

Review of USPS Sorting and Delivery Centers Opened in Quarters 1 and 2 of FY 2023



AUDIT REPORT

Report Number 23-062-R23 | September 12, 2023



WOBURN, MA

UTICA, NY

BROOKLYN, NY

ATHENS, GA

PANAMA CITY, FL

GAINESVILLE, FL

BRYAN, TX

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Highlights

Background

In 2022, in support of its 10-Year Delivering for America plan, the U.S. Postal Service announced plans to redesign and modernize its processing and delivery network. The Postal Service plans to integrate the network to standardize operations, improve building and operating conditions for employees, enable customer service and local commerce opportunities, and gain efficiencies in transportation and mail handling costs. As part of the plan, the Postal Service expects to convert approximately 400 selected sites into Sorting and Delivery Centers (S&DC) nationwide. These centers will consolidate multiple delivery units and package sortation operations into one facility. As of June 2023, the Postal Service had opened 14 S&DCs nationwide.

What We Did

The objective of this audit was to assess the effectiveness of communications with stakeholders and identify successes, opportunities, and lessons learned during the launch of the new S&DCs. Specifically, we focused on the first six S&DCs opened in November 2022 and February 2023. We also reviewed the first Parcel Distribution Center opened in November 2022.

What We Found

Overall, we found the seven locations operated as designed and experienced several successes during opening operations. However, we found the Postal Service has opportunities to improve communication with external stakeholders prior to opening S&DCs. In addition, we found opportunities to improve operations related to facilities, post office box mail availability (P.O. Box up-time) and small delivery unit sorter machine sort programs (an automated process for distributing packages to carrier routes). Lastly, we identified lessons learned by the Postal Service that management plans to implement prior to opening future S&DCs.

Recommendations

We provided five recommendations to address issues with stakeholder communication, facilities readiness, post office box mail availability, and sort programs.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

September 12, 2023

MEMORANDUM FOR: JOSHUA D. COLIN, PH.D,
CHIEF RETAIL AND DELIVERY OFFICER,
EXECUTIVE VICE PRESIDENT

BENJAMIN P. KUO,
VICE PRESIDENT, FACILITIES

ELVIN MERCADO, VICE PRESIDENT,
RETAIL AND POST OFFICE OPERATIONS

LINDA M. MALONE
VICE PRESIDENT, ENGINEERING SYSTEMS

Mary H. Lloyd

FROM: Mary Lloyd
Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Audit Report – Review of USPS Sorting and Delivery Centers Opened in
Quarters 1 and 2 of FY 2023 (Report Number 23-062-R23)

This report presents the results of our audit to assess the effectiveness of communications with stakeholders and identify successes, opportunities, and lessons learned during the launch of the new S&DCs.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Amy Jones, Director Delivery, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of the Postal Service’s Sorting and Delivery Centers (S&DC) opened in the first and second quarters of fiscal year (FY) 2023 (Project Number 23-062). Our objective was to assess the effectiveness of communications with stakeholders and identify successes, opportunities, and lessons learned during the launch of the new S&DCs. Specifically, we focused on the first six S&DCs opened in November 2022 and February 2023. We also reviewed the Brooklyn Parcel Delivery Center (PDC), as it was originally planned to be an S&DC; however, it was renamed a PDC prior to implementation.¹ See [Appendix A](#) for additional information about this audit.

Background

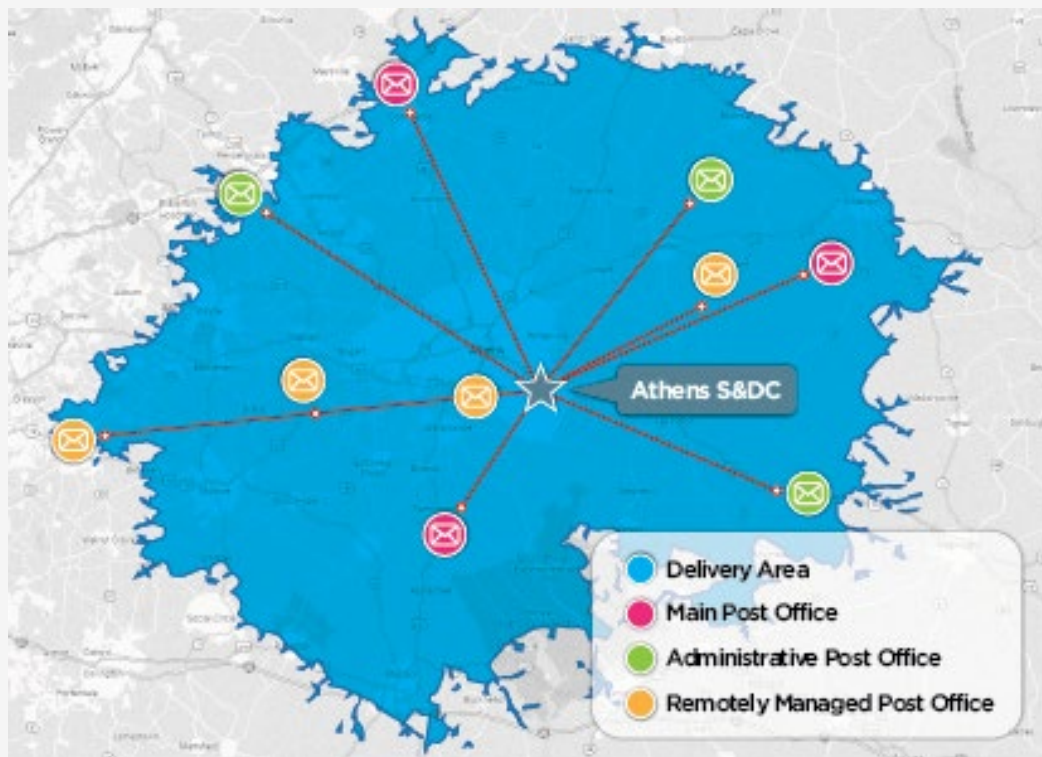
In 2022, as part of its 10-Year Delivering for America plan, the Postal Service announced plans to redesign and modernize its processing and delivery network. The modernization plan integrates the networks

to standardize operations, improve building and operating conditions for employees, enable customer service and local commerce opportunities, and gain efficiencies in transportation and mail handling costs. The Postal Service expects to convert approximately 400 selected sites into S&DCs nationwide. As of June 2023, the Postal Service has opened 14 S&DCs nationwide.

