



January 29, 2009

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SUBJECT: Audit Report – Timeliness of Mail Processing at the San Juan Processing and Distribution Center (Report Number NO-AR-09-002)

This report presents the results of our audit focusing on the timeliness of mail processing at the San Juan Processing and Distribution Center (P&DC), located in the Caribbean District, New York Metro Area (Project Number 08XG031NO000). The report responds to a Congressional inquiry regarding concerns about mail service for the U.S. Virgin Islands (USVI). Our objective was to determine if the San Juan P&DC timely processed mail for the USVI. This audit addresses operational risk. See [Appendix A](#) for additional information about this audit.

Conclusion

While there was some decrease in delayed mail during fiscal year (FY) 2008, the San Juan P&DC¹ experienced periods of high delayed mail volumes during FYs 2006 and 2007. Difficulties in timely processing the mail led to mail delays, service declines, and customer complaints. First-Class Mail® (FCM) and Periodicals delays were the largest contributors to the overall increase in delayed mail during those 2 years. Compared to other similarly sized sites, the San Juan P&DC had the largest amount of delayed Periodicals and the second largest amount of FCM. However, our review found that as of Quarter 3, FY 2008, the San Juan P&DC was able to decrease delayed mail by 53 percent.

Opportunities to improve the timely processing and tracking of mail include re-configuring the Universal Sorter Machine to minimize damage to parcels, reducing or eliminating misdirected mail, improving mail throughput on machines, processing local mail at the USVI, accurately identifying and reporting delayed mail, and improving

¹ In this report, references to the San Juan P&DC include both the San Juan P&DC and the Detached Mail Distribution Unit (DMDU). The DMDU is an annex of the San Juan P&DC.

coordination with U.S. Customs. During the audit, management began to take corrective actions in a number of areas.

Delayed Mail Trends and Site Comparisons

While some delayed mail has decreased, in recent years the San Juan P&DC has experienced periods of high delayed mail volumes. The total amount of delayed mail increased from 6 million pieces in FY 2005 to 24 million in FY 2006, and to 28 million in FY 2007. As of Quarter 3, FY 2008, delayed mail totaled 13 million pieces for the year.

Delays in FCM and Periodicals caused the majority of the increases in delayed mail, with FCM delays increasing nearly 59 percent and Periodicals delays increasing by over 71 percent. However, improvements were made during the first three quarters of FY 2008; specifically, delayed FCM decreased by 90 percent from Quarter 1 to Quarter 3 and delayed Periodicals decreased by 63 percent. Over the same period, the San Juan P&DC also experienced an 88 percent decrease in delayed Priority Mail®. See [Appendix B](#) for our detailed analysis of this topic.

We compared the amount of delayed mail in the San Juan P&DC to similarly sized Group 4 sites.² From FYs 2006 to 2007, similarly sized sites decreased delayed mail by 15 percent while delayed mail for the San Juan P&DC increased nearly 16 percent. This delayed mail represented over 6 percent of the San Juan P&DC's total volume for FY 2007.

Specifically, compared to the 53 similarly sized sites by mail class in FY 2007, the San Juan P&DC:

- Was the lowest performer in processing Periodicals.
- Was the second lowest performer in processing FCM.
- Ranked 49th in processing Priority Mail.
- Ranked 42nd in processing Standard Mail®.
- Ranked 48th in having the most delayed mail.

See [Appendix C](#) for our detailed analysis of this topic.

Machine Capacity

The San Juan P&DC generally had sufficient machine capacity but could better use it to process its mail in a timely manner.

- Automated Flat Sorting Machine 100 (AFSM 100) summary reports and End-Of-Run (EOR) data indicated ample machine availability existed to process the mail.

² The San Juan P&DC is a Group 4 processing plant. There are a total of 53 plants considered to be Group 4s based on the volume of mail processed.

However, productivity was below the national average and machine use was only 54 percent of goal. Increasing machine use to 80 percent of goal would ensure timely processing of all flat mail,³ including the delayed flats.

- Employees used the Small Parcel Bundle Sorter (SPBS) 99 percent of the time when in operation mode and operated at a productivity rate higher than the national average. However, it only operated at 67 percent of goal. Using existing staff and increasing the hours of operation on Mondays and Fridays when the barges arrive with mail would allow the facility to realize a 40 percent decrease in Periodicals delays. During our audit, area and district management agreed to conduct a Mail Arrival Profile to determine proper staffing and scheduling levels for this mail processing equipment.

See [Appendix D](#) for our detailed analysis on this topic.

Other Efficiency Opportunities

- Damaged Mail - The Universal Sorter Machine damaged some oversized parcels and Priority Mail, which resulted in untimely processing. The sharp turns and drop offs as mail moved on the machine caused the damage. Before further processing could take place, this mail had to be repaired or the contents manually repackaged. We observed a backlog of mail waiting for repair, contributing to mail delays. Additionally, during the repair process, customers were not notified as to why their mail was damaged or delayed, though prior to the conclusion of our audit, management began to provide such notification. See [Appendix E](#) for additional information and photographs related to this topic.
- Misdirected Mail - Misdirected mail contributed to mail delays. Parcels and Periodicals processed at the DMDU were barged to the USVI once a week. Under the best circumstances, mail misdirected to either St. Thomas or St. Croix could then wait an additional 7 days to be redirected to the correct island because of transportation constraints. If employees did not timely unload the misdirected mail or promptly catch the mislabeling, the delay could be 14 days or longer.

