



OFFICE OF  
**INSPECTOR  
GENERAL**  
UNITED STATES POSTAL SERVICE

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# **Timeliness of Mail Processing at Processing and Distribution Centers**

## **Audit Report**

September 28, 2012

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Report Number NO-AR-12-010



OFFICE OF  
**INSPECTOR  
GENERAL**  
UNITED STATES POSTAL SERVICE

# HIGHLIGHTS

September 28, 2012

## Timeliness of Mail Processing at Processing and Distribution Centers

Report Number NO-AR-12-010

### **BACKGROUND:**

The U.S. Postal Service is facing one of the most difficult challenges in its history, reporting a net loss of \$5.2 billion in the 3rd quarter of fiscal year (FY) 2012. This was subsequent to a net loss of 5.1 billion in FY 2011. One factor driving these losses is the continual decline in mail volume, falling from its peak of 213 billion pieces in FY 2006 to 168 billion in FY 2011.

This report summarizes the Postal Service's progress in reducing delayed mail. The Postal Service considers mail delayed when it is not processed or dispatched to meet its established delivery day. Our audit objective was to assess the timeliness of mail processing in processing and distribution centers (P&DCs).

### **WHAT THE OIG FOUND:**

In FY 2012, the Postal Service made significant progress reducing the amount of delayed mail at the 43 largest P&DCs in its network. They also made improvements in service performance scores as measured by the Intelligent Mail Accuracy and Performance System®. Service performance achievement scores rose from 81.2 percent to 95.2 percent in FY 2012.

Through Quarter 3, FY 2012, about 1.4 billion pieces of mail have been delayed while about 3.5 billion pieces were

delayed in FY 2011. Much of this decline can be attributed to management emphasis on delayed mail and expanded use of the Intelligent Mail® barcode (IMb). We identified several issues that contributed to mail delays, including improper color coding, inaccurate reporting, underutilization of automation, floor congestion, incomplete operating plans, and a lack of mail inventory visibility. Delayed mail adversely impacts mailers and other Postal Service customers, negatively impacts operational efficiency and service scores, and could result in additional revenue losses.

### **WHAT THE OIG RECOMMENDED:**

We recommended the manager, Processing Operations, evaluate operations, including consolidations, to reduce the amount of delayed mail in the network and ensure that field personnel are properly trained in the color-coding of Standard Mail as well as the counting and reporting of delayed mail in accordance with policies. We also recommended the manager, Processing Operations, increase investment in and employee access to the IMb tracking system, or other tools, to assist management with identifying potential mail processing problems that could result in delayed mail.

[Link to review the entire report](#)



September 28, 2012

**MEMORANDUM FOR:** FRANK NERI  
MANAGER, PROCESSING OPERATIONS

E-Signed by Robert Batta   
VERIFY authenticity with e-Sign  
*Robert J. Batta*

**FROM:** Robert J. Batta  
Deputy Assistant Inspector General  
for Mission Operations

**SUBJECT:** Audit Report – Timeliness of Mail Processing at  
Processing and Distribution Centers  
(Report Number NO-AR-12-010)

This report presents the results of our audit of the Timeliness of Mail Processing at Processing and Distribution Centers (Project Number 12YG032NO000).

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.

Attachments

cc: Patrick R. Donahoe  
David E. Williams, Jr.  
Deborah Giannoni-Jackson  
Corporate Audit and Response Management

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## Introduction

This report presents the results of our audit on the timely processing of mail at processing and distribution centers (P&DCs) nationwide (Project Number 12YG032NO000). The audit objective was to assess the timeliness of mail processing at the P&DCs. This self-initiated audit addresses operational risk. See [Appendix A](#) for additional information about this audit.

