



June 10, 2009

RUFUS C. GRAHAM
ACTING PLANT MANAGER, WEST PALM BEACH
PROCESSING AND DISTRIBUTION CENTER

SUBJECT: Audit Report – Color-Coding of Standard Mail and Mail Condition Reporting
at the West Palm Beach Processing and Distribution Center
(Report Number NO-AR-09-006)

This report presents our audit results focusing on color-coding¹ of Standard Mail® and mail condition reporting at the West Palm Beach Processing and Distribution Center (P&DC), West Palm Beach, FL (Project Number 09XG018NO000). The objectives of the audit were to determine whether the West Palm Beach P&DC had an adequate mail color-coding process and properly counted mail. This is the first in a series of reviews addressing the new color-coding policy for Standard Mail. This audit addresses operational risks. See [Appendix A](#) for additional information about this audit.



¹ The Postal Service uses a system of color-coding to facilitate timely movement of Standard Mail. The color-code process assigns a color to each day of the week.

Conclusion

Opportunities exist at the West Palm Beach P&DC to improve color-coding and reporting of delayed mail to reflect the color-coding and delayed mail reporting requirements as of August 29, 2008. Color-coding could be improved by ensuring tags are complete and properly placed on all mail. In addition, when mail bearing different color-codes was processed together, the mail was not always properly re-color-coded. Further, we found that not all delayed mail was reported. For example, during our first 2 days of observations, we found that approximately 100,000 mailpieces were counted, but not reported as delayed mail. In addition, our review of count sheets for February 2009 found that approximately 1.8 million mailpieces should have been reported as delayed mail.

Color-Coding of Standard Mail

Of the 537 staged Standard Mail containers reviewed, 461 were properly color-coded and the remaining 76 were not properly color-coded in accordance with policy. Specifically,

- 59 (about 11 percent) were missing color-code tags.
- Eight (about 1.5 percent) were missing the time and/or date from the tag.
- Nine (about 1.7 percent) were tagged with the wrong color tag.

We also found that when mail bearing different color-codes was processed together, the mail was not always properly re-color-coded.

Causes

These conditions occurred due to:

- Insufficient color-coding oversight and training.
- Not having local procedures for maintaining the mail color-code after processing.
- Failure of employees to follow the national color-coding policy.

Effect

The U.S. Postal Service cannot ensure the timely processing, dispatching, and delivery of Standard Mail. Without a date and time on the tag, the Postal Service cannot determine whether employees processed Standard Mail using the first-in first-out (FIFO) method.² Additionally, the Postal Service cannot readily track service standards and accurately report mail conditions in the web-based Mail Condition Reporting System (MCRS).

² FIFO – mail is staged and processed based on the order of receipt.

Failure to accurately color-code and date the mail could confuse delivery units about when the mail needs to be delivered. See [Appendix B](#) for our detailed analysis of this topic.

We recommend the Acting Plant Manager, West Palm Beach Processing and Distribution Center:

1. Provide oversight to ensure the proper color-coding of Standard Mail according to Postal Service policy.
2. Provide additional color-code training to West Palm Beach P&DC employees.
3. Establish local procedures to maintain the correct color-code throughout processing.

Management's Comments

Management agreed with the findings and recommendations. Reviews will be conducted on a continuous basis to ensure compliance with the color-code policy. In addition, color-code training was provided. Also, local standard operating procedures were updated for mail color-coding in April 2009. See [Appendix D](#) 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. Management's corrective actions should resolve the issues identified in the report.

Mail Condition Reporting

The West Palm Beach P&DC was not accurately reporting delayed mail. For example, we observed from March 10 through 13, 2009, the West Palm Beach P&DC reported 159,087 delayed mailpieces of Standard flats, whereas it should have reported a total of 255,073 delayed mailpieces. Thus, the reports were understated by 95,986 mailpieces. See Table 1.