According to the Postal Service, S&DCs will be a vital part of the Postal Service’s network modernization and will consolidate multiple delivery and package sortation operations into one facility that is centrally located to target key markets. Additionally, consolidating these operations from multiple post offices into one S&DC will provide faster and more reliable mail and package delivery over a greater geographic area. Further, the Postal Service says that consolidations will dramatically reduce transportation between processing centers and post offices and streamline mail and package handlings, while increasing service reliability and decreasing time to deliver. See Figure 1 for an example of a

Figure 1. S&DC Hub and Post Office Map

Source: U.S. Postal Service Office of Inspector General (OIG) analysis.



¹ We included this facility as part of our review because, like the S&DCs, it is the first of its kind and is used to standardize and streamline package sortation.

Postal Service consolidation of delivery and package sortation operations from post offices into an S&DC.

An integral part of the S&DC operation is the Small Delivery Unit Sorter (SDUS)² machine. According to the Postal Service, SDUS machines standardize, streamline, and expedite package sortation. Each machine sorts packages to individual mail routes according to the sort program³ and is capable of sorting packages 12 times faster and operating more efficiently than manual sortation. With a minimum goal of 2,250 pieces sorted per hour, the Postal Service anticipates SDUS machines will reduce package processing costs (see Figure 2).

Figure 2. Small Delivery Unit Sorting Machine



Source: OIG photo taken at Woburn S&DC on February 25, 2023.

In November 2022, the Postal Service opened the first S&DC in Athens, GA, and the first PDC in Brooklyn, NY. In February 2023, the Postal Service opened five more S&DCs: in Gainesville, FL; Panama City, FL; Woburn, MA; Utica, NY; and Bryan, TX. This audit assessed the effectiveness of communication with stakeholders and reviewed these seven facilities to identify successes, opportunities, and lessons learned.

Findings Summary

Overall, we found the seven locations operated as designed and experienced several successes during opening operations. However, opportunities exist for

the Postal Service to improve communication with stakeholders when opening S&DCs. In addition, we found opportunities for improvement in Postal Service operations regarding facility readiness, post office box (P.O. Box) up-times and SDUS sort programs. See [Appendix B](#) for a summary of the issues.

Finding #1: Successes and Lessons Learned at Sorting and Delivery Centers

We conducted site observations during opening operations⁴ at all seven facilities and found overall the facilities operated successfully. During our visits, operations generally met expectations and functioned as designed. Furthermore, we conducted interviews with Postal Service Headquarters management and obtained lessons learned identified by the Postal Service during the initial rollout of the S&DCs, which they plan to continue with the opening of future S&DCs.

Successes Observed During Opening Operations

We identified the following successes with the opening of S&DCs during quarters 1 and 2 of FY 2023:

Small Delivery Unit Sorting Machines

The SDUS machines were successful in completing sorting operations once the issues with the sort programs were resolved, as further discussed in Finding 5. Specifically, SDUS machines were properly staffed and met processing targets. Our observations verified packages were prepped and staged for efficient processing and properly fed onto the machine. Additionally, sorting bins were replaced when full and staged for efficient retrieval by carriers once sorting operations concluded.

Carrier Office and Loading Operations

Carrier office operations at S&DCs, which consist of sorting working mail and retrieving packages and all other mail in preparation for delivery, went as planned. Specifically, during site observations, we observed new mail sorting cases were provided; carriers had sufficient room for sorting operations; delivery point sequenced⁵ mail was organized and available for carrier retrieval when loading vehicles;

² A manual fed machine, capable of sorting packages and bundles to carrier routes and segments within a carrier route.

³ A sort program is a scheme that distributes mail to its destination according to a systematic plan determined by the mail processing functional area.

⁴ Opening observations occurred in November 2022 and February 2023. For purposes of this report, we defined opening operation as the first three days of operation.

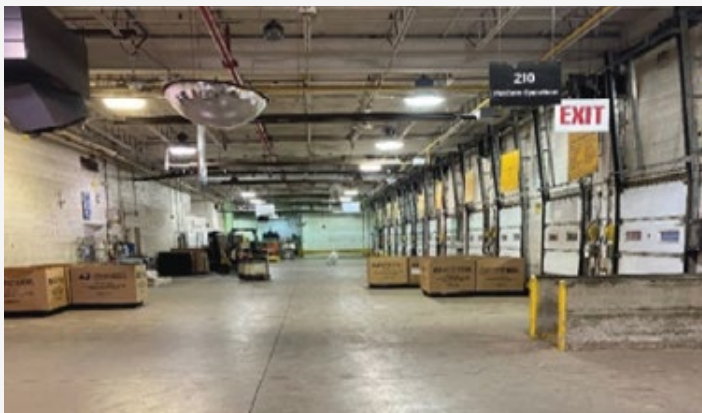
⁵ An automated mail sorting process that puts carrier routes into delivery order. Delivery point sequencing eliminates the need for additional sorting at delivery units.

and carrier work areas were clean and generally well-lit. Additionally, each location had sufficient loading space for carrier vehicles.

