



March 31, 2010

EDWARD F. PHELAN, JR.
DISTRICT MANAGER, ALBANY DISTRICT

SUBJECT: Audit Report – Color-Coding of Standard Mail and Mail Condition Reporting
at the Albany Processing and Distribution Center
(Report Number NO-AR-10-005)

This report presents the results of our audit of color-coding¹ Standard Mail® and mail condition reporting at the Albany Processing and Distribution Center (P&DC), Albany, NY, by the U.S. Postal Service Office of Inspector General (OIG) Office of Investigation and Office of Audit (Project Number 10XG014NO000). The objective of the audit was to evaluate internal controls at the Albany P&DC over the color-coding process and mail counting and reporting. This audit addresses operational risk. 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 Albany P&DC to improve color coding as well as the counting and reporting of delayed mail. We found that employees did not:

- Properly color-code 74 percent of the mail containers.
- Properly report delayed mail. For example, count sheets for January 1 through 18, 2010 showed approximately 1.1 million additional mailpieces were not reported as delayed mail.
- Always accurately report the date of the oldest mail on-hand.

Once proper color-coding procedures were brought to the attention of new management at the facility, they developed an action plan to ensure employees received color-code training.

Color-Coding Standard Mail

Of the 415 staged Standard Mail containers reviewed, only 108 (about 26 percent) were properly color-coded and the remaining 307 were not color-coded in accordance with policy. Specifically:

- Thirteen containers (about 3 percent) were missing color-code tags.
- Two-hundred ninety-four (about 71 percent) containers were missing the time and/or date from the tag.

These conditions occurred due to:

- Limited color-code training and awareness of the policy.
- No oversight by the color-code coordinator.

Without accurate color-coding, the Postal Service cannot ensure timely processing, dispatch 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 (webMCRS). Failure to accurately color-code and date the mail could also confuse delivery units about when they need to deliver mail. See [Appendix B](#) for our detailed analysis of this topic.

We recommend the Albany District manager:

1. Provide oversight to ensure continuation of color-code training.
2. Direct the district color-code coordinator to conduct periodic color-code reviews.

Mail Condition Reporting

The Albany P&DC was not always accurately reporting delayed mail. During our observations we found:

- Delayed mail volume was underreported.
- Mail scheduled for delivery was recorded as on-hand, but not delayed.
- The oldest mail date was not accurately reported on the webMCRS reports.

Bringing these matters to the attention of the new plant manager resulted in proper webMCRS reporting as of January 22, 2010.

These conditions occurred because:

- In-plant support did not provide oversight to employees performing mail counts.
- The counter(s) misinterpreted the policy believing they had until delivery day to process the mail before reporting it as delayed.
- Management provided incorrect instructions to employees performing webMCRS input so district, area, and headquarters officials would not know the extent of the delayed mail problems.

Without properly reporting delayed and on-hand mail volumes, management does not have the tools necessary to make effective operational decisions. This could also impact customer service without management's knowledge. See [Appendix B](#) for our detailed analysis of this topic.

We recommend the Albany District manager:

3. Provide mail condition reporting training and oversight to employees.

² Mail is staged and processed based on order of receipt.

Management's Comments

Management agreed with the findings and recommendations. During the audit, management corrected the deficiencies in the processes. In addition, applicable employees received color-code and mail condition reporting training. See [Appendix D](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and management's corrective actions should resolve the issues identified in the report.

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
Steven J. Forte
Jordan M. Small
Timothy C. Haney
Susan M. LaChance
Frank Neri
Mark D. Dahlstrom
Sally K. Haring

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

Based on a January 13, 2010, request from the Chairman of the Committee on Oversight and Government Reform, we completed a review of New York State pension check delays. The request concerned the circumstances surrounding the significant delays in the delivery of pension checks in New York which entered the mail stream on December 30, 2009, at the Albany P&DC. The request alleged the P&DC misplaced 60,000 pension checks and sent them to other states and the Postal Service only started delivering them to New York residences on January 11, 2010.