Table 1: Delayed Mail Flow Reporting

	On-Hand Destinating Secondary Standard Flats	Reported Delayed	Actual Delayed	Underreported
3/10/2009	139,975	46,231	59,865	13,634
3/11/2009	110,465	27,057	109,409	82,352
3/12/2009	43,293	43,293	43,293	0
3/13/2009	42,506	42,506	42,506	0
Totals	336,239	159,087	255,073	95,986

To confirm our observations, we compared the data collection sheets to MCRS reports during February 2009. During that time, the West Palm Beach P&DC underreported delayed mail flow³ volume by approximately 1.8 million pieces. (See [Appendix B](#), Table 2.) The actual amount represents over 50 times more than originally reported.

Cause

Because of a misinterpretation of the policy, the West Palm Beach P&DC management believed they had until the delivery day to process the mail before reporting it as delayed. While this is the procedure management must follow for Delivery Point Sequence (DPS) letters, they have one less day for 5-digit Standard flats.

Effect

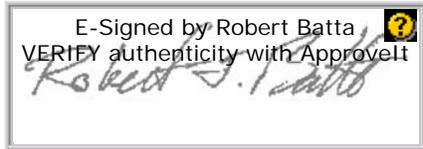
Not properly reporting mail as delayed prevents management from making effective operational decisions. Delaying the mail can negatively affect customer service. See [Appendix B](#) for our detailed analysis of this topic.

Management Action

Once proper reporting procedures were brought to the attention of management, immediate corrective action was taken. Based on management's corrective action, we are not making a recommendation.

³ Delayed mail flow for Standard Mail is a new MCRS definition for processing and Bulk Mail Center (BMC) facilities. Delayed mail flow occurs when Standard Mail is not processed, finalized, or dispatched from a specific operation or facility in time to provide the subsequent operation or facility the allotted time necessary to ensure delivery by the programmed delivery day.

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.



Robert J. Batta
Deputy Assistant Inspector General
for Mission Operations

Attachments

cc: Patrick R. Donahoe
Jordan M. Small
David E. Williams, Jr.
Chris R. Oronzio
Ruby J. Bridgeforth
Jennifer L. Stevenson
Katherine S. Banks

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

Standard Mail is essential to the growth of the Postal Service and is a major factor in its economic health.⁴ Standard Mail accounts for approximately 49 percent of all of the mail volume and 27 percent of the revenue of the U.S. Postal Service per year.⁵ Delivering Standard Mail timely is important for operational efficiency and customer satisfaction.

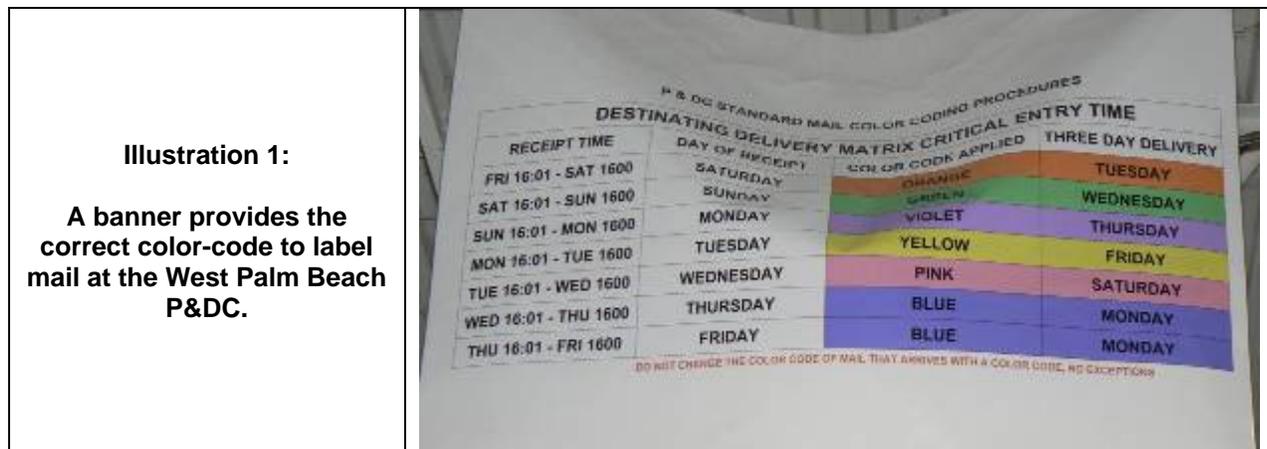
The Postal Service uses a system of color-coding to facilitate timely movement of Standard Mail. The color-code process assigns a color to each day of the week. This enables easy processing of mail using the FIFO method. Postal Service management updated the color-coding policy on June 17, 2008, with an effective date of August 29, 2008. In December 2008, management made an additional update to the policy clarifying reporting requirements. The Postal Accountability and Enhancement Act of 2006 requires delivery standards for all classes of mail. While standards have not changed, the policy maintains the integrity of the color-code through processing to delivery of the mail. The service standard for Standard Mail is 3 - 10 days.

