

Office of Inspector General | United States Postal Service

## Audit Report

# Delayed Mail at the Phoenix, AZ, Processing and Distribution Center

Report Number 21-114-R21 | May 12, 2021



# Table of Contents

- Cover
- Transmittal Letter ..... 1
- Results..... 2
  - Background..... 2
  - Objective, Scope, and Methodology..... 3
  - Finding #1: Delayed Inventory Reported in Mail Condition Visualization..... 4
    - Sort Plans ..... 4
    - Clearance Times..... 5
    - Recommendation #1..... 5
    - Recommendation #2..... 5
    - Recommendation #3..... 5
  - Other Matters ..... 5
  - Management’s Comments..... 6
  - Evaluation of Management’s Comments ..... 6
- Appendix A: Management’s Comments..... 7
- Contact Information ..... 9

# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

May 12, 2021

**MEMORANDUM FOR:** FELIPE FLORES  
WESTERN DIVISION DIRECTOR,  
PROCESSING OPERATIONS

A handwritten signature in black ink, appearing to read "Adam Bieda", is positioned below the recipient information.

**FROM:** Adam Bieda  
Director, Plant Evaluation Team

**SUBJECT:** Audit Report – Delayed Mail at the Phoenix, AZ, Processing  
and Distribution Center (Report Number 21-114-R21)

This report presents the results of our audit of Delayed Mail at the Phoenix, AZ, 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  
Chief Logistics and Processing Operations Officer and Executive Vice President  
Vice President, Processing and Maintenance Operations  
Vice President, Western Regional Processing Operations  
Corporate Audit and Response Management

# Results

## Background

The U.S. Postal Service considers mail to be delayed when it is not processed in time to meet the established delivery day. Delayed mail can adversely affect U.S. Postal Service customers and harm the organization's brand.

The Postal Service launched the Mail Condition Visualization (MCV) system in January 2019. The application's intent is to provide near real-time visibility of a facility's on-hand volume, delayed inventory volume, delayed dispatch volume,<sup>1</sup> and oldest mail date by mail category and processing operation. MCV receives data from handheld devices used in mail processing operations, Surface Visibility<sup>2</sup> scans, and mailer documentation. The MCV application calculates delayed mail inventory daily by determining the number of mailpieces that have not received their next expected processing operation scan by 6:59 a.m. for destinating final processing operations and by 6:00 a.m. for all other operations.

Two important processing operations are the Managed Mail Program and Delivery Point Sequence (DPS). Mail originating from one mail processing facility that requires additional processing at a destinating facility before delivery is part of the Managed Mail Program. Once managed mail is processed, it is prepared for DPS, which is an automated process of sorting mail into delivery order by carrier routes. DPS requires sorting the mail twice, with the first pass used to scan the addresses and the second pass to sort the mail to the sector, segment, or carrier walk sequence.

We analyzed delayed inventory volumes from mail processing facilities nationwide as reported in MCV and found the Phoenix, AZ, Processing and Distribution Center (P&DC) ranked as the second highest for both delayed inventory and processed<sup>3</sup> volume from January 1, 2020, to January 31, 2021 (see Table 1).

**Table 1. Facilities with the Most Delayed Mail**

| Facility Name                | Delayed Inventory    | Processed Volume     |
|------------------------------|----------------------|----------------------|
| North Houston, TX, P&DC      | 3,948,114,992        | 6,678,976,727        |
| <b>Phoenix, AZ, P&amp;DC</b> | <b>2,804,953,269</b> | <b>6,651,306,074</b> |
| Santa Ana, CA, P&DC          | 2,446,085,327        | 5,307,846,783        |
| Sacramento, CA, P&DC         | 2,410,094,935        | 4,983,886,697        |
| Michigan Metroplex, MI, P&DC | 2,301,281,871        | 4,043,613,609        |

Source: MCV and Web Management Operating Data System.<sup>4</sup>

Specifically, we reviewed operations at the Phoenix P&DC from January 1, 2020, to January 31, 2021, and found DPS totaled about 2.6 billion mailpieces (or 91.55 percent) and managed mail totaled over 141.1 million mailpieces (or 5.03 percent) of delayed inventory. See Table 2 for delayed inventory by operation at the Phoenix P&DC.

<sup>1</sup> Occurs when containers (of mail) are not loaded on the last available mode of transportation to its destination to meet intended delivery day.

<sup>2</sup> A concept using barcode technology that allows the tracing of barcoded mail as it passes through the postal system in real time by the piece, container or trailer.