We found the allegation was partially substantiated. While the pension checks were mistakenly put in the Standard Mail process rather than treated as First-Class Mail (FCM), the Postal Service started delivering the checks on January 4, 2010. Employees located and processed the last mishandled tray on January 15, 2010. None of the misplaced pension checks were originally sent to other states. Additionally, the Postal Service took immediate action to locate, process, and deliver the pension checks as well as to expedite replacement checks and send letters to creditors. Our review of the incident revealed:

- The pension checks were delayed due to poor internal controls.
- Pension checks were subsequently processed and delivered.
- The Postal Service took immediate steps to rectify the problem including expediting replacement checks and letters to creditors.

Subsequently, we conducted a review of internal controls as they relate to color-coding mail and mail condition reporting.

The Postal Service uses a system of color coding to facilitate timely movement of Standard Mail. The color-coding process assigns a color to each day of the week. This enables easy processing of mail using the FIFO method. Management updated the color-code 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 from processing to delivery. The service standard for Standard Mail is 3–10 calendar days.

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

In support of the changes to the national color-code policy, management also made changes to the webMCRS. Categories in the webMCRS 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 webMCRS definition that means mail has not been processed, finalized, or dispatched from a specific operation or facility to ensure delivery by the programmed delivery day.

Management updated the national color-code policy to include changes recommended in prior OIG reports. This is the third report reviewing implementation of the updated policies.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to evaluate internal controls at the Albany P&DC over the color-coding process and mail counting and reporting.

This is the third in a series of audits addressing color-coding and mail reporting at P&DCs nationwide. We selected the Albany P&DC based on our other work conducted at the facility.

To determine whether color-coding procedures conformed to the national color-code policy, we observed the color-coding of Standard Mail at the Albany P&DC during the week of January 18, 2010. Additionally, we verified the mail count and reviewed count data put into the webMCRS. 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.
- MCRS.
- Enterprise Data Warehouse.

We did not test controls over these systems. However, we checked the reasonableness of the data we relied upon by confirming our analysis and results with Postal Service managers and multiple data sources. We conducted this performance audit from January through March 2010 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management officials on February 23, 2010, and included their comments where appropriate.

PRIOR AUDIT COVERAGE

Report Title	Report Number	Final Report Date	Report Results
<i>Color-Coding of Standard Mail and Mail Condition Reporting at the Santa Clarita Processing and Distribution Center</i>	NO-AR-09-008	August 6, 2009	Opportunities exist for the Santa Clarita P&DC to improve the color-coding and reporting of delayed mail to reflect color-coding and delayed mail reporting requirements as of August 29, 2008. Management agreed with the report recommendations.
<i>Color-Coding of Standard Mail and Mail Condition Reporting at the West Palm Beach Processing and Distribution Center</i>	NO-AR-09-006	June 10, 2009	Opportunities exist for the West Palm Beach P&DC to improve the color-coding and reporting of delayed mail to reflect color-coding and delayed mail reporting requirements as of August 29, 2008. Management agreed with the report recommendations.
<i>Mail Condition Reporting at International Service Centers Capping Report³</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. Management agreed with the report recommendations.

³ This capping report summarized the results of four audits on mail condition reporting.

APPENDIX B: DETAILED ANALYSIS

Color-Coding of Standard Mail

During the week of January 18, 2010, we examined 415 containers of Standard Mail for compliance with the national color-code policy. We found that only 108 (about 26 percent) were properly color coded and the remaining 307 were not color coded in accordance with policy. Specifically:

- Thirteen containers (about 3 percent) were missing color-code tags.
- Two-hundred ninety-four containers (about 71 percent) were missing the time and/or date from the tag.

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



These conditions occurred due to:

- Limited color-code training and awareness of the policy.
- No oversight by the color-code coordinator.