We observed a container of parcels and Periodicals addressed to St. Croix which was mislabeled and sent to St. Thomas. Since no direct transportation exists between these islands, this mail was returned to the San Juan DMDU by barge for redirection back to St. Croix, also by barge. See [Appendix F](#) for additional information and photographs related to this topic.

³ Any mailpiece not categorized as a card or letter with a minimum length of 11 1/2 inches and height of 6 1/8 inches that does not exceed a thickness of 3/4 of an inch.

- Local Mail - Opportunities existed to improve the timely processing and efficiency of local letter mail by allowing employees to process it solely on the USVI. All letter mail originating in the USVI⁴ is processed at the San Juan P&DC in order to go through the Biohazard Detection System (BDS).⁵ This local letter mail is transported by air, the most expensive mode of transportation. This procedure increases handling and eliminates the local postmark. If, after considering all the potential risks, the Postal Service waived the BDS requirement, this limited amount of mail (approximately 3,300 pieces per day) could remain in the USVI for processing.

We benchmarked the U.S. Territories of Guam and American Samoa and found that they cancel their own local letter mail without the benefit of BDS. See [Appendix G](#) for further information on this topic.

Human Resource Capacity

The San Juan P&DC had more than enough employees to process its workload. In FY 2008, the San Juan P&DC ranked 41st largest in first handling pieces (FHP) volume but 4th highest in workhours among similarly sized sites. This comparison showed the San Juan P&DC used more workhours than necessary to process its workload. We also found that in terms of FHP productivity, the San Juan P&DC ranked 51st out of 52 similarly sized sites in FY 2008. The San Juan P&DC productivity rate was 575 pieces per hour (PPH) compared to an average of 965 PPH for similarly sized sites. In order to achieve the average FY 2008 productivity rate of 965 PPH, the San Juan P&DC would need to reduce workhours by 348,540, or the equivalent of 199 employees.

Internal Controls

Opportunities existed for the San Juan P&DC to improve internal controls over identifying and reporting delayed mail. Providing managers with accurate information on delayed mail will allow them to make appropriate mail processing decisions and ensure mail is processed timely.

Specifically, employees:

- Did not correctly record some delayed mail in the Web Mail Condition Reporting System (WebMCRS). For example, mail was not cleared from the manual letter cases in time for dispatch and was not recorded as delayed.
- Did not count co-mingled containers of Periodicals and Standard Mail as delayed.

⁴ Even local letter mail sent from one address to another address on the same island was sent to the San Juan P&DC for cancellation and then returned back to the USVI the following day for delivery.

⁵ A special set of equipment that acts as an early warning system for the detection of biohazards within the P&DC environment.

- Counted in pounds, rather than pieces, making it necessary to estimate mail inventory and more difficult to make accurate daily mail processing decisions at the San Juan P&DC.
- Did not consistently color-code arriving mail or date and time-stamp it upon arrival.
- Did not enter mail that arrived at the facility past the intended date of delivery into the WebMCRS Report as late arriving volume.

See [Appendix H](#) for our detailed analysis on this topic.

U.S. Customs⁶

Opportunities existed to improve procedures for tracking mail held in U.S. Customs. Although San Juan used its Military International Dispatch Accountability System⁷ to track Registered and Express Mail® as they were processed through U.S. Customs, it did not track other types of mail. As a result, the San Juan P&DC could not readily account for all mail held by U.S. Customs. However, U.S. Customs officials in San Juan maintain a hand-written log of every package they hold for further processing. This information could assist the Postal Service in tracking this mail and ensuring it is not further delayed once it re-enters the mail stream.

When we brought this issue to their attention, Postal Service officials took action to increase communications with U.S. Customs officials on mail they detain and hold for inspection and collection of duties. As a result, the Postal Service will receive a copy of the U.S. Customs log on a regular basis.

Criteria

The President's Commission on the United States Postal Service report, dated July 31, 2003, states that the mission of the Postal Service is

. . . to provide high-quality, essential postal services to all persons and communities by the most cost-effective and efficient means possible at affordable and, where appropriate, uniform rates.

⁶ U.S. Customs and Border Protection within the Department of Homeland Security is responsible for keeping America's borders safe and secure. One of their duties is facilitating the flow of legitimate trade and travel.

⁷ The computerized system dispatches assignments, selects routes, and receives international mail.

Title 39, U.S.C., Part 1, Chapter 4, § 403, states:

The Postal Service shall plan, develop, promote, and provide adequate and efficient postal services at fair and reasonable rates and fees.

Causes

We identified several factors that adversely affected the San Juan P&DC's ability to process mail timely.

Specifically, the Postal Service did not:

- Optimize SPBS and AFSM use at peak volume periods.
- Ensure proper design of the feed system on the Universal Sorter Machine.
- Maintain accountability over dispatch operations.
- Consider processing local mail at the respective islands.
- Train personnel on properly identifying delayed mail and recording mail volumes as outlined in the *WebMCRS Training Guide*.