Dock Facilities and Operations

Dock facilities were sufficient to meet the mail transport needs of the S&DC. Our observations verified dock facilities had sufficient room; dock operations were appropriately staffed; and employees had the necessary equipment to unload, move, and stage mail for processing and carrier operations within the S&DCs (see Figure 3).

Figure 3. Clean Dock Following Morning Operations



Source: OIG photo taken at the Utica S&DC on February 27, 2023.

Additional Management Support

Management assistance⁶ was onsite during opening operations. The Postal Service brought in additional management at each site to help ensure success of opening operations. The additional management was used as a resource for craft employees on their first days to answer questions and provide support.

Lessons Learned Identified by Postal Management

Management stated they plan to complete the following as they prepare to open more S&DCs:

- Provide additional management training to ensure efficient operation.
- Add additional Internet Protocol addresses for increased connectivity needs at each S&DC.

- Ensure Delivery Support Services⁷ personnel are onsite for opening operations and for subsequent weeks to support local management.
- Solicit input from all impacted employees on facility layouts.
- Improve project plans to not miss small items.
- Improve employee communication to share information as early as possible.
- Start lean six sigma⁸ earlier in the process.
- Allow more space for staging in operational space layout.

During our observations, we recognized the efforts taken to achieve these successes and the efforts that will continue with lessons learned. Therefore, currently, we are not making recommendations corresponding to these areas. We plan to conduct future audits on S&DCs and other network modernization efforts to further evaluate these areas.

Finding #2: Communication With Stakeholders

Prior to opening the first S&DCs, the Postal Service made efforts to communicate key goals, site selection methodology, and facility operational layouts to internal stakeholders through weekly conference calls, magazine articles, stand-up talks, notification letters, and on-site meetings.⁹ Additionally, the postmaster general held multiple briefings with congressional committee members on the network modernization initiatives and sent notification letters to state and district representatives impacted by the implementation of a S&DC.

However, opportunities exist to improve communication with other external stakeholders. We found Postal Service communication efforts with some external stakeholders did not include sufficient details for S&DC consolidations such as timelines or locations. In addition, information was often provided last minute as the Postal Service was finalizing their list for consolidation.

⁶ This included local postmasters and district, area, and headquarters officials sent to provide support to the S&DCs.

⁷ A management team designated to support the S&DCs during facility openings.

⁸ Lean Six Sigma is a tool used to simplify and standardize processes.

⁹ Prior to openings, the Postal Service held open houses at S&DCs where employees and their families could tour the facilities, see the layout and workspace and other aspects of the operations.

In interviews with representatives from shipping and mailing associations, we found the Postal Service provided limited communication. For example,

- Shippers stated they received no direct communication from the Postal Service, and any information on S&DCs was secondhand through the negotiated service agreements¹⁰ process, other stakeholders, online blogs, or unofficial chatter. In addition, shippers were not given opportunities to provide input or comment on upcoming changes.
- High volume mailers stated all communication was received through Postal Service unions or other stakeholders and not from the Postal Service directly. In addition, mailers were not given opportunities to provide feedback, ask questions, and understand the changes to better inform their customers.

Additionally, mailers referenced their preference for working with the Postal Service in working groups to address issues, as had been done during peak season. They stated timely communication from the Postal Service would allow them opportunities to provide details on their concerns or potential impacts of the implementation of the S&DCs.

The S&DC program management office was responsible for providing direction and vision to stakeholders. However, the Postal Service did not directly communicate the direction and vision of the S&DCs to all shippers and mailers. During site visits, we observed a major package shipper who arrived late to the S&DC because the shipper was unclear on where to drop the packages. This resulted in clerks rushing to process late packages to meet scheduled mail up-times, and in one case, packages were held for processing until the next day.

The Postal Service did not have a policy establishing protocols to ensure stakeholders were included in communication efforts and were given opportunities to provide feedback and ask questions. Effective communication with stakeholders can establish a shared vision and improve relationships with business partners. Additionally, enhancing communication

for network modernization changes and the impact on employees, unions, management associations, shippers, and mailers could increase confidence in the Postal Service's modernization initiatives.

Recommendation #1

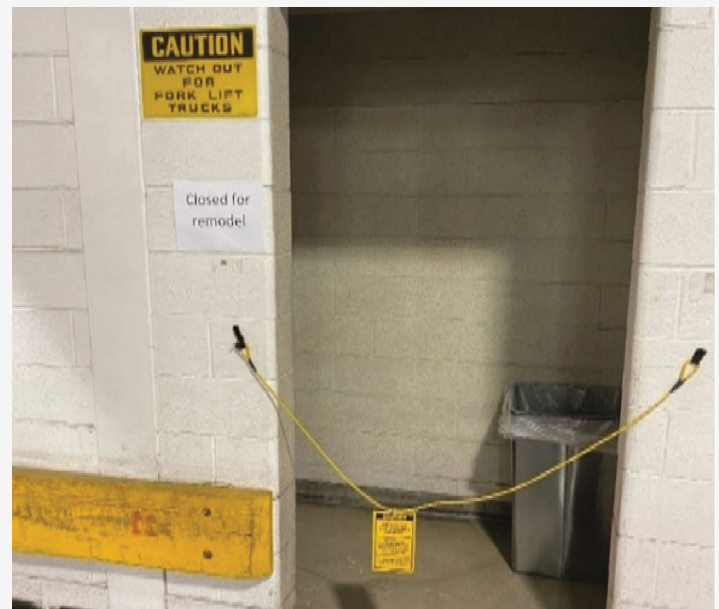
We recommend the **Chief Retail and Delivery Officer, Executive Vice President**, develop and implement policy to ensure all future Sorting and Delivery Center plans are consistently and clearly communicated and stakeholders are given the opportunity to report concerns.