Mailers are concerned about the Postal Service's ability to process mail timely, especially during peak mailing periods such as the fall mailing season.<sup>1</sup> For example, during the 2010 fall mailing season,<sup>2</sup> the Postal Service delayed about 3.4 billion mailpieces, or 6 percent of total mail volume at P&DCs and facilities. This represented a delayed mailpiece increase of 904 million, or 37 percent over the previous year. The Postal Service considers mail delayed in processing when it does not meet established mail processing goals; however, the mail piece may still be dispatched in time to meet its expected delivery date. In response to mailer concerns, the Postal Service increased its emphasis on processing mail timely.<sup>3</sup>

## Conclusion

The Postal Service made progress in improving the timeliness of mail processing by reducing the amount of delayed mail from the previous year and improving service performance for the timely delivery of mail. These improvements can be largely attributed to initiatives implemented by the Postal Service to address delayed mail.

These initiatives have resulted in significant decreases in delayed mail, reducing delayed mail from 3.5 billion in fiscal year (FY) 2011 to approximately 1.4 billion in the dhurd@uspsoig.gov first 3 quarters of FY 2012. While the Postal Service is to be commended for these improvements, there remain opportunities to further reduce delayed mail at the P&DCs. Based on our current work,<sup>4</sup> and previous audits (see [Appendix A](#)), we identified several factors that contribute to mail delays:

- Some mail containers were not properly color coded.
- Delayed mail was not always accurately reported, sometimes underestimating the amount of delayed mail.
- Automation capability was not always utilized.

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<sup>1</sup> Generally, the Postal Service's performance is impacted in the fall due to higher than normal Standard Mail<sup>®</sup> volumes in response to increases in advertising campaigns for back to school and winter holidays.

<sup>2</sup> October 1 through December 31.

<sup>3</sup> See Postal Service's management comments contained in *Postal Service Performance During the 2010 Fall Mailing Season* (Report Number NO-AR-11-007, dated September 7, 2011).

<sup>4</sup> We conducted site visits to the North Houston P&DC and the St. Louis P&DC.

- In some cases, excess mail transport equipment (MTE) caused congestion on the workroom floor.
- Some operating plans were not optimized including transportation schedules, staffing, sort plans, and floor plan layout, particularly when implementing facility consolidations and realignments.
- Managers did not always have good visibility of their mail inventory.

Addressing these issues and continuing the delayed mail initiatives in process should promote operational efficiency, increase customer satisfaction, and protect revenue. Although delayed mail is trending downward, as customers experience delays with their mailings, it could cause some to seek alternative delivery methods. We conservatively estimated that 1 percent of the total delayed mail<sup>5</sup> totaling \$17.3 million in revenue could be at risk if customers elect to utilize alternative delivery methods. See [Appendix B](#) for a detailed explanation of revenue at risk.

### Delayed Mail Volume

Overall, delayed mail volume in FY 2012 for the 43 largest plants have decreased compared to FYs 2010 and 2011. Delayed mail as a percentage of first-handled pieces (FHP<sup>6</sup>) is 2.6 percent through the first three quarters of FY 2012, down from 4.8 percent for FY 2011 and 3.8 percent for FY 2010 (see Table 1).

**Table 1: Percentage of Delayed Mail**

Fiscal Year	Delayed Mail Volume	FHP Volume	Delayed Mail as a Percentage of FHP Volume
2010	2,762,408,584	73,138,957,740	3.8%
2011	3,522,231,269	73,989,841,481	4.8%
2012	1,406,862,269	54,826,507,708	2.6%

Source: Enterprise Data Warehouse (EDW).

Much of this decline in delayed mail can be attributed to the Postal Service’s increased focus on reducing delayed mail. During FY 2011, the Postal Service increased daily management emphasis on delayed mail volumes, initiated plant level service reviews to validate delayed mail counts and expanded the use of the Service Performance Diagnostic and Intelligent Mail<sup>®</sup> barcode (IMb) by providing IMb reports showing plant managers where their mail was in the processing system.

<sup>5</sup> Delayed mail is identified as failed pieces in the Intelligent Mail Accuracy and Performance System (iMAPS). Period used is Quarter 4 FY 2011 through Quarter 3 FY 2012.