Effect

Mail delays resulted in increased customer complaints and negative media attention and had the potential to impact customer service. For example, the number of complaints received for the first three quarters of FY 2008 for the Caribbean District was 10 percent higher than the total complaints received in FY 2007. Complaints on mail issues represented 85 percent of the complaints for FY 2008. There were several media articles from 2006 to 2008 chronicling poor customer service in the USVI. Delayed mail has also the potential to negatively impact service scores once the USVI is measured by the External First-Class Measurement System.⁸

To improve timely processing of mail for the U.S. Virgin Islands, we recommend the District Manager, Caribbean District:

1. Monitor delayed mail on a daily basis and develop action plans, if necessary, to ensure timely processing of mail for the U.S. Virgin Islands.
2. Develop and submit a request to modify the Universal Sorter Machine to reduce damaged mail.
3. Assign accountability to ensure that dispatches to the islands are accurate and expedite turn-around time of any mail that is sent to the wrong island.

⁸ An independent system that measures FCM performance from the time mail enters the mailstream until it is delivered. Future plans call for service measurements from every ZIP Code®.

4. Increase the Small Parcel Bundle Sorter's and Automated Flat Sorter Machine's window of operation during peak volume periods.
5. Ensure employees are properly trained to identify delayed mail and ensure that all mail is accurately reported on Web Mail Condition Reporting System.

To improve timely processing of mail for the U.S. Virgin Islands, we recommend the Vice President, New York Metro Area Operations:

6. Consider and weigh the benefits of service over risks to allow the U.S. Virgin Islands to keep and cancel local letter mail as is done in other U.S. Territories.

Management's Comments

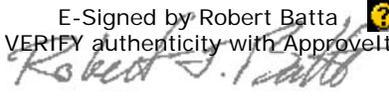
Management agreed with the findings and recommendations in the report and will complete all actions by the end of FY 2009. Management strengthened processes and developed action plans to monitor mail and reduce delayed mail. Management modified the Universal Sorter Machine to minimize parcel damage and implemented around-the-clock parcel repair to improve reentry into the mailstream. Management implemented a process to monitor and account for mail transported between the USVI and the San Juan P&DC and assigned accountability to ensure timely and accurate dispatching. Management also adjusted staffing and expanded the operational window of the SPBS by 3 hours to coordinate with surge volumes when barges arrive, and they conducted training on color coding and the WebMCRS. Additionally, management considered whether to allow the USVI to keep and cancel local letter mail, and as a result will conduct a feasibility study to determine whether it is cost-effective to deploy BDS equipment in the USVI. See [Appendix I](#) 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 the corrective actions should resolve the issues identified in the report.

The OIG considers recommendation 1 significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. This recommendation 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.

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

E-Signed by Robert Batta 
VERIFY authenticity with ApproveIt


Robert J. Batta
Deputy Assistant Inspector General
for Mission Operations

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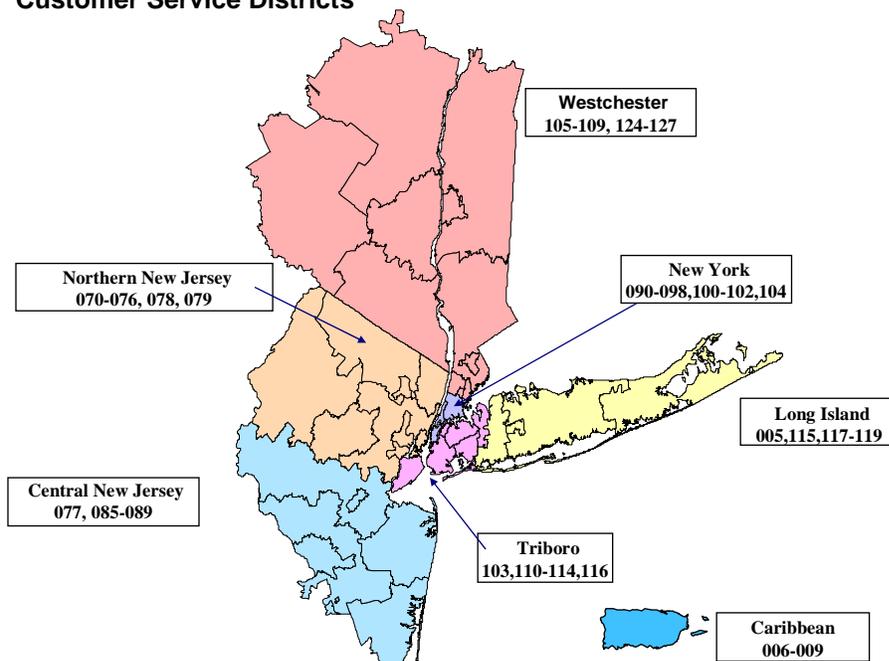
APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

The U.S. Territories of Puerto Rico and the USVI are located in the Caribbean District in the New York Metro Area. The Caribbean district is serviced by ZIP Codes 006, 007, and 009, while the three USVIs are serviced by ZIP Code 008. The map below shows the New York Metro Area districts by three-digit ZIP Code.

NEW YORK METRO AREA

Customer Service Districts



The San Juan, Puerto Rico P&DC, DMDU, and the Air Mail Facility (AMF) process and distribute mail to and from the USVI.