Finding #3: Facility Readiness

We found the Postal Service did not complete all scheduled improvements before opening the seven facilities. During opening operations, we observed Postal Service employees working around construction projects, such as:

- Remodeling of restrooms, breakrooms, and locker rooms;
- Adding double doors to enter and exit the building;
- Completing electric and communication upgrades; and
- Installing cages to secure accountable mail¹¹ (see Figures 4 and 5).

Figure 4. Restrooms Closed for Remodel



Source: OIG photo taken at the Utica S&DC on February 27, 2023.

¹⁰ A contractual agreement between the Postal Service organization and specific mailers.

¹¹ Mail that requires a signature and or payment of fees from the recipient before delivery can be completed.

Figure 5. Unassembled Accountable Cage on the Workroom Floor



Source: OIG photo taken at the Woburn S&DC on February 26, 2023.

In addition, we observed suggestion boards provided by management, to employees, to note areas where improvement was needed. For example, on one suggestion board, employees noted restrooms and breakrooms as issues that required management attention.

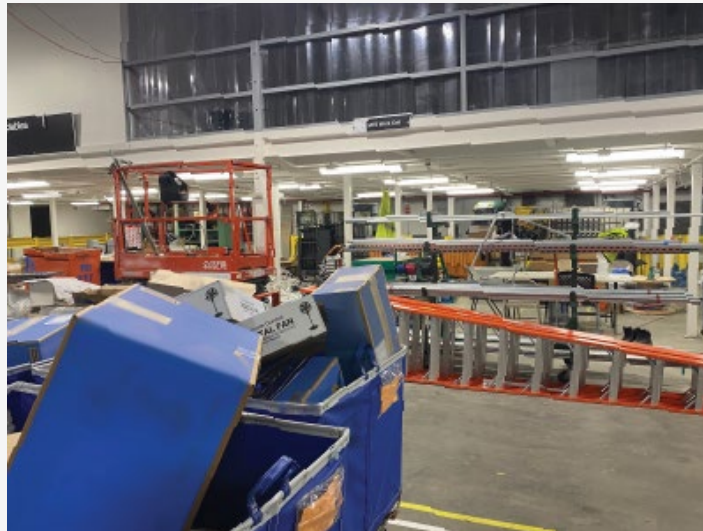
We conducted follow-up site visits in March 2023 to the Athens, GA, and Brooklyn, NY, facilities. Although these facilities had been opened for approximately four months, we found employees were using mobile restroom trailers and small rooms or open spaces with limited amenities as temporary breakrooms because construction projects were still ongoing to build or remodel these amenities (see Figure 6). We observed potential safety hazards, such as construction equipment on the floor and exits blocked by construction related equipment (see Figures 7, 8, and 9).

Figures 6: Mobile Restroom Trailers



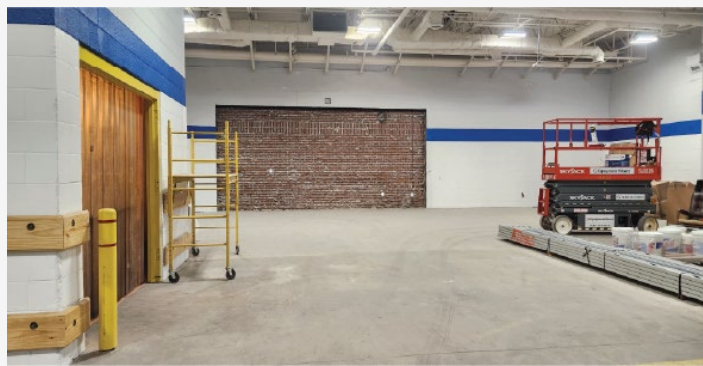
Source: OIG photo taken inside the Brooklyn PDC on March 24, 2023.

Figure 7 and 8: Construction Equipment Restricting Pathways and Exits Blocked



Source: OIG photos taken inside the Brooklyn PDC on March 24, 2023.

Figure 9. Ongoing Construction



Source: OIG Photo taken inside the Athens S&DC on March 22, 2023.

Furthermore, we held follow-up interviews in April 2023 with postmasters at the five S&DCs opened in February 2023 and found employees were using temporary restrooms, breakrooms, and locker rooms because these amenities were still under construction at four of the five locations.

According to the Postal Service’s executive director of S&DC Implementation, construction was not fully completed prior to opening the S&DCs because construction is always ongoing and finishing all construction would delay S&DC openings. In addition, according to Postal Service facility management, some construction within these facilities is not related to S&DC operations.

One of the goals of the 10-year Delivering for America plan is to dramatically improve working environments for Postal Service employees. In addition, Postal Service policy states they are committed to providing safe and healthy working conditions for employees.¹² Lastly, the Occupational Safety and Health Act of 1970 requires employers to provide a safe and healthy workplace free of recognized hazards.

While completing all construction projects could delay the opening, completing restrooms and other items that directly impact employee comfort and safety would allow employees to report to a welcoming workspace, free of hazards, to help ease their transition into the S&DC environment. Additionally, requiring employees to work under these conditions could potentially place employees at physical risk, increase grievances, or result in poor employee engagement.

Recommendation #2

We recommend the **Vice President, Facilities**, develop a plan to ensure restroom, breakroom and locker room construction projects are completed prior to opening Sorting and Delivery Centers, or that there are acceptable alternatives, given the number of employees impacted, and that the alternatives meet all health and safety requirements.

