Vice President** evaluate all employee exit/stay survey responses quarterly and communicate the results directly with management at the 10 facilities to ensure transparency and accountability and consider implementing the evaluations and communications of employee surveys nationwide.

Management Response/Action Plan:

Management agrees with this recommendation. Currently, Operations has access to the employee exit/stay data via the Workforce Planning dashboard to the division level (due to privacy concerns data is not available at the facility level). The availability and results of this dashboard will be communicated nationally to operations reinforcing the need to leverage this information to drive improvements in new employee retention.

Target Implementation Date: 9/30/22

Responsible Official: VP, Processing and Maintenance Operations in coordination with VP, Human Resources

Recommendation [9]:

We recommend the **Chief Logistics & Processing Operations Officer and Executive Vice President** provide refresher training to employees and supervisors at the 10 facilities on proper procedures for preparing, feeding, jogging, and culling mail prior to processing mail to prevent or reduce machine jams.

Management Response/Action Plan:

Management agrees with this recommendation. Headquarters has provided training documents for DBCS feeding/jogging processes for employees at the 10 facilities. Each facility will be expected to provide the refresher training to the operators. Management requests this recommendation be closed with issuance of the final report.

Target Implementation Date: 10/31/22

Responsible Official: Plant Manager for each plant

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Recommendation [10]:
We recommend the **Chief Logistics & Processing Operations Officer and Executive Vice President** issue supplemental guidance on management oversight to remind supervisors to check mail inventories and daily projections to ensure each machine is adequately staffed.

Management Response/Action Plan:

Management agrees with this recommendation. Processing Operations will issue a reminder memo to management in the 10 facilities to consistently use RPG and IVES to ensure accurate staffing and projections. Specifically, the IVES Scheduling Report and RPG Start/End Time Report to track progress.

Target Implementation Date: 9/30/22

Responsible Official: Mgr., Processing Integration & Support

E-SIGNED by Isaac.S Cronkhite
on 2022-07-25 11:09:49 CDT
_____
Isaac Cronkhite
Chief Processing and Distribution Officer and Executive Vice President

cc: *Manager, Corporate Audit Response Management*

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