The San Juan P&DC is a multi-level facility that opened in 1966 and has an area of over 343,149 total square feet with 211,830 square feet of interior space. This facility processes all letter mail and 5-digit ZIP Code flats for the USVI. This P&DC processed over 433 million FHP and used 842,892 workhours in FY 2007. The San Juan DMDU was opened in 1989 and has an area of over 270,636 total square feet with 58,660 square feet of interior space. This facility is an annex of the San Juan P&DC and processes Standard Mail, parcels and 3-digit ZIP Code Periodicals mail bundles for the USVI. These two facilities have 368 bargaining unit employees.

The San Juan AMF opened in 1990 and has an area of over 155,875 total square feet with 46,000 square feet of interior space. The AMF has 107 bargaining unit employees. This facility receives Express Mail, Priority Mail, and First-Class inbound mail from the USVI. The U.S. Customs and Border Protection operation is also located at this facility.

The USVI include the islands of St. Thomas, St. John, and St. Croix. The USVI have five post offices and seven finance stations with approximately 50,281 delivery addresses. St. Thomas and St. Croix each have an AMF. The USVI do not have any mail processing equipment in any of its postal facilities and have 192 bargaining unit employees.

All First-Class letter mail originating in the USVI is sent to the San Juan P&DC for processing through the BDS. However, all intra-island⁹ non-letter mail remains in the USVI for processing.

The USVI lie outside the Customs Territory of the United States (CTUS),¹⁰ therefore even though domestic rates apply in the USVI, mail originating in the USVI and addressed for delivery inside the CTUS was subject to U.S. Customs clearance procedures which include the assessment of duties.¹¹

Several years ago, the residents of the USVI began complaining about poor mail service and generated negative media attention. This negative media attention expanded during calendar years 2006 through 2008. On May 1, 2008, Congressman Danny K. Davis, Chairman Federal Workforce, Postal Service, and the District of Columbia and Congresswoman Donna M. Christensen, USVI Delegate to Congress, requested that the OIG evaluate mail service for the USVI and recommend potential improvements.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to determine if the San Juan P&DC timely processed mail for the USVI. To accomplish this objective we reviewed selected mail processing operations in the Caribbean District at the San Juan P&DC, DMDU, AMF, and other locations as needed. We also reviewed the U.S. Customs examination of the mail process from the USVI.

We used computer-processed data from the Web Enterprise Information System, Web EOR System, WebMCRS, Enterprise Data Warehouse and Management Operating Data System (MODS). We pulled data from October 1, 2004, through August 31, 2008, but did not test controls over these systems. However, we checked the reasonableness of results by confirming our analysis and results with management and multiple data sources. In addition, we relied on OIG audits of Postal Service systems.

⁹ Mail that originates and destines on the same U.S. Virgin Island (e.g., St. Thomas to St. Thomas).

¹⁰ The 50 states, the District of Columbia, and Puerto Rico.

¹¹ Import tax.

We conducted this performance audit from May 2008 through January 2009 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 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 officials on December 11, 2008, and included their comments where appropriate.

PRIOR AUDIT COVERAGE

Report Title	Report Number	Final Report Date	Report Results
<i>Delayed Mail at the North Texas Processing and Distribution Center</i>	NO-AR-08-006	August 14, 2008	During FY 2007, the North Texas P&DC had difficulty timely processing all mail types, resulting in significant increases in delayed mail volumes. We found that supervision was inconsistent, the operating plan did not include a current mail arrival profile, flat operations were inadequately staffed, and bottlenecks of mail and equipment prevented trucks from leaving on time. We recommended management ensure supervisors oversee mail processing, develop and implement a mail arrival profile, ensure Standard Mail and Periodicals were staged and processed using first-in, first-out procedures, rearrange Delivery Bar Code Sorters or move sort programs to different sorting equipment to eliminate bottlenecks in the dispatch of mail, and direct sack mail operations be returned to the Dallas Bulk Mail Center (BMC). Management agreed with our recommendations.
<i>Delayed Mail at the Waco Processing and Distribution Facility</i>	NO-AR-08-002	March 13, 2008	This audit confirmed that since FY 2005, the Waco Processing and Distribution Facility had difficulty timely processing Standard Mail, resulting in mail delays. We found there were an insufficient number of managers, training was not provided on color code procedures, and employees did not practice first-in, first-out procedures for staging mail. We recommended management ensure that supervisors oversee mail processing, monitor delayed mail regularly, develop action plans to ensure timely processing of Standard Mail, develop and implement a mail arrival profile, and relocate accumulated mail transport equipment. Management agreed with our recommendations.
<i>Timeliness of Mail Processing at the Chicago, Illinois Cardiss Collins Processing and Distribution</i>	NO-AR-07-012	September 28, 2007	This audit confirmed the Cardiss Collins P&DC had difficulty timely processing mail resulting in untimely mail delivery and service degradation. We found that the Cardiss Collins P&DC had inadequate supervision, accountability, and planning. We recommended management provide consistent, high-quality supervision and training, improve planning, make employees accountable, and continue