<sup>6</sup> A first-handling piece is a letter, flat, or parcel that receives its initial distribution at a Postal Service facility. Each mailpiece distributed in an office receives one and only one FHP count.

These initiatives have resulted in significant decreases in delayed mail. For example, in the first 3 quarters of FY 2012, the 43 largest P&DCs delayed about 1.4 billion mailpieces. By comparison, about 3.5 billion mailpieces were delayed in FY 2011 and about 2.8 billion mailpieces were delayed in FY 2010. With the exception of Priority Mail, all types of mail experienced a decrease in delays from FYs 2011 to 2012 (see Table 2).

**Table 2: Delayed Mail Volumes by Mail Type**

Fiscal Year	All Priority Delayed Processing	All FCM Delayed Processing	Periodicals Delayed Processing	All Standard Delayed Processing	Package Services Delayed Processing	Total
2010	1,829,412	81,441,835	117,300,416	2,561,280,807	556,114	<b>2,762,408,584</b>
2011	2,135,136	99,244,517	165,232,078	3,254,675,764	943,774	<b>3,522,231,269</b>
2012 <sup>7</sup>	1,838,825	31,767,569	76,050,153	1,296,721,365	484,357	<b>1,406,862,269</b>

Source: EDW.

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

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

### Causes

The following factors contributed to mail delays:

- Some mail containers were not properly color coded.
- Delayed mail was not always accurately reported, sometimes underestimating the amount of delayed mail.
- Automation capability was not always utilized.
- In some cases, excess MTE caused congestion on the workroom floor.
- Some operational plans were not optimized to align transportation schedules, staffing and sort plans, and floor plan layouts, particularly when implementing consolidations and realignments.
- Managers did not always have good visibility of their mail inventory.

<sup>7</sup> First 3 quarters of FY 2012.

## Color-Coding Procedures

According to the national color-code policy for Standard Mail, color-coding procedures provide a guide to maintaining service goals for Standard Mail. Color coding of Standard Mail allows for the processing of mail in a first-in, first-out (FIFO<sup>8</sup>) manner. Additionally, the tag identifies the scheduled delivery day of the mail and allows for accurate delayed mail reporting. By not accurately color coding the mail, the Postal Service cannot ensure timely processing, dispatch, and delivery of Standard Mail. Missing or incomplete color-code tags could lead to inaccurate reporting of delayed and on-hand mail. During our past audits and site visits, we noted the following examples of mail that was not properly color coded (see Figure 1).

**Figure 1: Incomplete Color-Code Tag Without Time or Date<sup>9</sup>**



Source: U.S. Postal Service Office of Inspector General (OIG) *Consolidation of Mail Processing at the Mansfield, OH Customer Service Mail Processing Center* (Report Number NO-AR-12-003, dated January 20, 2012).