MAJOR CHANGES TO THE NATIONAL COLOR-CODE POLICY FOR STANDARD MAIL	
Old Policy	New Policy - Updated August 29, 2008
Each unit establishes their Critical Entry Time (CET)	National CET 1600 standardized at all facilities nationwide
FIFO	FIFO
BMC not required to color-code.	BMC required to color-code.
New color-code at each entry point and level of distribution.	Once delivery color-code is applied, maintain through to delivery unit
MCRS reports delayed mail, plan failure, and delayed dispatch.	MCRS reports delayed mail flow.
No standardized placarding	National standardized placarding.
Each unit had own color-code method.	Standardize tags to identify the facility applying the color-code.
Color-coded for last mailer "In-Home" date.	Color-code based on time and date of receipt.

⁴ Standard Mail is mail that weighs less than 16 ounces and includes circulars, pamphlets, catalogs, newsletters, direct mail and merchandise.

⁵ U.S. Postal Service Annual Report, 2008.

Policies and procedures pertaining to the color-coding system are set forth in Section 458 of the *Postal Operations Manual* (POM). The POM is being revised to reflect the changes in the color-code policy.



In support of the changes made to the National Color-Code Policy, changes were also made to the MCRS. Categories in the MCRS such as Plan Failure, Delayed Processing and Delayed Dispatch are no longer reported for Standard Mail. The term “Delayed Mail Flow for Standard Mail” is a new MCRS definition and occurs when mail is not processed, finalized, or dispatched from a specific operation or facility to ensure delivery by the programmed delivery day.

Following U.S. Postal Service Office of Inspector General (OIG) prior audit coverage on color-coding, national policies were updated to include changes recommended in OIG reports. This is the first report reviewing the implementation of the updated policies.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to determine whether the West Palm Beach P&DC had an adequate mail color-coding process and properly counted mail.

This is the first in a series of audits addressing color-coding and mail reporting at P&DC’s nationwide. The West Palm Beach P&DC was selected based on recommendations provided by Postal Service Headquarters.

To determine whether color-coding procedures conformed to the National Color-Code Policy, we observed the color-coding of Standard Mail at the West Palm Beach P&DC during the week of March 9, 2009. Additionally, we verified the mail count and reviewed count data input into the MCRS. We interviewed Postal Service officials and employees and photographed operations and observed conditions.

We used computer-processed data from the following systems:

- Web Enterprise Information System (WebEIS).
- MCRS.
- Enterprise Data Warehouse (EDW).

We did not test controls over these systems. However, we checked the reasonableness of results by confirming our analysis and results with Postal Service managers.

We conducted this performance audit from February through June 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 objectives. 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 officials on March 13, 2009, and included their comments where appropriate.

PRIOR AUDIT COVERAGE

Postal Service Management have agreed to the recommendations made in the prior reports listed below and have taken corrective action.

