



AUDIT REPORT

Manual Letter Processing Operations at the Industry, CA, Processing and Distribution Center

December 23, 2019





December 23, 2019

MEMORANDUM FOR: EDUARDO RUIZ
MANAGER, SANTA ANA DISTRICT

E-Signed by Matthew B. Hartshorn 
VERIFY authenticity with eSign Desktop
Matthew B. Hartshorn

FROM: Matthew B. Hartshorn
Director, Plant Evaluation Team

SUBJECT: Audit Report – Manual Letter Processing Operations at the
Industry, CA, Processing and Distribution Center
(Report Number 20-098-R20)

This report presents the results of our audit of Manual Letter Processing Operations at the Industry, CA, Processing and Distribution Center.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Jeff Giordano, Operations Manager, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit and Response Management
Acting Vice President, Processing and Maintenance Operations
Vice President, Pacific Area Operations

Background

This report presents the results of our self-initiated audit of manual letter processing operations at the Industry Processing and Distribution Center (P&DC) in the City of Industry, CA (Project Number 20-098). We conducted this audit to provide U.S. Postal Service management with timely information on operational risks at the Industry P&DC.

The Industry P&DC is in the Santa Ana District of the Pacific Area. During fiscal year (FY) 2019, it manually processed 1 million letters, 4.4 million flats, and 9 million parcels. Mail is processed manually when its dimensions or address quality prevent it from being processed on mail processing equipment. It is much more cost effective for mail to be processed on mail processing equipment rather than manually. In FY 2019, average productivity¹ for letters processed on mail processing equipment was 7,299 mailpieces per hour while the average productivity for manually processed letters was 1,163 mailpieces per hour.

We selected the Industry P&DC for review based on our analysis of manual letter productivity as measured by the Management Operating Data System (MODS).² The Postal Service uses MODS data to plan workload, forecast workhours and mail volume, track mail processing activities, evaluate the efficiency of facilities, and estimate staffing requirements. In addition to its operational uses, the Postal Service uses MODS workhour data to calculate totals for many of the cost pools³ within the Clerks and Mail Handlers Cost Segment. Postal Service management and the Postal Regulatory Commission rely on accurate and precise product cost estimates to set postal prices and to reliably determine whether revenue for products and mail classes cover attributable costs. The Industry P&DC's FY 2019 manual letter productivity of 104 mailpieces per hour⁴ was significantly lower than the national average productivity of 1,163 mailpieces per hour.

Objective, Scope, and Methodology

Our objective was to assess the manual letter processing operations at the Industry P&DC.

To accomplish our objective, we analyzed manual letter processing productivity metrics for FY 2019. During our November 4-7, 2019 site visit, we interviewed P&DC management and employees, conducted observations of manual letter operations, and analyzed manual letter workhours and volumes. We also reviewed the P&DC's operating plan to ensure it included the correct information for manual letter processing operations.

¹ The Postal Service calculates productivity by dividing total mail volume by total workhours.

² A web-enabled application that provides a systematic approach to gathering, storing, and reporting data on workload, workhours, and machine utilization by operation number and facility type.

³ A cost pool represents the cumulative costs incurred from related activities performed within an organization. Examples of Postal Service cost pools include Manual Priority, Dispatch, and Mail Processing Support.

⁴ Manual Letter Volume of 1,014,555/Manual Letter Workhours of 9,798.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW).⁵ Although we did not test the validity of controls over these systems, we assessed the accuracy of the data by reviewing existing information, comparing data from other sources, observing operations, and interviewing Postal Service officials knowledgeable about the data. Therefore, we determined the data were sufficiently reliable for the purposes of this report.

We conducted this audit from November through December 2019, in accordance with generally accepted government auditing standards. 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 December 3, 2019, and included their comments where appropriate.

Finding #1: Manual Letter Processing Workhours

The Industry P&DC's manual letter processing workhours were overstated, which caused the manual letter productivity to be understated. This occurred because not all work activities of employees working in the manual unit were being included in the productivity calculation. Specifically, manually processed letters received from the Santa Ana P&DC were the only work activity included in the productivity calculation. However, in addition to manually processing these letters, we observed mail processing clerks distribute mail to Post Office (PO) boxes, provide mail to business customers for pickup, take phone calls from customers and provide ancillary services⁶ for the PO Box section. These services were performed for a customer service retail unit attached to the Industry P&DC⁷ with four customer service counters, two automated postal centers, and passport services. According to Postal Service policy⁸, PO Box distribution and ancillary support activities are core customer service activities; therefore, workhours associated with these activities should not be included in mail processing productivity calculations. In addition, customer service personnel could process manual letters received from the Santa Ana P&DC.

Industry P&DC management stated that, in conjunction with Pacific Area personnel, they were considering transitioning manual letter operations from mail processing to customer service supervision. Completing this transition would help ensure the work activities are performed by trained customer service clerks and are properly measured.

⁵ A repository intended for all data and the central source for information on retail, financial, and operational performance. Mission-critical information comes to EDW from transactions that occur across the mail delivery system, points-of-sale, and other sources.

⁶ Ancillary services include receiving payments for PO Boxes and opening, closing, and suspending PO Box accounts.

⁷ The retail unit is supervised by personnel from the Alhambra, CA PO.

⁸ *Function 4 Guidebook Post Office Operations*, dated February 2014.