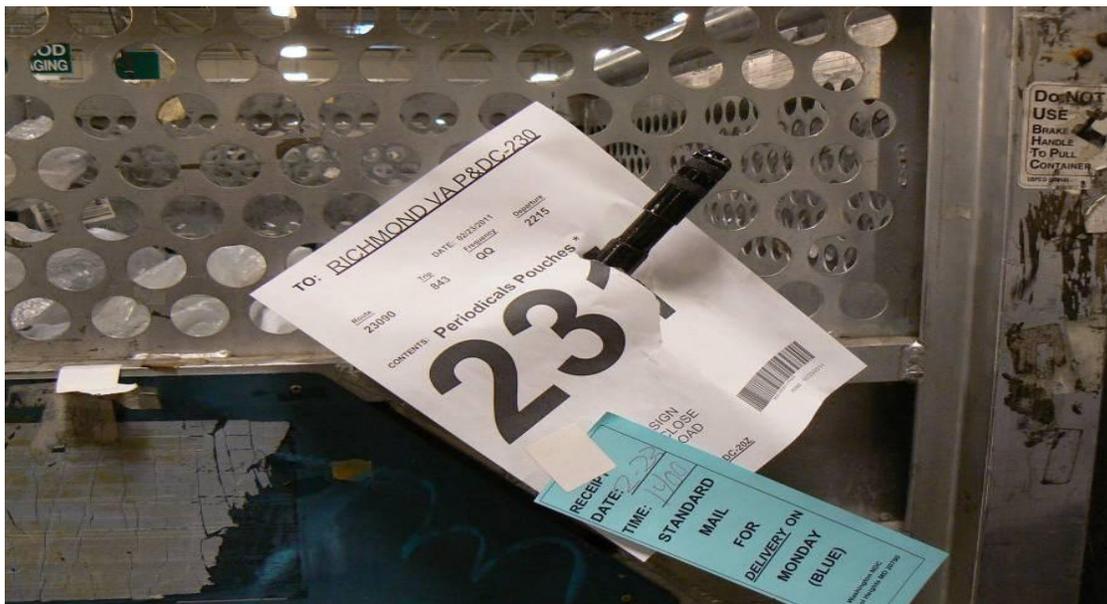
## Periodical Mail Staging and Tagging

Prior reviews found instances of Periodical mail improperly staged and tagged as Standard Mail resulting in underreporting and mail delays. Periodical mail has different delivery standards. For example, Periodicals have a delivery service standard of 1 to 9 days, while Standard Mail has a standard of 3 to 10 days. Improperly tagging Periodicals as Standard Mail results in incorrect reporting and hindering processing mail in a FIFO manner (see [Figure 2](#)).

<sup>8</sup> Mail is staged and processed based on order of receipt.

<sup>9</sup> Color codes must contain the date and time the mail enters the processing facility.

Figure 2: Periodicals Improperly Color Coded as Standard Mail<sup>10</sup>



Source: OIG, *Timely Processing of Mail at the Richmond, VA Processing and Distribution Center* (Report Number NO-AR-11-008, dated September 13, 2011).

### Machine Utilization

Machine utilization and runtimes could be improved on some of the Automated Flat Sorting Machines, Automated Package Processing System, and Small Parcel and Bundle Sorter machines that would allow for processing mail timely. By increasing machine runtimes, P&DCs could process more mail and further reduce delayed mail volumes. Additionally, delayed mail volumes can be reduced by automating machineable mail instead of processing it manually (see [Figures 3](#) and [4](#)).

<sup>10</sup> Periodicals are not Standard Mail and should not be color coded.

**Figure 3: Tray Takeaway System**



Source: OIG, *Efficiency Review of the Cleveland OH Processing and Distribution Center* (Report Number NO-AR-12-005, dated June 5, 2012). The tray takeaway system located at each Delivery Barcode Sorter has not been used for more than a year. Using this system would reduce mail processing times.