Report Title	Report Number	Final Report Date	Report Results
<i>Color-Coding of Standard Mail at the Portland, Oregon Processing and Distribution Center</i>	NO-MA-06-003	September 26, 2006	Generally the Portland P&DC color-coded according to the national policy, however, there were instances where policy or best practices were not followed.
<i>Color-Coding of Standard Mail at the Margaret L. Sellers Processing and Distribution Center</i>	NO-MA-06-004	September 28, 2006	Generally the Margaret L. Sellers P&DC color-coded according to the national policy, however, 8 percent of the containers reviewed did not conform to the policy.
<i>Color-Coding of Standard Mail at the South Jersey Processing and Distribution Center</i>	NO-MA-07-001	March 20, 2007	Generally the South Jersey P&DC color-coded according to the national policy, however, 6 percent of the containers reviewed did not conform to the policy.
<i>Color-Coding of Standard Mail at the Mobile Processing and Distribution Center</i>	NO-MA-07-002	June 26, 2007	Generally the Mobile P&DC color-coded according to the national policy, however, 17.5 percent of the containers reviewed did not conform to the policy.

Report Title	Report Number	Final Report Date	Report Results
<i>Mail Condition Reporting at the San Francisco International Service Center</i>	NO-AR-07-006	August 20, 2007	The mail condition report was submitted timely; however, the data was incomplete and inaccurate.
<i>Mail Condition Reporting at the Miami International Service Center</i>	NO-AR-07-009	September 20, 2007	The mail condition report was timely, complete and accurate in all MCRS categories, with minor exceptions.
<i>Mail Condition Reporting at the Los Angeles International Service Center</i>	NO-AR-07-010	September 24, 2007	Generally mail condition reporting was accurate, complete and timely; however, improvements could be made in reporting in-bound parcels and plan failures.
<i>Color-Code Capping Report</i>	NO-MA-07-003	September 28, 2007	Opportunities were identified to improve the color-coding process nationwide.
<i>Mail Condition Reporting at the J. T. Weeker International Service Center</i>	NO-AR-08-001	March 13, 2008	Mail condition reports were timely; however, we found incomplete and inaccurate data in WebMCRS.
<i>Mail Condition Reporting at International Service Centers Capping Report</i>	NO-AR-08-005	August 5, 2008	There were opportunities to improve mail condition reporting. While reports were timely, they were often incomplete and inaccurate.

APPENDIX B: DETAILED ANALYSIS

Color-Coding of Standard Mail

During the week of March 9, 2009, we examined 537 staged containers of Standard Mail for compliance with the National Color-Code Policy. We found that 461 of the 537 containers were properly color-coded. Of the 76 containers not properly color-coded, we found:

- 59 (about 11 percent) were missing color-code tags. Forty-five of these containers were dock transfers of carrier route mail for delivery units. (Illustration 2)
- Nine (about 1.7 percent) were tagged with the wrong color tag.
- Eight (about 1.5 percent) were missing the time and/or date from the tag. (Illustration 3)

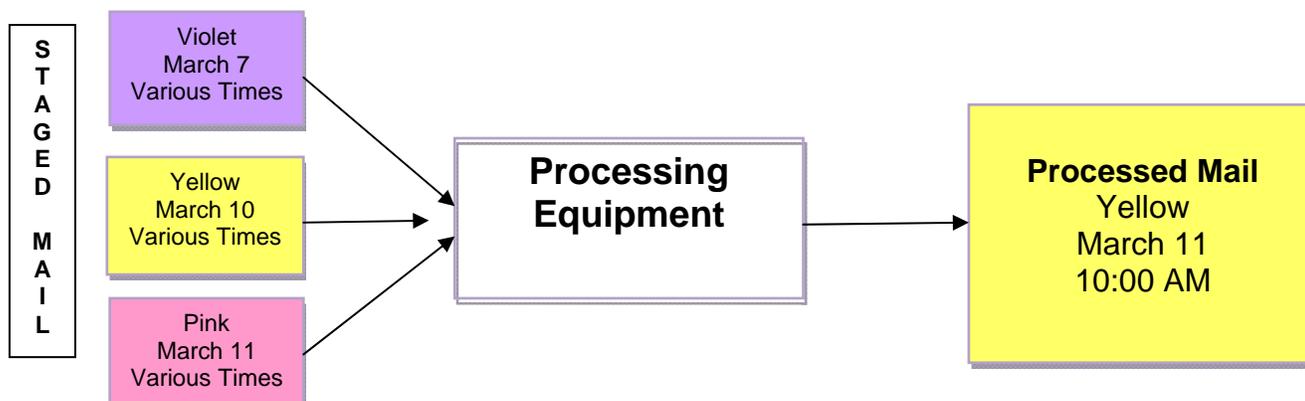
See [Appendix C](#) for a chart of the observations.