Recommendation #3

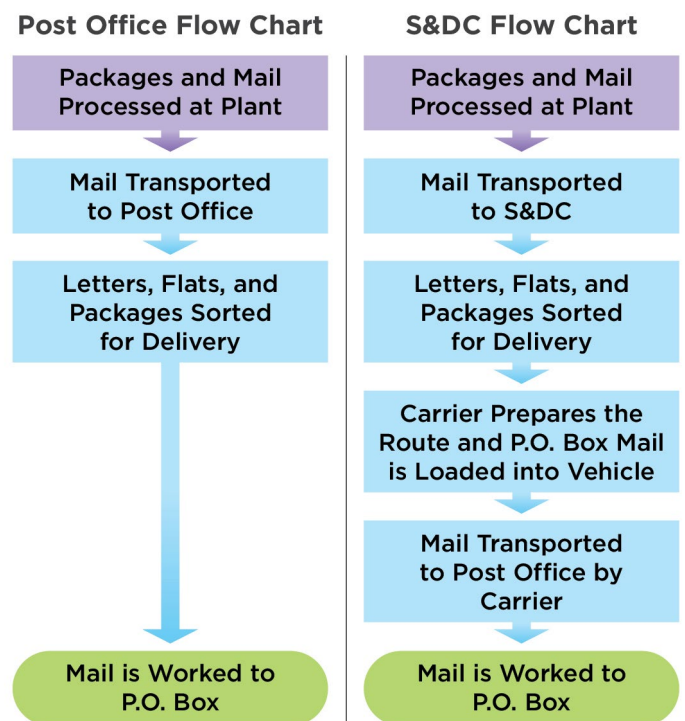
We recommend the **Vice President, Facilities**, evaluate whether construction projects related to the seven facilities were completed and develop a plan to address all outstanding construction and safety issues.

Finding #4: Late Post Office Box Up-Times

We found post offices did not always meet scheduled up-time¹³ for P.O. Box mail following the implementation of S&DCs. During the first week of operations, we found all 25 post offices that consolidated delivery and package operations to the S&DCs did not meet scheduled P.O. Box up-time.

Under the old network, P.O. Box mail was transported directly to the post office from the Processing and Distribution Center and distributed to individual P.O. Boxes at the delivery unit, needing no transportation to the unit by carriers. The opening of S&DCs introduced additional steps that must occur timely to ensure P.O. Box mail that needs to be distributed to the consolidated post offices meets scheduled up-times (see Figure 10).

Figure 10. Post Office vs. S&DC P.O. Box Steps



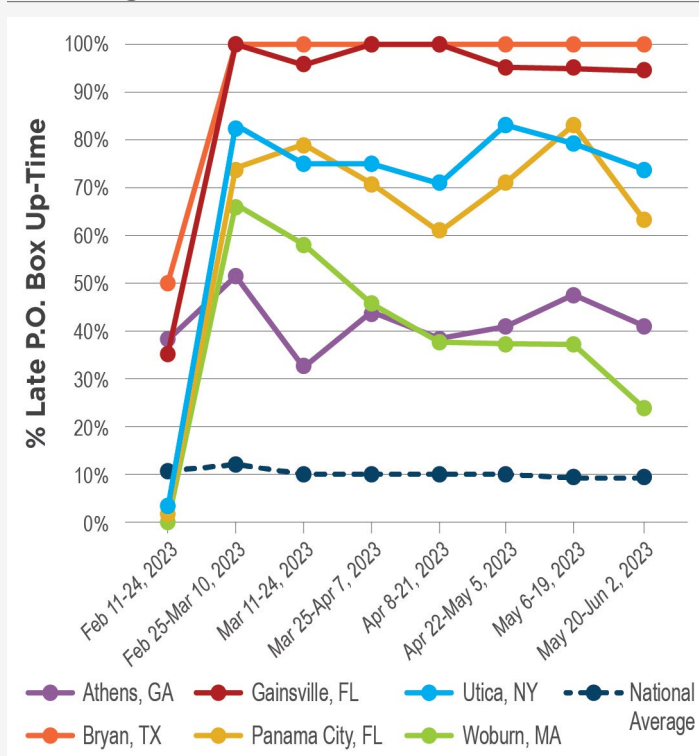
Source: OIG analysis.

¹² Employee and Labor Relations Manual, section 810 – September 2022.

¹³ Up-time is the time of day customers can expect to collect all committed mail for that day.

We conducted an analysis of P.O. Box up-time at post offices serviced by the six S&DCs;¹⁴ specifically, by reviewing late up-times from February 11, 2023, through June 2, 2023.¹⁵ Our analysis found that 10 of the 14 post offices (71 percent) did not report late P.O. Box up-times in the two weeks prior to the consolidation. Following the consolidation, all 14 reported late P.O. Box up-times. Further, 12 of the 14 post offices (86 percent) were late more than 50 percent of the time following the consolidation. During the same timeframe, the national average for late P.O. Box up-times was approximately 10 percent. See Chart 1 for late P.O. Box up-time by S&DC. See [Appendix B](#) for a detailed analysis of S&DCs and P.O. Box up-time by individual, consolidated post offices.

Chart 1. Late P.O. Box Up-Time by Servicing S&DC¹⁶



Source: OIG analysis of P.O. Box up-times from Informed Visibility.
 *The Athens S&DC opened in November, data does not reflect P.O. Box up-time prior to opening.
 **The OIG removed Bishop Post Office from the analysis as management informed us the unit's late up-times were a result of its 1:30 p.m. opening time and not due to the Athens S&DC opening.

In follow-up meetings with post office management in May 2023, we found continued issues with late P.O. Box mail. As a result, customers did not receive mail timely or consistently, leading to complaints and the potential for lost P.O. Box revenue.