**Figure 4: Manual Operations**

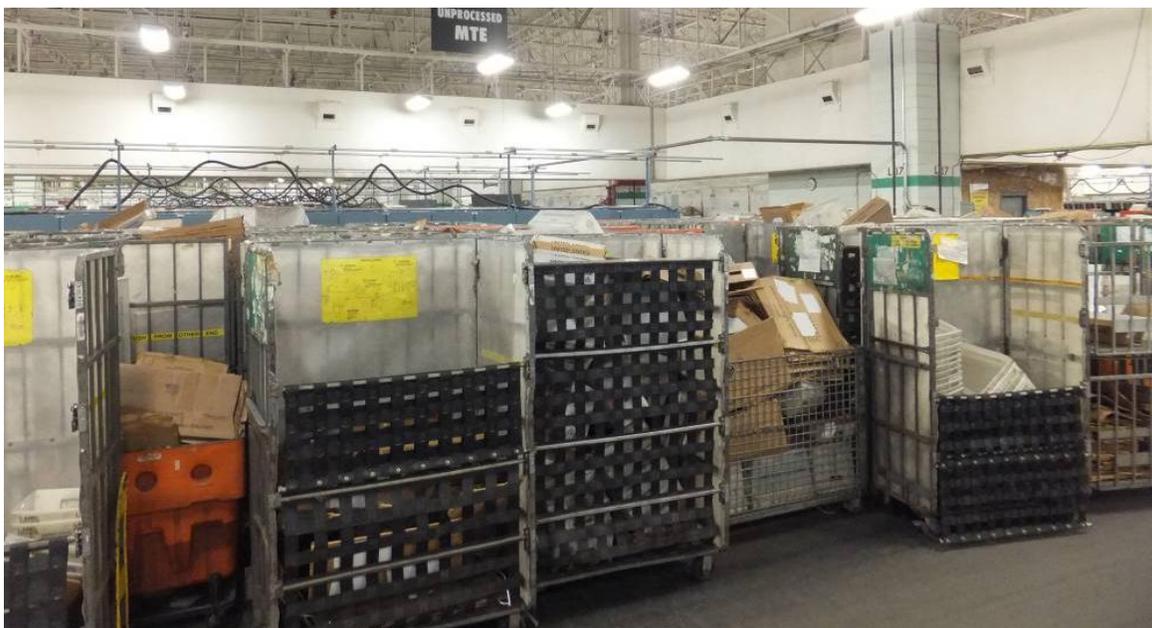


Source: OIG, *Efficiency Review of the Cleveland OH Processing and Distribution Center* (Report Number NO-AR-12-005, dated June 5, 2012). An employee sorting machineable letters in the manual flat operation at the Cleveland P&DC. This mail could be processed more efficiently and sooner if processed on automated equipment.

### Mail Transport Equipment Congestion

Congestion caused by MTE can lead to longer processing times resulting in mail delays. Observations from previous audits revealed floor congestion caused by unprocessed MTE throughout the facility in staging areas, aisles, and other areas preventing the efficient flow of mail that caused mail delays (see Figure 5).

**Figure 5: Unprocessed MTE**



Source: OIG, Poor mail flow and floor congestion caused by unprocessed MTE. Picture taken at Pittsburgh Processing and Distribution Center (June 26, 2012).

### Operational Adjustments During Consolidations

Failure to make proper adjustments to some operating plans during consolidation implementations contributed to mail delays. For instance, the Lima, OH, to Toledo, OH, consolidation resulted in delayed mail increasing by 136 percent during the 3 months following the consolidation. Delayed mail and other service degradations were due in part to trips leaving the Toledo, OH P&DC late and mail being resorted on the dock (see Figure 6).

In another case, the Frederick, MD, to Baltimore, MD,<sup>11</sup> consolidation resulted in delayed mail increasing by nearly 200 percent. This occurred, in part, because management did not adequately plan for post-consolidation transportation needs before implementing the consolidation and did not adjust transportation schedules during the consolidation.

<sup>11</sup> Frederick, MD to Baltimore, MD, Area Mail Processing Consolidation, NO-AR-12-006 dated July 3, 2012.

**Figure 6: Dock Sortation**



Source: OIG, *Implementation of Lima, OH to Toledo OH Area Mail Processing Consolidation* (Report Number EN-AR-11-004, dated March 31, 2011). Trips were late due to drivers resorting mail on the dock.

### Mail Visibility

Mail processing managers did not always have sufficient information regarding mail processing data. Managers and employees said the availability of data is generally good but could be improved. For example, data from IMb is not readily available for 7 to 10 days. Because this is not a real-time system, most data can only be used for ‘after-the-fact’ analysis. Additionally, some mailers using IMb have more access to real-time data on mail processing and delivery than is available to Postal Service employees in the plants. Improving access and timeliness of mail processing data could allow managers to identify potential mail processing problems and avoid mail delays.

### Service Scores

We identified delayed mail and overall FHP mail volume at the 43 largest P&DCs in the mail processing network. The median amount of delayed mail in FY 2012 was 2.1 percent of total FHP volume. We found that the 21 P&DCs with the highest volumes of delayed mail, or those above the median,<sup>12</sup> did not achieve the same level of IMb service performance as the 21 P&DCs with lower volumes of delayed mail (see [Table 3](#)).