<i>Center</i>			monitoring and adjusting mail processing operations to ensure timely processing of mail. Management agreed with our recommendations.
<i>Timeliness of Mail Processing at the Los Angeles, California Processing and Distribution Center</i>	NO-AR-07-001	February 9, 2007	During the period July 2005 through May 2006, the Los Angeles P&DC had difficulty timely processing mail, resulting in mail delays and service declines. The excessive amount of delayed mail was due to the influx of mail volume as a result of closing the Marina P&DC; the retrofitting of Flat Sorting Machines, which caused a temporary increase in machine downtime; and deficiencies in processing Periodicals and Standard Mail. We recommended management correct deficiencies in timely processing Periodicals and Standard Mail and continue monitoring and adjusting mail processing operations to ensure that all mail is processed in a timely manner. Management agreed with our recommendations.
<i>Mail Processing at the Southeastern Processing and Distribution Center</i>	NO-AR-07-007	August 6, 2007	During the period December 2005 to December 2006, the Southeastern PD&C had difficulty timely processing Standard Mail. We found the Southeastern P&DC processed flat mail without using first-in, first-out procedures, handled Standard flat mail excessively due to poor trailer loading procedures, conducted inefficient opening operations for BMC sack mail, and only executed a partial contingency plan when flat mail volume exceeded sorting capacity. We recommended management implement procedures for sending mail to other facilities for final processing when volume at the Southeastern P&DC exceeded capacity and instruct plant managers to process mail using the first-in, first-out method. Management agreed with our recommendations.

APPENDIX B: DELAYED MAIL TRENDS

We determined the trends of delayed mail by class. We pulled delayed mail volumes for FYs 2005 through 2008 year-to-date (YTD), which was August 31, 2008. Table 1 shows that from FYs 2006 to 2007 the San Juan P&DC had delayed mail increases of 59 percent for FCM and 71 percent for Periodicals.

We compared the amount of delayed mail by class for all three quarters in FY 2008 and determined the percentage of mail that was delayed from Quarter 1 to Quarter 3. Table 2 displays the amount of mail by class that was delayed by quarter in FY 2008.

Table 1: Delayed Mail Trends

	Priority	FCM	Periodicals	Standard	Packages	Total
FY 2005	15,891	2,269,669	348,071	3,821,979	0	6,455,610
FY 2006	0	5,869,815	3,816,373	14,544,330	0	24,230,518
FY 2007	110,793	9,314,452	6,537,453	12,082,083	0	28,044,781
FY 2008 YTD	149,734	2,616,895	3,447,157	7,009,350	0	13,223,136
Change FYs 05 to 06	-100%	159%	996%	281%		275%
Change FYs 06 to 07		59%	71%	-17%		16%
Change FYs 07 to 08 YTD	35%	-72%	-47%	-42%		-53%

Table 2: Percentage of Mail Delayed in Three Quarters of FY 2008

	Priority	FCM	Periodicals	Standard	Packages
FY 2008 QTR 1	72,433	1,407,905	1,475,450	3,977,675	0
FY 2008 QTR 2	63,100	1,038,402	1,242,816	2,008,082	0
FY 2008 QTR 3	9,016	134,601	552,144	934,830	0
Change from QTRs 1 to 3	-87.55%	-90.44%	-62.58%	-76.50%	0.00%

APPENDIX C: COMPARISON TO SIMILAR-SIZE SITES

We compared the San Juan P&DC's delayed mail to other similarly sized sites (Group 4 plants). There are a total of 53 plants in Group 4. The charts and graphs below benchmark the San Juan P&DC's performance. From FYs 2006 to 2007, the amount of delayed mail for San Juan increased by 15.7 percent, while similarly sized sites reduced their volume by 15.2 percent (see Table 3). For the last three FYs, the San Juan P&DC has ranked in the bottom quartile for the amount of delayed mail (see Table 4). Additionally, for FY 2007, we compared performance by class of mail (see Table 5).

Table 3: Percentage of Change in Delayed Mail

Percent of Change		
	Group 4	San Juan P&DC
FY 2005 to 2006	22.1	275.3
FY 2006 to 2007	-15.2	15.7
FY 2007 to 2008 (YTD)	-36.8	-52.8

Table 4: San Juan Ranking of the Amount of Delayed Mail

San Juan P&DC Ranking	
FY 2005	25 out of 53
FY 2006	43 out of 53
FY 2007	48 out of 53
FY 2008 (YTD)	45 out of 53

Table 5: San Juan P&DC Ranking by Class of Mail

FY 2007 Rankings	
Priority	49 out of 53
First-Class Mail	52 out of 53
Periodicals	53 out of 53
Standard Mail	42 out of 53

APPENDIX D: MACHINE CAPACITY

Automated Flat Sorter Machine 100

The San Juan P&DC generally had sufficient machine capacity but could better use this capacity to process its mail in a timely manner. To illustrate, we pulled EOR reports and Machine Summary Reports for the AFSM 100 operation. We also compared the AFSM 100 productivity level to national levels.

The AFSM 100 operated at a productivity rate lower than the national average. Web Management Operating Data System (WebMODS) reports for the first three quarters of FY 2008 revealed that the San Juan P&DC's productivity was 1,029 PPH compared to the national average of 1,465 (see Table 6). The P&DC's performance concerning earned hours was also lower than the national average.

On average, the AFSM 100 operated an average of 11 hours a day versus the goal of 20 hours (see Table 7). Increasing use of the machine at peak volume periods would allow for a decrease in delayed mail.