<sup>3</sup> The total volume of the first handling pieces and subsequent handling pieces for manual operations. For machine operations, total pieces handled is total pieces fed (minus any reworks or rejects).

<sup>4</sup> An application used to gather, store, and report data on workload, workhours, and machine utilization.

**Table 2. Delayed Mail by Operation at the Phoenix P&DC**

| Type of Operation    | Processing Operation                  | Delayed Inventory    | Percentage of Total Delayed Inventory |
|----------------------|---------------------------------------|----------------------|---------------------------------------|
| DPS                  | Marketing Letter (first pass)         | 738,506,380          | 26.33%                                |
| DPS                  | Marketing Letter (second pass)        | 732,665,674          | 26.12%                                |
| DPS                  | First-Class Letter (second pass)      | 711,160,528          | 25.35%                                |
| DPS                  | First-Class Letter (first pass)       | 385,486,762          | 13.74%                                |
| Outgoing Primary     | First-Class Outgoing Primary Letter   | 94,947,547           | 3.39%                                 |
| Managed Mail Program | First-Class Incoming Primary Letter   | 68,511,564           | 2.44%                                 |
| Managed Mail Program | Marketing Incoming Primary Letter     | 41,885,476           | 1.49%                                 |
| Managed Mail Program | First-Class Box Letter                | 23,266,126           | 0.83%                                 |
| Managed Mail Program | Marketing Incoming Secondary Letter   | 4,632,207            | 0.17%                                 |
| Managed Mail Program | First-Class Incoming Secondary Letter | 2,797,782            | 0.10%                                 |
| Other Operations     | Miscellaneous Operations              | 1,093,223            | 0.04%                                 |
| <b>Total</b>         |                                       | <b>2,804,953,269</b> | <b>100.00%</b>                        |

Source: MCV.

A portion of the audit scope and our site observations occurred during the novel coronavirus (COVID-19) pandemic. The Postal Service experienced decreased employee availability and increased package volume during this time, which impacted operations nationwide.

### Objective, Scope, and Methodology

Our objective was to determine the cause of delayed mail at the Phoenix, AZ, P&DC.

We analyzed delayed mail data in MCV from January 1, 2020, to January 31, 2021. We interviewed Phoenix P&DC management and observed mail processing and dock operations from March 1 – 4, 2021. Additionally, we analyzed machine utilization using Run Plan Generator reports,<sup>5</sup> determined mail clearance times using Web End-of-Run<sup>6</sup> reports and Surface Visibility scans, and calculated volume processed using data from the Web Management Operating Data System. Furthermore, we reviewed the Service Analysis and Assessment dashboard to identify the operational clearance performance for the Phoenix P&DC compared to national targets and trends.

We assessed the reliability of data from these systems by interviewing agency officials knowledgeable about the data and reviewing related documentation. We determined that the data used were sufficiently reliable for the purposes of this report.

We conducted this audit from March through May 2021, 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 April 29, 2021 and included their comments where appropriate.

<sup>5</sup> An application mail processing facilities use to plan machine utilization based on volume, clearance times, and other criteria.

<sup>6</sup> An application used in collecting operational data from automated and mechanized mail processing equipment.

## Finding #1: Delayed Inventory Reported in Mail Condition Visualization

From January 1, 2020, to January 31, 2021, the MCV application reported over 2.8 billion pieces of delayed inventory at the Phoenix P&DC. However, management was unable to determine the causes of delayed inventory reported in the MCV application because they did not know how it was calculated. Management tried to reconcile the differences between the delayed inventory reported in the MCV application and their physical observations of delayed mail at the facility, but was unable to do so because delayed inventory reported in MCV may include more than just delayed mailpieces that remain on hand at the facility.

We also were unable to determine all of the causes for the delayed mail reported in MCV because detailed scan information, such as the operation where the delay occurred, is only available for one operational day. However, delayed inventory can occur as a result of using sort plans that do not run the last expected processing operation<sup>7</sup> and/or bypass mail processing operations. Additionally, mail is reported as delayed inventory in the MCV application when mailpieces are not being processed timely.

### Sort Plans

The MCV application expects mail to be processed in accordance with a designed mail flow. If a facility does not process mail as expected, the MCV application will categorize the mail as delayed inventory. At the Phoenix P&DC, management processes mail for specific facilities on an incoming primary operation<sup>8</sup> (operation number 894) that is not recognized by MCV as being a last processing operation. Even though the Phoenix P&DC uses this operation number to process this mail to its final destination, the MCV application expects additional processing operation scans to occur. Specifically, MCV is expecting first and second pass DPS operation scans. When those operations don't occur, the mail is recorded in MCV as delayed inventory for up to five days (see Figure 1).