A review of training records indicated Albany P&DC employees had not received the national color-code training provided through the Postal Employee Development Center. However, a limited number of employees received one-on-one training from the former district color-code coordinator. The color-code coordinator was not aware of responsibilities outside of ordering color-code tags. This information was provided to the new management at the facility who then developed an action plan to ensure employees received color-code training.

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 and Standard Mail without a color-coded tag 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 on 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 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.



Without accurate color-coding, the Postal Service cannot ensure timely processing, dispatch, 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 the web-based MCRS. Failure to accurately color-code and date the mail could also confuse delivery units about when the mail needs to be delivered.

Mail Condition Reporting

During our observations during the week of January 18, 2010, the Albany P&DC was not accurately recording and reporting delayed mail. For example, on January 19, 2010, a review of the count sheet showed the [REDACTED] recorded delayed volume of 743,187 pieces, yet the Albany P&DC only reported 578,227 pieces. The other 164,960 pieces were not entered into webMCRS.

A senior manager reported that they had been omitting this delayed volume for several weeks, based on a misinterpretation of policy. An additional comparison of worksheets to the mail condition report revealed an underreporting of more than 1.1 million pieces during the first 18 days of January 2010 (see Tables 1 and 2). [REDACTED]

Table 1: Mail Condition Reporting Observations at the Albany P&DC

Date	On-Hand Standard Mail Reported	Reported Delayed	Actual Delayed	Underreported	Oldest Date Reported	Oldest Date Observed
1/19/2010	2,216,111	578,227	743,187	164,960	1/15/2010	1/8/2010
1/20/2010	2,000,457	526,015	871,669	345,654	1/15/2010	1/12/2010
1/21/2010	2,373,203	524,768	806,689	281,921	1/16/2010	1/12/2010
1/22/2010 ⁴	2,697,754	1,196,817	1,196,817	-	1/14/2010	1/14/2010
Total	9,287,525	2,825,827	3,618,362	792,535		

Table 2: Comparison of Data Collected with Data Input

Standard Mail Condition Reporting					
January 2010	On-Hand Volume	Reported Delayed Total	Actual Delayed Total	Underreported	Percentage Delayed
1	2,172,307	157,523	157,523	-	7.3%
2	2,430,294	487,528	667,618	180,090	27.5%
3	1,208,596	311,620	340,492	28,872	28.2%
4	984,356	163,682	163,682	-	16.6%
5	1,094,223	197,456	197,456	-	18.0%
6	1,387,340	119,353	119,353	-	8.6%
7	1,534,552	349,317	349,317	-	22.8%
8	1,484,083	288,002	292,035	4,033	19.7%
9	1,584,949	391,572	391,572	-	24.7%
10	2,149,873	160,520	160,520	-	7.5%
11	2,112,241	695,525	695,525	-	32.9%
12	1,990,990	713,301	713,301	-	35.8%
13	1,751,744	550,474	550,474	-	31.4%
14	1,994,967	363,836	589,830	225,994	29.6%
15	1,912,979	233,063	527,090	294,027	27.6%
16	2,085,490	187,489	486,417	298,928	23.3%
17	2,050,980	153,600	244,697	91,097	11.9%
18	1,928,122	259,625	259,625	-	13.5%
Total	31,858,086	5,783,486	6,906,527	1,123,041	21.7%

While no delayed FCM was observed during our on-site review, a comparison of the Albany P&DC delayed mail volumes to similar-sized sites (Group 3 Plants) showed large variances. For example, in FY 2009, Albany P&DC's delayed FCM totaled 88,050

⁴ On January 22, 2010, we brought OIG observations to the attention of plant management which resulted in proper MCRS reporting.

pieces, while the average for Group 3 Plants totaled over 1 million pieces. See Table 3 for additional information on delayed mail reporting spanning several years.