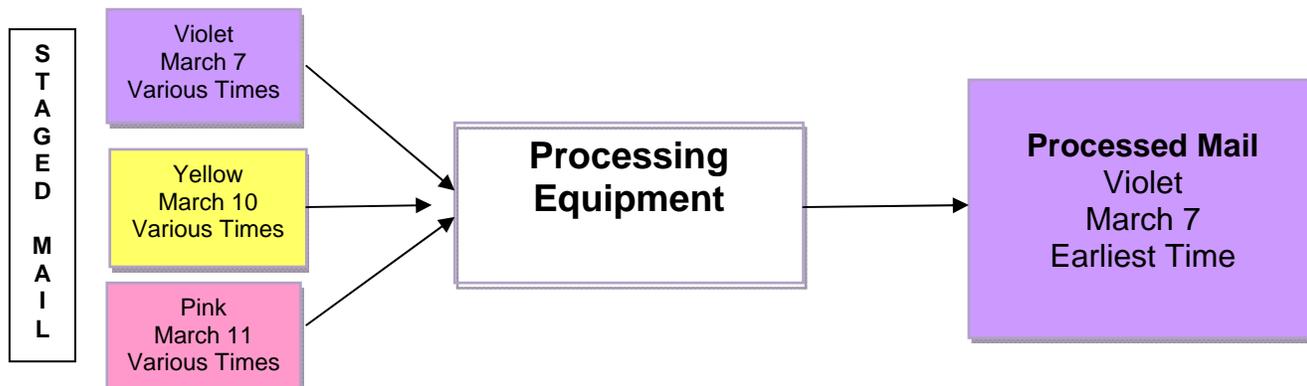
In addition, color-coding could be improved at the specific mail processing operations. Chart 1 shows 3 groupings of mail before processing – the oldest mail represented by a violet color tag, dated March 7; more recent mail represented by the yellow color tag dated March 10; and the most recent mail represented by the pink color tag, dated March 11. After the mail was processed we observed employees incorrectly attached a yellow tag to all the mail and dated it March 11, with a 10 a.m. processing completion time.

Chart 1: Process Observed at the West Palm Beach P&DC



Rather, the proper procedure as depicted in Chart 2, was to tag all the mail with the oldest date of March 7, represented by the violet color tag. After the mail was processed, all the new violet color-code tags should have received earliest time of the March 7 mail.

Chart 2: The Correct Procedure for Color-Coding the Mail



Causes

These conditions occurred due to:

- Insufficient color-coding oversight and training.
- Not having local procedures for maintaining the mail color-code after processing.
- Failure of employees to follow the color-coding policy.

Criteria

According to the National Color-Code Policy for Standard Mail, color-coding procedures provide a guide to help maintain service goals for Standard Mail. All Standard Mail will be color-coded. Standard Mail identified without a color-code, will be coded the same as the oldest mail in the unit at the time of its discovery. Additionally, all color-code tags will comply with a standardized national format which will require employees to enter the date and time of mail entry on each tag. The delivery color-code is based upon the original entry date and time of the mail, not the processing date or time. Additionally, the P&DC must develop local procedures to ensure that they maintain the correct color-code for all mail based on its arrival, even when such mail is entered into mechanized or automated sorting systems.

Effect

The Postal Service cannot ensure the timely processing, dispatching, and delivery of Standard Mail. Without a date and time on the tag, the Postal Service cannot determine whether employees processed Standard Mail using the FIFO method. Additionally, the Postal Service cannot readily track service standards and accurately report mail conditions in MCRS. Not color-coding dock transfer mail limits the delivery unit's ability to timely process and deliver the mail.