Postal Service policy states each unit must have a scheduled P.O. Box up-time for committed box mail to be finalized and available to the customers. The local postmaster, with district approval, is responsible for establishing the local P.O. Box up-time. Postmasters should strive to have all mail in P.O. Boxes as early as operationally possible to attract and retain customers to this premium mail service.¹⁷

Postmasters at the consolidated post offices believe an adjustment to scheduled P.O. Box up-times should be considered if the issues causing late mail arrival are not corrected. According to Postal Service leadership, they are aware of the issue, and were allowing time after the transition for carriers to adjust to the new process before evaluating if changes were necessary.

If the Postal Service does not identify the reasons for missed P.O. Box up-time, they will be unable to make the necessary changes to correct these issues. Additionally, if the Postal Service cannot meet and/or does not change current P.O. Box up-times to accurately reflect the reality of S&DC operations, they will not meet P.O. Box customer expectations, and this will negatively impact the customer experience.

Recommendation #4

We recommend the **Vice President, Retail and Post Office Operations**, identify the cause of late Post Office Box up-times and take necessary action to ensure up-times are met. Additionally, develop a plan to mitigate issues with Post Office Box up-times prior to opening future S&DCs.

Finding #5: Sort Programs on Small Delivery Unit Sorters

Although we found that SDUS machines generally operated successfully and demonstrated efficiency at sorting packages, we identified issues with sort

14 We did not include the Brooklyn PDC in our calculations.
 15 We obtained data prior to opening for the five S&DCs opened in February 2023. Data for the Athens S&DC is post-opening.
 16 This analysis represents the average up-time for all post offices associated with each S&DC.
 17 Postal Operations Manual 141.423 *P.O. Box Service Up-Time*, Issue 9 - 2002.

programs¹⁸ on the initial day(s) of operation at five of the seven locations that resulted in high volumes of rejected packages. Four of the five sites resolved sort program issues during the first week of operations. However, during a follow-up visit to the Brooklyn PDC, four months after opening, we found that facility continued to experience sort program issues.

According to Postal Service industrial engineers and S&DC management on site, sort programs were not properly established, were not validated on time, and did not include all assigned post offices. Postal Service SDUS guidelines state changes to sort programs for a delivery unit require validation and manual loading to take effect on the machine.¹⁹ When sort programs are not properly set up or validated, it can result in significant rejected packages on the SDUS machines, requiring clerks and managers to work machinable packages manually (see Figure 11).

Figure 11. Management and Craft Employees Working Rejected Packages



Source: OIG photo taken in the Woburn S&DC on February 25, 2023.

Recommendation #5

We recommend the **Chief Retail and Delivery Officer and Executive Vice President** in conjunction with the **Vice President, Engineering Systems** require documentation be maintained to verify sort programs are updated, loaded, and tested prior to opening new Sorting and Delivery Centers.

Management's Comments

Management agreed with finding 1 and recommendations 1, 2, 3, and 4; partially agreed with findings 2, 3, 4 and 5; and disagreed with recommendation 5. See [Appendix C](#) for management's comments in their entirety.

Regarding finding 2, management stated they communicate information on the new S&DCs via email 30-days prior to launch, and shippers attend weekly cadence calls to discuss operational logistics on the mail drops at S&DCs and consolidated post offices. In addition, management stated they contact high-volume mailers to inform them of new S&DC rollouts 30 days prior to launch. Management also stated the Postmaster General provides an overview on the network modernization initiatives during the quarterly Mailers Technical Advisory Committee meetings, and mailers are extended the opportunity to ask questions and provide feedback. However, the S&DC leadership agrees there are opportunities to engage additional stakeholders prior to the opening of S&DCs.

Regarding finding 3, management stated that most improvements were scheduled for completion after opening the S&DCs due to the compressed schedules for assessing and scoping improvements.

Regarding finding 4, management stated that Chart 1 in the report is confusing and should be removed. They stated the chart has mixed data for the S&DCs, and Athens is only showing P.O. Box up-time for three months after opening, while the others reflect both before and immediately after the opening of the S&DCs.

Regarding finding 5, management stated sort programs at four of the five sites were resolved during the first week of operation.

Regarding recommendation 1, management will use the project plan to ensure consistency and efficiency of future S&DC launches and will engage additional stakeholders to participate in S&DC initiatives. The target implementation date is March 31, 2024.

Regarding recommendation 2, management stated they will address the requirement in the construction

¹⁸ Process through which mail and packages are sorted to routes for delivery.

¹⁹ *Small Delivery Unit Sorter (SDUS) Sort Program Modification Process*, January 3, 2021.

documents to complete restrooms, breakrooms, and locker rooms prior to the opening of S&DCs. If facilities cannot be completed timely, temporary accommodations will be provided to meet all health and safety requirements. The target implementation date is March 31, 2024.

Regarding recommendation 3, management stated the work planned for completion by July 31, 2023, has been completed at all seven facilities, and all safety issues have been addressed. Management recognized there were additional construction activities, including long lead construction items. As a result, a plan will be developed to address outstanding construction and safety issues at all future S&DCs. The target implementation date is June 30, 2024.

Regarding recommendation 4, management will review the transportation of mail to consolidated post offices as well as carrier leave times prior to S&DC implementation. Based on the results, management will adjust P.O. Box up-times and notify customers, as necessary. The target implementation date is March 31, 2024.

Regarding recommendation 5, management did not agree with maintaining documentation to verify that sort programs were updated, loaded, and tested prior to opening new S&DCs. Management stated the Industrial Engineering team already has a process to validate sort programs for SDUS and has used this in the S&DCs. In a subsequent meeting following receipt of management responses, Engineering Systems personnel agreed to maintain documentation to verify sort programs are updated, loaded, and tested prior to opening new S&DCs. In addition, management provided documentation to close this recommendation.