<sup>12</sup> There were 21 plants above the median and 21 plants below the median.

**Table 3: IMb Service Performance and Delayed Mail for the 43 Largest P&DCs**

P&DCs	IMb Service Performance
21 large plants with HIGH delayed mail	85.20%
21 large plants with LEAST delayed mail	91.32%
Difference	-6.12%

Source: iMAPS.

High volumes of delayed mail adversely impacts mailers and other Postal Service customers, negatively impacts operational efficiency, and could result in additional revenue losses.

### Other Matters

We interviewed 20 Postal Service managers, supervisors, and specialists at the plant, district, and area levels to determine whether the data systems used to evaluate mail processing were adequate for their needs. They identified the following data systems (see [Appendix D](#)) as critical to managing mail processing operations and tracking delayed mail:

- EDW.
- External First-Class Measurement System.
- Mail Condition Reporting System.
- Mail History Tracking System.
- Run Plan Generator.
- iMAPS.
- Web End of Run Reporting System.
- Web Management Operating Data System.

Some employees told us that data are generally accurate but sometimes not available or reliable across systems for decision making. For example, Postal Service officials told us the following:

- There are not enough data available on flats.
- The Mail History Tracking System data are accessible for 3 weeks but should be available for a longer period.
- Many employees have limited access to systems within EDW and they need the ability to create, edit, and share queries with co-workers within these systems.

- WebEOR data are accurate, but EDW data do not match WebEOR data.
- EXFC data are inconsistent from one day to the next.

### Recommendations

We recommend the manager, Processing Operations:

1. Evaluate mail processing operations for additional opportunities to decrease delayed mail by increasing the use of automation, clearing floor congestion, and optimizing operating plans.
2. Ensure that field personnel are properly trained in the color coding of Standard Mail as well as the counting and reporting of delayed mail in accordance with policies.
3. Increase investment in and employee access to the Intelligent Mail barcode tracking system or other tools to assist management with identifying potential mail processing problems that could result in delayed mail.

### Management's Comments

Management agreed with the recommendations in the report. Specifically, in response to recommendation 1, management stated that initiatives are underway and, effective October 2012 through August 2013, additional initiatives will increase the use of automation, reducing on-hand and delayed mail volumes. In response to recommendation 2, effective November 2012 through January 2013, management will conduct training regarding color-coding procedures for craft and management through service talks and webinars. In response to recommendation 3, effective November 2012, management will develop FIFO exception diagnostics within the Service Performance Diagnostics (SPD) tool and provide SPD training webinar for field employees, supervisors, managers, and In-Plant Support staff. See [Appendix E](#) for management's comments in their entirety.

### Evaluation of Management's Comments

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

## Appendix A: Additional Information

### Background

Despite continued success in generating new package delivery revenue, improving efficiency, and reducing costs, the Postal Service ended Quarter 3 (April 1–June 30) with a net loss of \$5.2 billion, compared to a net loss of \$3.1 billion for the same period last year. Contributing significantly to the quarter's \$5.2 billion loss was \$3.1 billion in expense for the legislatively mandated prefunding of retiree health benefits. There has been a continual decline in mail volume since peaking at 213 billion pieces in 2006. Total mail volume of 38.5 billion pieces, for Quarter 3, 2012, decreased 1.4 billion pieces, or 3.6 percent, from the same period in 2011. This reflects the continued decline of FCM (volume decline of 4.4 percent) due to the ongoing shift of communications and transactions to electronic alternatives. While there is a decline in FCM volume, Standard Mail volume accounts for about 50 percent of all mail volume and 27 percent of the Postal Service's annual revenue.