Mail Condition Reporting

The West Palm Beach P&DC was not accurately reporting delayed mail. For example, we observed from March 10 through 13, 2009, the West Palm Beach P&DC reported 159,087 delayed mailpieces of Standard flats, whereas it should have reported a total of 255,073 delayed mailpieces. Thus, the reports were understated by 95,986 mailpieces.

To confirm our observations, we compared the data collection sheets to MCRS reports during February 2009. During that time, the West Palm Beach P&DC underreported delayed mail flow volume by approximately 1.8 million mailpieces. (See Table 2, on page 13). The actual amount represents over 50 times more than originally reported.

Criteria

According to the National Color-Code Policy and the policy for mail condition reporting, reporting delayed mail flow for Standard Mail is necessary to provide an accurate snapshot of daily facility conditions for Standard Mail. Additionally, destinating 5-digit non –DPS mail should be reported as delayed one day before the scheduled delivery day.

Cause

Because of a misinterpretation of the policy, West Palm Beach P&DC management believed they had until the delivery day to process the mail before reporting it as delayed. While this is the procedure management must use for DPS letters, they have one less day for 5-digit flats. This additional day of mail reported as delayed greatly increased their delayed mail flow count from about 8 percent to 13 percent.

Effect

Not properly reporting mail as delayed prevents management from making effective operational decisions. Delaying the mail can negatively affect customer service.

Management Action

West Palm Beach P&DC management took immediate corrective action when the proper reporting procedures were brought to their attention. Based on management's corrective action, we are making no recommendation.

Table 2: Delayed Mail Flow Reporting, February 2009

Staging Destinating Secondary Standard Flats					
February 2009	On-Hand Volume	Reported Delayed Total	Actual Delayed Total	Underreported	Percent Delayed
1	134,938	0	75,500	75,500	56
2	48,502	2,406	48,502	46,096	100
3	66,101	0	66,101	66,101	100
4	53,734	0	45,714	45,714	85
5	55,338	6,416	48,922	42,506	88
6	70,613	0	70,613	70,613	100
7	36,090	0	36,090	36,090	100
8	98,308	0	97,521	97,521	99
9	20,792	0	20,792	20,792	100
10	91,180	0	101,804	101,804	112
11	58,463	0	109,581	109,581	187
12	123,478	0	81,804	81,804	66
13	57,189	0	57,189	57,189	100
14	61,739	0	61,739	61,739	100
15	176,035	0	124,707	124,707	71
16	Holiday		No	Report	
17	802	0	802	802	100
18	48,802	0	48,802	48,802	100
19	56,297	0	23,507	23,507	42
20	42,903	0	42,903	42,903	100
21	12,030	0	12,030	12,030	100
22	108,899	0	108,899	108,899	100
23	60,150	0	60,150	60,150	100
24	161,157	0	166,771	166,771	103
25	59,812	0	60,952	60,952	102
26	97,499	16,542	97,499	80,957	100
27	81,968	6,416	10,396	3,980	13
28	118,681	0	118,681	118,681	100
Total	2,001,500	31,780	1,797,971	1,766,191	90