Table 6: AFSM 100 Productivity

Productivity	
San Juan P&DC	National Average
1,029 PPH	1,465 PPH
Earned Hour Achievement – Breakthrough Productivity Index	
San Juan P&DC	National Average
50.9%	78.5%

Table 7: AFSM End-Of-Run Data

Machine Hours	
11	Hours a Day
76	Hours per Week
146,126	Pieces per Day
1,022,884	Pieces per Week
13,512	Pieces per Machine Hour

Small Parcel Bundle Sorter

The SPBS operated at a productivity rate higher than the national average. WebMODS reports for the first three quarters of FY 2008 revealed that the San Juan P&DC's productivity was 295 PPH compared to the national average of 267 (see Table 8). The P&DC's performance concerning earned hours was also higher than the national average.

On average, the SPBS operated an average of 13.5 hours a day versus the goal of 20 hours (see Table 9). Increasing use of the machine at peak volume periods would increase processing capacity, allowing for a decrease in delayed mail.

Table 8: SPBS Productivity

Productivity	
San Juan P&DC	National Average
295 PPH	267 PPH
Earned Hour Achievement – Breakthrough Productivity Index	
San Juan P&DC	National Average
82.1%	74.4%

Table 9: SPBS End-Of-Run Data

Machine Hours	
13.5	Hours a Day
94.5	Hours per Week
28,496	Pieces per Day
199,475	Pieces per Week
2,106	Pieces per Machine Hour

APPENDIX E: DAMAGED MAIL

We observed the Universal Sorter Machine damaging parcels as the packages moved through the conveyor system. This contributed to mail delays since these parcels needed to be repaired. The majority of the damage took place at the drop-off sections. See Pictures 1 and 2.

Picture 1: Mail Damaged While Dropping Onto a Conveyor System



Picture 2: Mail Damaged After Going Through a Drop-Off Point on a Conveyor System



Once the mail is damaged on the Universal Sorter Machine, it must go to a separate operation for repair. Pictures 3 and 4 show damaged mail waiting for repair.

Picture 3: Mail Waiting for Repair after Being Damaged on Universal Sorter Machine



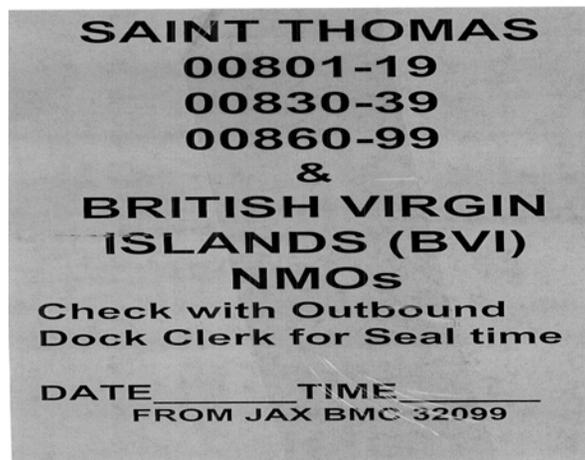
Picture 4: Mail Waiting for Repair after Being Damaged on Universal Sorter Machine



APPENDIX F: MISDIRECTED MAIL

During observations, we found mail that had been directed to the wrong island. Picture 5 shows a St. Thomas placard which means the mail will be sent to St. Thomas, when in fact it was supposed to be sent to St. Croix. Some mail containers were delayed for over a week before they were transported to the correct destination (see Picture 6).

**Picture 5: Placard Attached to One of
Three Missent Pallets of St. Croix Mail**



**Picture 6: Picture Taken on a Monday and Transportation Was Not Available
Until the Following Monday**



APPENDIX G: LOCAL MAIL

We benchmarked how collection mail from the USVI is processed in other areas with similar geographical features. We found that other U.S. Territories process local letters at their respective locations. In contrast, the USVI flies letter mail that is going from one address to another address in the same city or on the same island to the San Juan P&DC for cancellation and distribution and the P&DC returns it for delivery the following day. Table 10 compares how collection mail is processed in the USVI, Guam, and American Samoa. Table 11 shows the steps to process local mail in the USVI, which results in excessive handlings.

Table 10: Comparison of How Collection Mail is Processed

	USVI	Guam	American Samoa
Population	109,840	175,877	64,827
Cancel and process their own local letter mail	No	Yes	Yes
Use of BDS	Yes	No	No
Approximate volume of daily local letter mail	3,300	4,000	2,500

Table 11: Steps Taken for Mail That Originates and Destimates on the Virgin Islands

➤ Collected from all USVI post offices
➤ Transported to the St. Thomas and St. Croix AMFs
➤ Transported by airplane to the San Juan AMF
➤ Transported to the San Juan P&DC via truck
➤ Cancelled and sorted at the San Juan P&DC
➤ Returned by truck to the San Juan AMF
➤ Transported by airplane to the St. Thomas and St. Croix AMFs
➤ Transported to all USVI post offices
➤ Separated by carriers
➤ Delivered to customers

APPENDIX H: INTERNAL CONTROLS

Opportunities existed to improve internal controls over identifying and reporting delayed mail. These improvements would enable managers to better plan mail processing operations to minimize mail delays. In some instances, not properly completing color codes prohibited accurate reporting and made adherence to processing mail on a first-in, first-out basis difficult (see Picture 7). Also, Periodicals were improperly staged and tagged as Standard Mail. Standard Mail does not receive the same expedited treatment as Periodicals, thus contributing to Periodicals delays (see Pictures 8 and 9).