The Postal Service measures service performance in terms of speed and reliability. Single-piece FCM includes letters, flats, and parcels and is measured from collection box drop point to delivery. Standard Mail is a class of mail consisting of mailable matter that is not required to be mailed as FCM or Periodicals.<sup>13</sup> Standard Mail service performance is tracked by an IMb which documents the arrival time at a designated postal facility to start the clock, and a scan by an external, third-party reporter to stop the clock. This data are collected and provided to an independent, external contractor to calculate service measurement.<sup>14</sup>

### Objective, Scope, and Methodology

Our objective was to assess the timeliness of mail processing at P&DCs. To meet our objective, we conducted interviews; performed analyzed mail volumes, workhours, and trends; and conducted observations at the North Houston and St. Louis P&DCs. We also reviewed prior OIG reports with regard to the timely processing of mail over the last 2 years. In addition, we conducted data collection interviews with Postal Service employees to be used in a future capping report on the utilization of data systems. We used computer-processed data from the MCRS, iMAPS,<sup>15</sup> EDW, and Management Operating Data System. We pulled and reported on data from October 1, 2010, through June 30, 2012, for the 43 largest plants in the network, which processes 39 percent of the mail. We did not test controls over these systems.

We conducted this performance audit from May through September 2012 in accordance with generally accepted government auditing standards and included such tests of

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<sup>13</sup> Service performance for Periodicals (for example, publications) and Package Services, which includes Parcel Post<sup>®</sup>, Bound Printed Matter, Media Mail<sup>®</sup> and Library Mail is measured from entry into the postal system to delivery.

<sup>14</sup> The system used for this reporting is called iMAPS.

<sup>15</sup> IMb is not used by all consumers at this time.

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 on August 23, 2012, and included their comments where appropriate.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Postal Service Performance During the 2010 Fall Mailing Season</i>	<a href="#">NO-AR-11-007</a>	9/7/2011	\$10,900,000
<p><b>Report Results:</b> During the 2010 Fall Mailing Season, the U.S. Postal Service had more than 3.4 billion delayed mailpieces, a 37 percent increase compared to the same period last year. Approximately 95 percent of this delayed mail was Standard Mail. This adversely impacted service and resulted in approximately \$10.9 million in revenue at risk. Management agreed with the recommendations and indicated they will develop checklists, action plans, and scheduling models to assist plant management in planning for fall mail volume variations.</p>			
<i>Timely Processing of Mail at the Richmond, VA Processing and Distribution Center</i>	<a href="#">NO-AR-11-008</a>	9/13/2011	None
<p><b>Report Results:</b> The Richmond P&amp;DC experienced difficulties with timely processing of mail during FY 2010 and Quarter 1 FY 2011. Delayed mail volume rose from 22.6 million to 54.2 million pieces over a two year period. Management agreed with the recommendations and took action to address delayed mail concerns, developed a scheduling model to assist plant management in aligning resources with workload, filled vacant craft positions, and appointed a new plant manager. To increase machine run times, they established daily tracking mechanisms to monitor machine throughputs, runtime, and productivities.</p>			
<i>Consolidation of Mail Processing Operations at the Mansfield, OH Customer Service Mail Processing Center</i>	<a href="#">NO-AR-12-003</a>	1/20/2012	\$4,828,156 (1 year savings)

Report Title	Report Number	Final Report Date	Monetary Impact
<p><b>Report Results:</b> A business case supporting the consolidation exists, producing a first year savings of approximately \$4.8 million if employees are successfully repositioned. We recommended that Postal Service management identify repositioning plans for all impacted employees at the Mansfield CSMPC and continue to monitor and take necessary actions to process mail in a timely fashion at the Cleveland P&amp;DC.</p>			
<p><i>Oxnard, CA Processing and Distribution Facility Destinating Mail Consolidation</i></p>	<p><a href="#">NO-AR-12-004</a></p>	<p>3/6/2012</p>	<p>\$2,603,070 (1st year savings); \$3,093,888 (subsequent years)</p>
<p><b>Report Results:</b> A business case exists to support the consolidation which should produce a cost savings of about \$2.6 million the first year and \$3.1 million in subsequent years. Management agreed with our recommendations to monitor customer service measurement, 24-hour clock indicators, delayed mail, and staffing levels to ensure mail is processed timely.</p>			

### Appendix B: Other Impacts

We conservatively estimated that 1 percent of the mail that failed to meet service performance standards (or about 54 million pieces of mail) is at risk of diversion to methods of delivery outside the Postal Service. We determined that about \$17.3 million<sup>16</sup> of the revenue associated with the failed mailpieces is at risk of loss (see Table 4).