Table 3: Delayed Mail Reporting

Albany P&DC								
	Priority	FCM	Periodicals	Standard	Packages	Total	Total Percentage of FHP	Percentage of FCM
FY 2006	1,676	0	307,137	9,195,100	1,494	9,505,407	1.09%	0.00%
FY 2007	7,000	966,190	92,349	16,703,124	0	17,768,663	2.07%	0.11%
FY 2008	2,976	8,581	460,776	21,706,398	0	22,178,731	2.49%	0.00%
FY 2009	65,700	88,050	2,954,409	75,196,373	1,945	78,306,477	9.40%	0.01%
Percent Change 08 to 09	2108%	926%	541%	246%	NA	253%		
Average of Group 3 ⁵								
	Priority	FCM	Periodicals	Standard	Packages	Total	Total Percentage of FHP	Percentage of FCM
FY 2006	27,894	2,122,887	4,669,690	41,656,419	70,865	48,547,754	5.51%	0.24%
FY 2007	13,820	1,681,746	3,924,485	24,636,587	36,906	30,293,544	3.53%	0.20%
FY 2008	38,542	1,009,438	1,794,738	19,116,637	14,721	21,974,076	2.60%	0.12%
FY 2009	51,458	1,005,843	1,468,205	42,054,782	25,190	44,605,478	5.82%	0.13%
Percent Change 08 to 09	34%	0%	-18%	120%	71%	103%		
National								
	Priority	FCM	Periodicals	Standard	Packages	Total	Total Percentage of FHP	Percentage of FCM
FY 2006	5,646,530	132,545,749	284,684,906	2,500,084,189	2,955,688	2,925,917,062	1.32%	0.06%
FY 2007	4,247,565	76,818,275	218,800,974	2,548,447,708	2,793,790	2,851,108,312	1.31%	0.04%
FY 2008	3,620,182	84,222,250	158,526,569	1,790,366,780	977,089	2,037,712,870	0.94%	0.04%
FY 2009	6,320,161	137,723,029	237,935,624	3,503,240,505	1,554,377	3,886,773,696	1.98%	0.07%
Percent Change 08 to 09	75%	64%	50%	96%	59%	91%		

On January 20, 2010, we also noted the Albany P&DC recorded flat mail scheduled for delivery the next day as “on-hand,” but did not include this volume in the delayed count. The counter had never received formal training and was not aware of the correct procedure. The Albany P&DC did not document the volume of mail on-hand by delivery day; therefore, we were not able to enumerate the volume underreported prior to our

⁵ Albany is a Group 3 P&DC, based on Breakthrough Productivity Index rankings.

observations. Finally, when recording the “oldest mail” date in webMCRS, the employee who counted the mail did not accurately record the date on the color-code tag.



Bringing these issues to the attention of the new plant manager resulted in proper webMCRS reporting as of January 22, 2010. Additionally, the Albany P&DC office of In-Plant Support has begun monitoring the mail count and reporting process.

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-delivery point sequenced mail⁶ should be reported as delayed 1 day before the scheduled delivery day. Finally, the date of the oldest mail for Standard Mail is the date recorded on any color-code tag affixed to a Standard Mail® container at the time the count occurs.

Postal Service Network Operations Website, Processing Operations, In-plant Training, requires Operations Support Specialists (OSS) to consolidate and review data from operations to ensure the integrity of the information collected. Additionally, the OSS must audit webMCRS by checking volume numbers from the webMCRS report with manual counts (verifying counts with data collectors), including compliance with color-coding policies.

These conditions occurred because:

- Management did not oversee the employees performing the mail count.
- The counter misinterpreted the policy believing they had until the delivery day to process the mail before reporting it as delayed.

⁶ Destinating 5-digit mail requires additional sorting to the carrier route.

- Management provided incorrect instructions to employees performing webMCRS input so district, area, and headquarters officials would not know the extent of the delayed mail problems.

Not properly reporting delayed mail and on-hand volumes may prevent management from making effective operational decisions. This could also impact customer service without management's knowledge.