According to Postal Service policy,⁹ field office and mail processing facility managers are responsible for ensuring data integrity, including accurate recording of workhours and mail volume in the proper operation number. Additionally, management is responsible for correcting data reporting errors. The Industry P&DC's FY 2019 manual letter productivity of 104 mailpieces per hour¹⁰ was significantly lower than the national average productivity of 1,163 mailpieces per hour. When employees do not attribute workhours to the correct work function, the Postal Service cannot accurately track mail processing activities, estimate staffing requirements, and evaluate productivity to identify opportunities to reduce workhours and costs. In addition, persistent errors in MODS data, if significant, would cause the Postal Service to improperly allocate costs to cost pools and postal products.

Recommendation #1: We recommend the **District Manager, Santa Ana District**, instruct Industry Processing and Distribution Center management to coordinate with Pacific Area personnel to transition the manual letter processing activities to customer service personnel.

Finding #2: Operating Plan

We found that the P&DC's operating plan did not reflect current mail processing operations. Specifically, the operating plan, which was dated August 2016, did not list start, end, critical entry,¹¹ and clearance times¹² for the manual letters processing operation. P&DC management said they were aware the operating plan was not current and had begun updating it prior to our visit. Postal Service policy requires accurate operating plans to assist management in the scheduling, processing, and delivery of mail. Operating plans are organized collections of operations, mail classes, automation, mechanization, average daily volumes, and target times which, when considered in total, reflect the operational structure, strategy, processing goals, and customer commitments of a postal facility. From a larger perspective, all network and logistics planning for the facility are based on a facility's critical entry clearance and critical entry times reflected in the operating plan.¹³ Failure to maintain an updated operating plan can adversely impact employee and transportation scheduling and overall mail processing efficiency and service.

We previously identified issues with P&DCs not having operating plans that reflect current mail processing operations.¹⁴ Because we are continuing to find similar issues in our current audits, we are planning to conduct future nationwide audit work to determine

⁹ Handbook M-32, *Management Operating Data Systems*, dated September 2018.

¹⁰ Manual Letter Volume of 1,014,555 / Manual Letter Workhours of 9,798.

¹¹ Critical Entry Time (CET) is the latest time committed mail can be received in an operation and still be processed before clearance time. CET impacts staffing, sort programs, service, and mailflows.

¹² Clearance time is the latest time committed mail can clear an operation for proper dispatch or delivery.

¹³ *Mail Processing Operating Plan System User Guide*, dated May 19, 2009.

¹⁴ For example, see *Delayed Mail Reporting in the Great Lakes Area* (Report Number [NO-AR-18-005](#), dated May 17, 2018), *Timeliness of First-Class Mail Flats* (Report Number [NO-AR-17-001](#), dated October 6, 2016), and *Continuous Improvement of Mail Processing Operations* (Report Number [NO-AR-16-012](#), dated September 29, 2016).

the impact of P&DCs having outdated operating plans and whether there are more efficient tools which can be utilized for network and logistics planning.

Recommendation #2: We recommend the **District Manager, Santa Ana District**, instruct Industry Processing and Distribution Center (P&DC) management to ensure the P&DC's operating plan is updated to reflect current mail processing operations.

Management's Comments

Management agreed with the report's findings and recommendations.

Regarding recommendation 1, management stated that they agree with transitioning manual letter processing activities to customer service personnel and have started the process. The target implementation date is April 30, 2020.

Regarding recommendation 2, management stated that they have completed updating the operating plan to reflect current mail processing operations and Pacific Area personnel have approved it. The target implementation date was originally December 31, 2019, but management provided a copy of the completed and approved plan and requested closure of the recommendation.

See [Appendix A](#) for management's comments in their entirety.

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendations and planned actions should resolve the issues identified in the report.

Regarding recommendation 2, we verified the P&DC's operating plan was updated and approved by Pacific Area personnel.

All recommendations require OIG concurrence before closure. The OIG requests written confirmation when corrective actions are completed. Recommendation 1 should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed. Based on the information provided by Postal Service management, we consider recommendation 2 closed with the issuance of this report.

Appendix A. Management's Comments

DISTRICT MANAGER
SANTA ANA DISTRICT



December 19, 2019

LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Manual Letter Processing Operations at the Industry, CA, Processing
and Distribution Center (Project Number 20-098-DRAFT)

Recommendation #1: We recommend the District Manager, Santa Ana District, instruct Industry Processing and Distribution Center (P&DC) management to coordinate with Pacific Area personnel to transition the manual letter processing activities to customer service personnel.

Management Response/Action Plan:

We are in agreement with the recommendation to transition the Industry P&DC manual letter processing activities to customer service personnel. We have started the process to implement this recommendation in accordance with USPS regulations, including our Collective Bargaining Agreement(s).

Target Implementation Date:

April 30, 2020

Responsible Official: Manager, Santa Ana District

Recommendation #2: We recommend the District Manager, Santa Ana District, instruct Industry P&DC management to ensure the P&DC's operating plan is updated to reflect current mail processing operations.

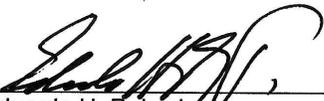
Management Response/Action Plan:

We are in agreement with the recommendation to update the Industry P&DC's operating plan to reflect current mail processing operations. To this end, an updated operating plan has been developed and approved by the Pacific Area. Going forward the Industry P&DC will use the new operating plan to enable efficient mail processing operations.

Target Implementation Date:

December 31, 2019

Responsible Official: Manager, Santa Ana District



Eduardo H. Ruiz, Jr.
Manager, Santa Ana District

cc: Acting Vice President, Processing and Maintenance Operations
Vice President, Pacific Area Operations
Manager, Corporate Audit and Response Management