<sup>7</sup> The last expected mail processing operation before delivery of the mailpiece.  
<sup>8</sup> The first sorting operation for incoming mail.

Figure 1. Mail Flow at the Phoenix P&DC



Source: Handbook F-95, *Statistical Programs Management Guide*, dated September 2020, and mail flow observed during the U.S. Postal Service Office of Inspector General (OIG) visits to the Phoenix P&DC, March 1 – 4, 2021.

## Clearance Times

From January 1, 2020, to January 31, 2021, the Phoenix P&DC was clearing its managed mail, on average, 88.4 percent of the time, which was below the 95 percent target. However, the Phoenix P&DC did surpass the 95 percent target for clearing DPS on-time and cleared DPS, on average, 97.1 percent of the time (see Table 3).

**Table 3. Clearance Time Performance from January 2020 to January 2021**

| Metric                        | Target | National Average | Phoenix P&DC |
|-------------------------------|--------|------------------|--------------|
| Managed Mail Cleared by 15:00 | 95.0%  | 88.2%            | 88.4%        |
| DPS Cleared by 05:00          | 95.0%  | 96.7%            | 97.1%        |

Source: Service Analysis and Assessment 24-hour Clock Key Indicators Report.

While we did not identify any issues with mail being cleared on-time during our site visit from March 1 – 4, 2021, we were unable to determine if the next expected processing operation scan occurred on-time<sup>9</sup> during our scope period because the detailed delayed inventory is only available for one operational day. Phoenix P&DC management was also unaware the MCV application records delayed inventory for up to five days, which inflates the daily delayed volumes for processing operations.

Phoenix P&DC management was unaware that failing to follow the designed mail flow caused mail to be reported as delayed inventory in the MCV application. Since they did not observe any delayed mail on the floor, they believed there were no issues. However, Postal Service Headquarters management stated they did not review MCV data for delayed mail day-to-day operations at individual facilities, but rather expected it to be reviewed at the division levels. When employees do not follow processes, there is greater risk that mail could be delayed, which

<sup>9</sup> By 6:59 a.m. for destinating final processing operations and by 6:00 a.m. for all other operations.

<sup>10</sup> Mailpieces that receive a processing operation scan and its Predicted Delivery Date is earlier than its Expected Delivery Date.

<sup>11</sup> Latest time that mail is planned to complete operations if that mail is to make proper, planned dispatch for delivery.

could adversely affect Postal Service customers, harm the brand, send mailers to competitors, or cause the Postal Service to lose revenue.

Since Phoenix P&DC management was unable to accurately determine the actual amount of delayed mail and could not identify causes of delayed inventory in the MCV application, they did not rely on the data to measure their performance and make operational decisions. Data integrity becomes an issue when management is unable to accurately determine the actual amount of delayed mail or rely on MCV data to make operational decisions. We will be conducting future audit work to determine the use and purpose of the MCV application and gauge its usefulness to Postal Service management.

### Recommendation #1

We recommend the **Western Division Director, Processing Operations**, require plant management to follow designed mail flows and use appropriate sort plans to ensure accurate reporting of delayed mail.

### Recommendation #2

We recommend the **Western Division Director, Processing Operations**, develop a plan to assist plant management with evaluating expected processing operation scans to determine if mail is not processed timely and causing the Mail Condition Visualization application to report the mail as delayed inventory.

### Recommendation #3

We recommend the **Western Division Director, Processing Operations**, develop a plan to assist plant management with understanding how delayed inventory is calculated and how to analyze the Mail Condition Visualization data to identify causes for delayed inventory.

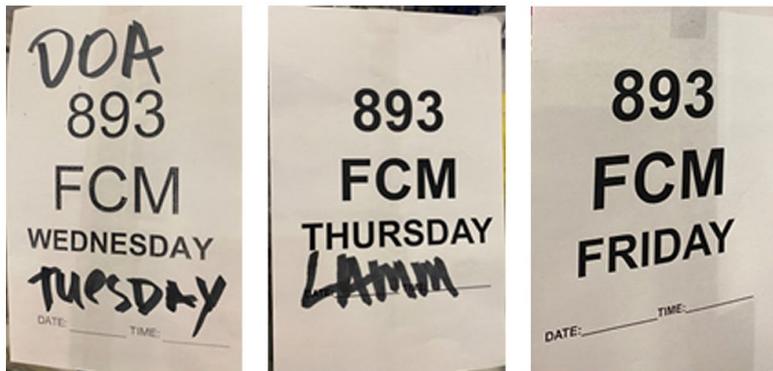
## Other Matters

During our site visit at the Phoenix P&DC from March 1 – 4, 2021, we observed that management did not have a system to segregate managed mail based on its intended delivery date. The facility was co-mingling advanced,<sup>10</sup> committed,<sup>11</sup>

and late arriving<sup>12</sup> mail in the same containers to be taken to the machines for processing. This may result in some advanced mail being processed on sort plans that bypass operations and are recorded as delayed inventory in the MCV application.