We also found numerous instances where mail was not recorded properly for the WebMCRS report, making it difficult for managers to develop plans to ensure timely mail processing. For example, we found mail not recorded as delayed, mail left in the work location past the mail clearance time, and mail that arrived at the plant past the day of intended delivery (see Pictures 10 and 11). Additionally, we found Flat Sorter Mail 1000 rejects not recorded as delayed mail (see Picture 12).

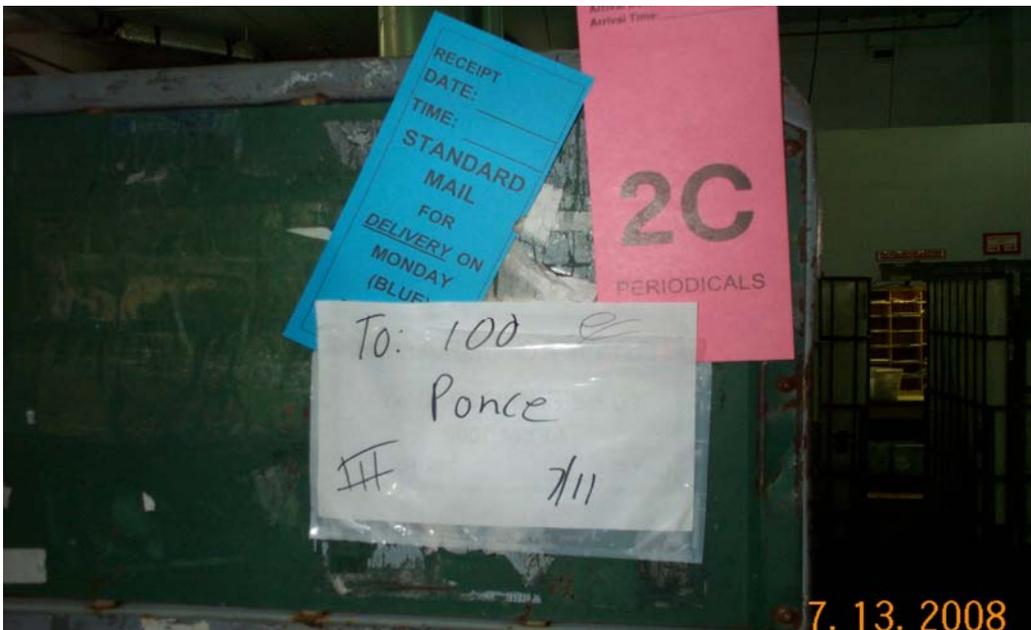
Picture 7: Color-Code Tag Did Not Indicate the Time of Arrival



Picture 8: Periodicals Staged and Tagged as Standard Mail



Picture 9: Periodicals Staged and Tagged as Standard Mail



Picture 12: Flat Sorter Machine 1000 Rejects Not Recorded as Delayed Mail



APPENDIX I: MANAGEMENT'S COMMENTS

VICE PRESIDENT, AREA OPERATIONS
NEW YORK METRO AREA



January 15, 2009

Lucine M. Willis
Director, Audit Operations
Office of Inspector General
1735 North Lynn Street
Arlington, VA 22209-2020

SUBJECT: Amended Response to Draft Audit Report – Timeliness of Mail Processing at the San Juan Processing and Distribution Center (Report Number NO-AR-09-DRAFT)

Amended management responses to the recommendations contained in the audit report are as follows:

Recommendation #1: Monitor delayed mail on a daily basis and develop action plans, if necessary, to ensure timely processing of mail for the U.S. Virgin Islands.

New York Metro Area Response:

The New York Metro Area agrees with this recommendation.

The Caribbean District Manager has strengthened control processes to reduce instances of delayed mail and facilitate recovery activities. Elements of the control processes include:

- a. Color code and Mail Condition Reporting System (MCRS) training program to be administered annually to all involved employees and on an as-needed basis throughout the year for remedial training and newly assigned employees.
- b. Accuracy of color coding and MCRS has been strengthened to include three formal audits each day as part of normal business operations in the San Juan plant, the Detached Mail Unit, and the Air Mail Facility. Visual audits are completed three times a day during the tour turn-over process. The Plant Manager is responsible to ensure that the daily condition audits are reviewed by the respective tour managers for accuracy and corrective action if necessary. The daily audits ensure compliance with Management Instructions and standard operating procedures for color coding and mail condition reporting. In addition, the visual reviews enable management to initiate timely corrective action to support service performance goals.
- c. The San Juan In-Plant Support staff will produce a mail condition trend report that will identify recurring or chronic instances of delayed mail. This will enable management to analyze causes more thoroughly and develop effective countermeasures to prevent recurrence.
- d. The New York Metro Area In-Plant Support office will conduct periodic on-site visual audits to validate accurate color coding and mail condition reporting.

The Plant Manager in San Juan has expanded the SPBS processing window on Monday and Friday to correspond with the barge arrival schedules. This improves throughput and reduces the potential for delayed mail during the surge when the barges arrive. In addition, the 3-digit bundles and pallets are now captured on the platform at the Detached Mail Unit and transported directly to the San Juan mail plant for processing on the AFSM. Capturing the 3-digit mail prior to induction into the SPBS machine increases overall processing capacity and reduces instances of delayed mail at the SPBS operation.