Evaluation of Management's Comments

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

Regarding management's response to recommendation 5, management's written responses disagreed with maintaining documentation to verify sort program validation. Based on the result

of the subsequent meeting, we agree with the Postal Service's plans for documenting sort program validation prior to opening new S&DC. These actions meet the intent of our recommendation, and we consider them responsive to recommendation 5. As a result of the additional documentation provided by the Postal Service, recommendation 5 is closed with the issuance of this report.

Regarding finding 2, the report recognized the Postal Service's efforts to communicate key information with stakeholders, and we appreciate management's response acknowledging that there are opportunities to engage additional stakeholders in future S&DC openings.

Regarding findings 3 and 5, we reviewed management's comments and appreciate the additional insights around the Postal Service's current policies and procedures for S&DCs. The information provided does not change the findings or conflict with the report's analysis and conclusions.

Regarding finding 4, management requested chart 1 be removed because it is confusing. The prior P.O. Box up-time data was unavailable for the Athens S&DC, and therefore, was not included in our analysis. The data in the chart, however, is consistent with what was reported in the findings. The chart's purpose is to report the continued challenges with late P.O. Box up-times at all locations after the S&DCs opened.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

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Appendix A: Additional Information

Scope and Methodology

The objective of this audit was to assess the effectiveness of communications with stakeholders and identify successes, opportunities, and lessons learned during the launch of the Postal Service's new S&DCs. Specifically, we focused on the first six S&DCs and one PDC opened in November 2022 and February 2023.

To accomplish our objective, we:

- Identified and obtained the Postal Service strategy to communicate plans to stakeholders for converting sites to S&DCs.
- Assessed the communications efforts made by the Postal Service with internal and external stakeholders to determine whether communications were sufficient.
- Conducted site visits to observe opening operations in November 2022²⁰ at the Athens, GA, S&DC and Brooklyn, NY, PDC and in February 2023 at the Bryan TX, Gainesville, FL, Panama City, FL, Utica, NY, and Woburn, MA, S&DCs.
- Conducted site visits to select consolidated post offices serviced by the S&DCs.
- Conducted interviews with Postal Service employees and management, unions, management associations, shippers, and high-volume mailers.
- Conducted follow-up site visits in March 2023 to the Athens, GA, S&DC and Brooklyn, NY, PDC to determine progress since their conversion date.
- Obtained and analyzed P.O. Box up-times from February 8 to June 2, 2023, for post offices serviced by the new S&DCs.

We conducted this performance audit from February 2023 through September 2023 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 objectives. We discussed our observations and conclusions with management on August 11, 2023, and included their comments where appropriate.

In planning and conducting the audit, we obtained an understanding of the S&DC internal control structure to help determine the nature, timing, and extent of our audit procedures. We reviewed the management controls for overseeing the program and mitigating associated risks. Additionally, we assessed the internal control components and underlying principles, and we determined that the following two components were significant to our audit objective:

- Information and communication.
- Monitoring.

We developed audit work to ensure that we assessed these controls. Based on the work performed, we identified internal control deficiencies that were significant within the context of our objectives. Our recommendations, if implemented, should correct the weaknesses we identified.

We assessed the reliability of P.O. Box up-time data by performing tests for data completeness, reasonableness, accuracy, and validity. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

The OIG did not identify any prior audits or reviews related to the objective of this audit within the last five years.

²⁰ Initial observations at these two sites were completed during a previous audit, *Service Performance During the Fiscal Year 2023 Peak Mailing Season* (Report Number 23-025-R23) and incorporated into this report.

Appendix B: Tables

Table 1. Summary of Issues

Issues Identified	S&DC						
	Opened 2022		Opened 2023				
	Athens, GA	Brooklyn, NY	Bryan, TX	Gainesville, FL	Panama City, FL	Utica, NY	Woburn, MA
Restrooms, Breakrooms and Locker Rooms Under Construction		✓		✓	✓	✓	✓
Incomplete Construction Projects	✓	✓			✓	✓	✓
Late P.O. Box Up-Times	✓	N/A	✓	✓	✓	✓	✓
Sort program Errors		✓	✓	✓		✓	✓

Source: OIG site observations conducted in November 2022 and February 2023.

Table 2. Percentage of Late P.O. Box Up-Times by Post Office

S&DC	Associate Office	Percentage Late Before S&DC February 14-24, 2023	Percentage Late After S&DC February 25 – June 2, 2023
Athens, GA	Arnoldsville		8.4%
	Colbert		38.6%
	Comer		24.1%
	Crawford		19.5%
	Farmington		42.1%
	High Shoals	*	61.5%
	Hull		27.7%
	Lexington		45.1%
	Stephens		84.3%
	Watkinsville		91.6%
	Winterville		22.9%
Bryan, TX	College Station	50.0%	100.0%
Gainesville, FL	Micanopy	0.0%	95.2%
	Newberry	66.7%	100.0%
Panama City, FL	Lynn Haven	0.0%	55.6%
	Youngtown	0.0%	88.0%
Utica, NY	Frankfort	11.1%	90.4%
	Marcy	11.1%	84.0%
	Newport	0.0%	90.2%
	Oriskany	0.0%	22.0%
	Poland	0.0%	75.9%
	Whitesboro	0.0%	81.9%
	Yorkville	0.0%	96.4%
Woburn, MA	North Reading	0.0%	18.1%
	Wakefield	0.0%	70.7%

Source: OIG analysis of data obtained from USPS Informed Visibility.

*The Athens S&DC opened in November; therefore, we do not have data prior to opening.

**The OIG removed Bishop Post Office from this chart as management informed us the unit's late up-times were not due to the Athens S&DC opening.

Appendix C: Management's Comments



August 31, 2023

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Review of USPS Sorting and Delivery Centers Opened in Quarters 1 and 2 of FY 2023 (23-062-DRAFT)

Thank you for providing the Postal Service with an opportunity to review and comment on the findings and recommendations contained in the draft report – *USPS Sorting and Delivery Centers Opened in Quarters 1 and 2 of FY 2023*.