We discussed our observations with Phoenix P&DC management on March 2, 2021, and they took corrective action by establishing containers to separate advanced, committed, and late arriving managed mail. See Figure 2 for pictures of the placards management put on containers to separate late arriving, committed, and advanced mail.

**Figure 2. Placards Reflecting Segregation of Managed Mail**



Source: OIG observation at Phoenix P&DC on Wednesday, March 3, 2021.

This action enables the facility to process mail according to its intended delivery standard and ensure advanced mail is processed on the correct operations. In addition, this expedites the processing of late arriving mail to meet service standards. Since management took corrective action, we are not making a recommendation on this issue.

## Management's Comments

Management agreed with the findings and recommendations in the report. The target implementation date provided in official comments for all three recommendations was May 7, 2021; however, we received an updated date from management as noted below.

Regarding recommendation 1, management stated they will provide guidance to plant management on the designed mail flows and appropriate sort programs to be used based on information found in the MCV Information Deck. The updated target implementation date is May 31, 2021.

Regarding recommendation 2, management stated that they will provide guidance to plant management on how to analyze MCV data to evaluate expected processing operation scans and determine what is causing the MCV application to report mail as delayed inventory. The updated target implementation date is May 31, 2021.

Regarding recommendation 3, management stated that they will provide instruction to plant management on how delayed inventory is calculated, using information obtained from the MCV Information Deck as a guide. The updated target implementation date is May 31, 2021.

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

## Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations in the report.

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.

<sup>12</sup> Mail that is received after Critical Entry Time.

# Appendix A: Management's Comments



May 6, 2021

JOSEPH E. WOLSKI  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Response to Draft Audit Report – Delayed Mail at the Phoenix, AZ,  
Processing and Distribution Center (Project Number 21-114)

Thank you for the opportunity to respond to the Office of Inspector General (OIG) audit of “Delayed Mail at the Phoenix, AZ, Processing and Distribution Center”.

Management agrees with the findings noted in the audit report.

Management does agree with the recommendations as outlined in the audit per the responses below.

**Recommendation #1**

We recommend the Western Division Director, Processing Operations, require plant management to follow designed mail flows and use appropriate sort plans to ensure accurate reporting of delayed mail.

**Management Response/Action Plan**

Management agrees with this recommendation and will address this opportunity by providing guidance on the designed mail flows and appropriate sort programs. Management will provide the site with the MCV Information Deck as reference. To request closure of this recommendation, copies of recent meeting summaries to discuss delayed mail will be provided.

**Target Implementation Date**

May 7, 2021

**Responsible Official**

Western Division Director, Processing Operations

**Recommendation #2**

We recommend the Western Division Director, Processing Operations, develop a plan to assist plant management with evaluating expected processing operation scans to determine if mail is not processed timely and causing the Mail Condition Visualization application to report the mail as delayed inventory.

**Management Response/Action Plan**

Management agrees with this recommendation and will address this opportunity by providing guidance on how to analyze MCV CSV data to evaluate expected processing operation scans and determine what is causing the MCV application to report the mail as delayed inventory. To request closure of this recommendation, copies of recent meeting summaries to discuss delayed mail will be provided.

**Target Implementation Date**

May 7, 2021

**Responsible Official**

Western Division Director, Processing Operations

**Recommendation #3**

We recommend the Western Division Director, Processing Operations, develop a plan to assist plant management with understanding how delayed inventory is calculated and how to analyze the Mail Condition Visualization data to identify causes for delayed inventory.

**Management Response/Action Plan**

Management agrees with this recommendation and will address this opportunity by providing instruction on how delayed inventory is calculated, using the MCV Information Deck as a guide. To request closure of this recommendation, copies of recent meeting summaries to discuss delayed mail will be provided.

**Target Implementation Date**

May 7, 2021

**Responsible Official**

Western Division Director, Processing Operations

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Felipe Flores Jr  
Senior Division Director  
Processing Operations  
Western Division

cc: Manager, Corporate Audit & Response Management

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