**APPENDIX C: OBSERVATIONS OF COLOR-CODING OF STAGED MAIL AT THE
WEST PALM BEACH P&DC**

Date	Time	Location	Containers Observed	Missing Tags	Incomplete Tags	Wrong Color	Tag Origin	Error Rate Percentage
9-Mar	17:15	dock area	54	0	0	0	51 P&DC 3 BMC	0
9-Mar	17:30	dock area	5	5	0	0	P&DC	100
10-Mar	6:45	5-Digit Flat Staging Area	77	0	0	0	P&DC	0
10-Mar	22:00	SPBS ⁶ area	66	2	0	0	P&DC	3
10-Mar	22:15	AFSM ⁷ Staging Area	33	0	0	0	P&DC	0
10-Mar	22:20	dock area	38	0	2	0	P&DC	5
10-Mar	22:30	dock area	2	0	0	2	BMEU	100
10-Mar	22:50	AFSM 100	13	0	0	0	P&DC	0
11-Mar	0:05	SPBS area	1	0	1	0	BMC	100
11-Mar	17:50	AFSM Staging Area	29	0	3	0	P&DC	10
11-Mar	20:00	dock area	72	2	0	0	P&DC	3
11-Mar	20:30	dock area	5	0	0	0	BMC	0
11-Mar	22:50	dock area	2	0	0	2	BMC	100
12-Mar	19:15	dock area	4	1	0	3	BMC	100
12-Mar	19:20	dock area	95	45	0	0	P&DC	47
13-Mar	8:15	SPBS Staging Area	41	4	2	2	BMC	20
TOTAL			537	59	8	9		14

⁶ Small Parcel Bundle Sorter.

⁷ Automated Flat Sorting Machine.

APPENDIX D: MANAGEMENT'S COMMENTS

RUFUS C. GRAHAM, PLANT MANAGER
WEST PALM BEACH



Date: 5/28/2009

To: Lucine M. Willis
Director, Audit Operations,

Re: Transmittal of Draft Audit Report – Color-Coding of Standard Mail and Mail
Condition Reporting at the West Palm Beach Processing and Distribution Center
(Report Number NO-AR-09-DRAFT)

Thank you for the opportunity to review and comment on the subject draft audit report.

Standard Operating Procedures by operation for local specific color coding instructions are currently under review. All color code policy violations have been addressed locally and we are confident that West Palm Beach P&DC is compliant with the National Color Code Policy. All review items listed in "Draft Audit Report – Color-Coding of Standard Mail and Mail Condition Reporting at the West Palm Beach Processing and Distribution Center (Report Number NO-AR-09-DRAFT)" are accurate and depict fair assessment of West Palm Beach's color code policy compliance as of March 2009. In addition, the actions taken by local management to become compliant listed in this report are accurate as well.

Recommendation [1]:

Provide oversight to ensure the proper color-coding of Standard Mail according to Postal Service policy.

Response

Local Management is in agreement with your assessment and recommendation, all color code policy violations has been addressed, effective May 8, 2009 each tour management has certified that they have reiterated identifying mail with the correct color code, ensuring the placard are on the containers and ensuring mail is time dated. IPS is currently reviewing operation to ensure compliance.

Reviews will be conducted on a continuous basis.

Responsible Party: All MDO's are responsible to ensure daily compliance.
Charlie James, MDO
David Brenkus, MDO
Richard Guevara, A/MDO

3200 SUMMIT BLVD
WEST PALM BEACH, FL 33416-9997
PHONE: (561) 679-2011
FAX: (561) 697-1948

Recommendation [2]

Provide additional color-code training to West Palm Beach Processing and Distribution Center employees.

Response

Local Management is in agreement with your assessment and recommendation. In Plant Support has provided additional color code training to plant management staff. The training curriculum is in accordance with national color code guidelines and delivered in March 2009 and documented under NTD course # 51201-62.

Responsible Party (Training):
Humbert Giumetti OSS
Carl Powell (A) OSS

Recommendation [3]

Establish local procedures to maintain the correct color-code throughout processing.

Response

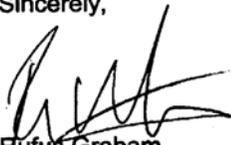
Local Management is in agreement with your assessment and recommendation. In Plant Support has reviewed existing color coding procedures and drafted updated standard operating procedures for mail color coding, effective April 2009. Standard operating procedures are specific to operational unit and are in accordance with national color coding guidelines. Standard operating procedures address color coding of mail upon arrival in unit and subsequent down flows.

Responsible Party:
Humbert Giumetti OSS
Carl Powell (A) OSS

Freedom of Information Act (FOIA)

The Southeast Area does not believe that this report contains any proprietary or business information and may be disclosed pursuant the Freedom of Information Act.

Sincerely,

 5/29/09
Rufus Graham
Plant Manager, West Palm Beach P&DC