Management **agrees** with Finding #1: Successes and Lessons Learned at Sorting and Delivery Centers.

Management **partially agrees** with Finding #2: Communication With Stakeholders.

- The manager of Business Alliance communicates the new S&DCs via email 30-days prior to launch. The shippers attend a weekly cadence call with the External Customer Integration (ECI) representatives to discuss operational logistics on the mail drops at the S&DC and spokes sites.
- The Business Mail Entry Unit (BMEU) contacts high-volume mailers through email/phone to inform them about new S&DC rollouts 30 days prior to the launch.
- The Postmaster General provides an overview on the network modernization initiatives and the implementation of S&DCs during the quarterly MTAC meetings. The mailers are extended the opportunity to ask questions and provide feedback.
- The S&DC leadership agrees there is opportunity to engage additional customer-interfacing stakeholders and have included these stakeholders in future communication outreach to mailers who are impacted by the new S&DCs.

Management **partially agrees** with Finding #3: Facility Readiness. Due to the compressed schedule for assessing and scoping the improvements for the seven facilities, most improvements were scheduled for completion after opening.

Management **partially agrees** with Finding #4: Late Post Office Box Up-Times. Chart 1 - Late PO Box Up-Time by Servicing S&DC is confusing and should be removed from the document. It has mixed data for each of the S&DCs. Specifically, Athens is only showing PO Box Up-Times for three months after the opening of the S&DC, while the other S&DCs are reflecting both before and immediately after the opening of the S&DCs.

Management **partially agrees** with Finding #5: Sort programs on Small Delivery Unit Sorters. Four out of five sites were resolved during the first week of operations.

The following are Managements comments on each of the five Recommendations.

Recommendation 1:

We recommend the **Chief Retail and Delivery Officer, Executive Vice President**, develop and implement policy to ensure all future Sorting and Delivery Center plans are consistently and clearly communicated and stakeholders are given the opportunity to report concerns.

Management Response/Action Plan:

Management **agrees** with this recommendation. Management will utilize the project plan to ensure the consistency and efficiency of future S&DC launches. In addition, the S&DC team has engaged additional customer-interfacing stakeholders to participate in the S&DC initiatives.

Target Implementation Date: 03/31/2024

Responsible Official:

Manager, Retail and Delivery Operations

Recommendation 2:

We recommend the **Vice President, Facilities**, develop a plan to ensure restroom, breakroom and locker room construction projects are completed prior to opening Sorting and Delivery Centers, or that there are acceptable alternatives, given the number of employees impacted, and that the alternatives meet all health and safety requirements.

Management Response/Action Plan:

Management **agrees** with this recommendation. Facilities will address the requirement in the construction documents to complete the restrooms, breakroom, and locker rooms prior to the opening of the S&DC. If the locker rooms, restrooms, or breakrooms cannot be completed timely, temporary accommodations will be provided to meet all the health and safety requirements.

Target Implementation Date: 03/31/2024

Responsible Official: Director, Repair & Alterations

Recommendation 3:

We recommend the **Vice President, Facilities**, evaluate whether construction projects related to the seven facilities were completed and develop a plan to address all outstanding construction and safety issues.

Management Response/Action Plan:

Management **agrees** with this recommendation. The work planned for completion by 7/31/23 has been completed at all seven facilities and all safety issues have been addressed. Management recognizes additional construction activities including long lead construction items such as security cameras, access control, fire suppression, parking, electric vehicle infrastructure, etc. A plan will be put in place to address all outstanding construction and safety issues for future S&DCs.

Target Implementation Date: 06/30/2024

Responsible Official: Director, Repair & Alterations

Recommendation 4:

We recommend the **Vice President, Retail and Post Office Operations**, identify the cause of late Post Office Box up-times, and take necessary action to ensure up-times are met. Additionally, develop a plan to mitigate issues with Post Office Box up-times prior to opening future S&DCs.

Management Response/Action Plan:

Management **agrees** with this recommendation. Management will review the transportation of mail to spoke offices prior to S&DC implementation - as well as carrier leave/arrival times. Based on the results, PO Box uptimes will be adjusted accordingly, and customer notification provided as necessary.

Target Implementation Date: 03/31/2024

Responsible Official:

Manager, Post Office Operations - Strategy, Planning and Optimization

Recommendation 5:

We recommend the **Chief Retail and Delivery Officer, Executive Vice President** in conjunction with the **Vice President, Engineering Systems** require documentation be maintained to verify sort programs are updated, loaded, and tested prior to opening new Sorting and Delivery Centers.

Management Response/Action Plan:

Management **disagrees** with this recommendation.

The Industrial Engineering team already has a process to validate sort programs for Small Delivery Unit Sorters and has used this in the SDCs.

Target Implementation Date: N/A

Responsible Official: N/A

E-SIGNED by Joshua.D Colin
on 2023-08-31 14:42:10 CDT

Dr. Joshua D. Colin, PH.D
Chief Retail & Delivery Officer and Executive Vice President

E-SIGNED by Benjamin Kuo
on 2023-08-31 12:36:28 CDT

Benjamin P. Kuo
Vice President, Facilities

E-SIGNED by Elvin Mercado
on 2023-08-31 10:00:42 CDT

Elvin Mercado
Vice President, Retail & Post Office Operations

E-SIGNED by Linda.M Malone
on 2023-08-31 10:39:33 CDT

Linda M. Malone
Vice President, Engineering Systems

*cc: Chief Information Officer
Corporate Audit & Response Management*

OFFICE OF INSPECTOR GENERAL

UNITED STATES



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