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The Caribbean District leadership has increased the focus on achieving productivity targets in all operations. The In-Plant Support staff has increased the use of staffing and scheduling tools such as Run Plan Generator (RPG) and Mail Processing Equipment Scheduler (MPES) to reduce costs and improve scheduling efficiency. In addition, the Plant Manager will implement a benchmarking program on selected machines to improve hourly throughput. The benchmarking program is an established best practice that has proven successful to improve machine throughput and overall productivity. The objective is to drive continuous productivity improvement toward achieving BPI targets.

The process for handling and processing damaged mail at the Detached Mail Unit has been revised to improve the cycle time and re-enter mail back into the mail stream on day zero. The revised SOP includes time-dated placards to manage first-in, first-out inventory. The Plant Manager has also assigned responsibilities to perform parcel repairs on each tour. The Plant Manager is responsible to audit the process weekly to ensure continuous compliance with the damaged mail SOP.

Recommendation #2: Develop and submit a request to modify the Universal Sorter Machine to reduce damaged mail.

New York Metro Area Response:

The New York Metro Area agrees with this recommendation.

The bulk mail induction system for the Universal Sorter Machine was modified in November 2008 to minimize parcel damage. The height of the drop from the conveyor to both Universal Sorter key stations was reduced. In addition, damaged parcels are repaired daily and dispatched accordingly.

Recommendation #3: Assign accountability to ensure that dispatches to the Islands are accurate and expedite turn-around time of any mail that is sent to the wrong island.

New York Metro Area Response:

The New York Metro Area agrees with this recommendation.

The Caribbean District has put a process in place to assign responsibility to the ramp clerk and the appropriate tour supervisor to ensure timely and accurate dispatching.

The District Manager has implemented a control process to monitor and account for all collection mail transported between San Juan and the U.S. Virgin Islands. This process has been named, "USVI Red Label Collection Dispatch Reporting Procedure." (See Attachment #1) Every day, the U.S. Virgin Islands identifies the total piece count and number of flat trays dispatched. The San Juan AMC confirms receipt of all mail sent and sends a clearing email back to the Virgin Islands.

The Caribbean District has put an email notification and tracking process in place to communicate mail dispatch and receipt activities between the U.S. Virgin Islands and San Juan (Attachment #1). This email system provides advance notification and acknowledgement of mail volume that is en-route and received between the USVI and San Juan. The notification system enables the AMC and plant operations to prepare timely processing and dispatch to prevent delays.

We will explore with HQ the potential and feasibility of contracting with Cape Air (see Attachment #3), which operates a small passenger service between the Virgin Islands, to transport mis-sent volumes of Express Mail, Priority Mail, and First-Class Mail to the correct island.

We will explore the potential and feasibility of contracting with inter-island passenger ferries (see Attachment # 4) to transport missent Standard Mail and Periodicals to the correct island. The intent is to minimize having to return that mail back to San Juan for re-dispatching. A service/cost analysis will be necessary to assist in making an informed decision.

We will advise the Office of Inspector General of our findings by late February.

Recommendation #4: Increase the Small Parcel Sorter's and Automated Flat Sorter Machine's window of operation during peak volume periods.

New York Metro Area Response:

The New York Metro Area agrees with this recommendation.

The Plant Manager has increased staffing and expanded the operational window by 3 hours on Mondays and Fridays to coordinate with surge volumes when the barges arrive. This staffing adjustment will increase machine throughput and reduce on-hand and delayed mail volumes during the critical surge periods each week.

In addition, the Caribbean District has been coordinating with the JAX BMC (see Attachment # 5) to improve the level of sortation to the Caribbean District. This should improve the volume arrival profile into San Juan and expedite processing at the SPBS and Automated Flat Sorter by eliminating unnecessary re-handlings and delays at San Juan.

Recommendation #5: Ensure employees are properly trained to identify delayed mail and ensure that all mail is accurately reported on the Web Mail Condition Reporting System.

New York Metro Area Response:

The New York Metro Area agrees with this recommendation.

The New York Area In-Plant Support staff has successfully completed the annual training certification of Caribbean District In-Plant Support personnel and data collectors to ensure that all are familiar with the proper recording process into the Web Mail Condition Reporting System.

Mail condition retraining was given to In-Plant Support employees responsible for inventory and delayed mail reporting by the District Mail Condition Coordinator in August 2008 and again on November 21, 2008. The Plant Manager will be responsible to administer refresher and remedial training to newly assigned employees throughout the year.

Recommendation #6: Consider and weigh the benefits of service over risks to allow the U.S. Virgin Islands to keep and cancel local letter mail as is done in other U.S. Territories.

Amended New York Metro Area Response:

The New York Metro Area agrees with the intent of this OIG recommendation and had given serious consideration for adoption and implementation at the time of the audit Exit Conference.

However, due to recent BDS-related occurrences, we have been forced to reevaluate this initiative. We will reconsider implementation of bio-detection systems to reduce security risks.

The New York Metro Area will conduct a feasibility study to determine if it cost effective to put BDS equipment in the U.S. Virgin Islands or continue bringing collection mail from the USVI to San Juan to allow for the BDS process. We plan to complete that study by late February and wll advise the Office of Inspector General of our decision.

We do not believe there is any Freedom of Information Act exempt information in the draft report or our response.

Please let us know if you require any further information.



Steven J. Forte

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