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

Date	Time	Location	Containers Observed	Missing Tags	Incomplete Tags	Tag Origin
1/19/2010	1910	APPS staging	21	5	16	Albany P&DC
1/19/2010	1915	APPS staging	22	0	22	Albany P&DC
1/19/2010	1915	APPS staging	11	1	10	Albany P&DC
1/19/2010	1925	Auto Letters	16	5	11	Albany P&DC
1/19/2010	1930	Auto Letters	23	0	23	Albany P&DC
1/19/2010	1940	White Room	10	0	10	Springfield L&DC
1/19/2010	1940	White Room	1	0	0	BMC
1/19/2010	1940	White Room	14	0	14	Albany P&DC
1/19/2010	1940	White Room	14	0	14	Albany P&DC
1/19/2010	1940	White Room	17	2	15	Springfield L&DC
1/19/2010	1940	White Room	22	0	22	Albany P&DC
1/19/2010	1940	White Room	15	0	12	Springfield L&DC
1/19/2010	1940	White Room	24	0	0	Albany P&DC
1/21/2010	2200	White Room	49	0	14	Albany P&DC
1/21/2010	2210	White Room	40	0	40	Albany P&DC
1/21/2010	2215	White Room	57	0	12	Albany P&DC
1/21/2010	2220	DBCS	59	0	59	Albany P&DC
Total			415	13	294	
Error Percentage				3.1%	70.8%	

APPENDIX D: MANAGEMENT'S COMMENTS

DISTRICT MANAGER
ALBANY DISTRICT



March 23, 2010

Lucine M. Willis
Director Audit Operations
Office of Inspector General

SUBJECT: Transmittal of Draft Audit Report – Color Coding of Standard Mail and Mail
Condition Reporting at the Albany Processing and Distribution Center
(Report Number NO-AR-10-Draft)

This represents the Albany District's response to the recent OIG review concerning
Color Coding of Standard Mail.

The District is in agreement with the review. We have implemented the following items in
response to the audits' recommendations:

Color Coding Standard Mail/MCRCS Reporting

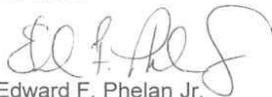
- 1/22/2010 - Color Code Service Talk proposal drafted and submitted for approval
 - Midnight verification information received by Senior MDO from OIG
 - Color Code tag requirements message distributed
 - In-Plant assignment change- add MCRS oversight and Color Code responsibility
 - Clarify Tour 2 Robot Color Code issues
- 1/24/2010 Clarify Color Code tag requirements
- 1/25/2010 Northeast Area training schedule distributed (for January 27th and 28th)
 - Color Code issue addressed with Plattsburgh
- 1/26/2010 Color Code Policy STD-A Mail Service Talk – approved by Northeast Area and
plant manager
 - Color Code Policy STD-A Mail Service Talk – Distributed to Plant
(documented)
 - BMEU certification process Service Talk
- 1/27/2010 Northeast Area Training on Color Code and Mail Condition

30 OLD KARNER ROAD
ALBANY, NY 12288-9992

WWW.USPS.COM

- 1/28/2010 Color Code is everyone's responsibility – Message from Plant
- Manager "Instructions to Supervisors" distributed to Plant
(Color Code/Date/Time Required)
- Northeast Area performs morning count and discusses issues with
Supervisors
- Clarify Robot Operation downflow Color Coding
- 1/29/2010 Plant Manager Meeting - Local training plan for supervisors and employees
following Northeast Area Training
- Oldest date requirements message from plant manager
- 2/1/2010 Midnight count procedure updated
- 2/2/2010 Color Code Training Plan developed and forwarded to plant manager
for review
- 2/3/2010 Local follow-up Color Code Training Plan begins — supervisors and
employees

I would like to thank you for your assistance during the review and for the ability to respond to the draft.



Edward F. Phelan Jr.
District Manager

cc: Steven J. Forte, Sr. VP Operations
Timothy Haney, NEA VP Operations
Frank Neri, Mgr. Processing Operations
Sally Haring, Government Relations & Publ
Mark Dahlstrom, A/ Sr Plant Manager
Richard Uluski, Mgr Operations Support, Area