**Table 4: Revenue at Risk<sup>17</sup>**

Finding	Impact Category	Amount
Delayed Mail	Revenue at Risk	\$17,330,587

Should customer service be negatively impacted by high delayed mail volumes, or if customers experience delays with their mailings, it could cause some to seek alternative delivery methods, further decreasing both mail volume and revenue.

We evaluated IMb service performance for the 1st 3 Quarters in FY 2012 at the 43 largest P&DCs. We identified the median, or middle, P&DC based on delayed mail to FHP volume ratio. Those P&DCs with delayed mail volumes above the median performed lower than the P&DCs with delayed mail volumes below the median on the IMb service performance standards. Specifically, those P&DCs with higher delayed mail volumes were 6 percentage points below their counterparts in meeting service performance standards. The 21 P&DCs with least delayed mail volumes scored 91 percent on time, while the P&DCs with high delayed mail volumes scored only 85 percent on time (see Table 3).

While service performance improved over the last 2 quarters, there were still more than 5 billion pieces of mail that failed to meet established service standards during the period of our review (see Table 5).

<sup>16</sup> We conservatively estimated the revenue at risk for mailers selecting alternative delivery methods as 1 percent of IMb failed pieces of more than 5 billion by the average revenue per mailpiece of 32 cents ( $5,415,808,532 \times .01 = 54,158,085 \times .32 = \$17,330,587$ ). This methodology has been used in a previous OIG issued report (*Postal Service Performance During the Fall Mailing Season* [Report Number NO-AR-11-007, dated September 7, 2011]).

<sup>17</sup> Revenue the Postal Service is at risk of losing (for example, when a mailer seeks alternative solutions for services currently provided by the Postal Service).

**Table 5: National IMb Service Performance**

<b>Quarters</b>	<b>Failed Pieces</b>	<b>On-Time Pieces</b>	<b>Total Pieces</b>	<b>On-Time</b>
4, FY 2011	1,548,284,486	7,913,874,329	9,462,158,815	83.64%
1, FY 2012	2,404,721,200	10,389,360,652	12,794,081,852	81.20%
2, FY 2012	1,151,914,344	11,710,035,046	12,861,949,390	91.04%
3, FY 2012	310,888,502	6,210,316,433	6,521,204,935	95.23%
<b>Total</b>	<b>5,415,808,532</b>	<b>36,223,586,460</b>	<b>41,639,394,992</b>	<b>86.99%</b>

Source: iMAPS.

Appendix C: Delayed Mail Trends

Table 6: Delayed Mail Totals as a Percent of FHP Volume<sup>18</sup>

Delayed % Ranking	Plant	FY 2010 Delayed Mail Percentage	FY 2011 Delayed Mail Percentage	FY 2012 Quarters 1, 2, 3 Delayed Mail Percentage <sup>19</sup>
1		6.6%	12.0%	8.0%
2		7.6%	9.6%	7.0%
3		1.3%	3.3%	5.2%
4		2.8%	8.3%	5.1%
5		9.8%	12.7%	5.1%
6		11.7%	9.5%	4.6%
7		10.0%	13.9%	4.4%
8		3.2%	1.2%	4.3%
9		5.6%	7.5%	3.9%
10		5.4%	8.3%	3.9%
11		11.1%	10.2%	3.7%
12		5.1%	6.3%	3.7%
13		5.6%	6.3%	3.7%
14		3.6%	4.6%	3.4%
15		3.8%	6.3%	3.0%
16		7.6%	6.6%	2.8%
17		1.9%	4.0%	2.8%
18		7.1%	3.2%	2.7%
19		4.2%	7.6%	2.7%
20		4.6%	4.7%	2.6%
21		8.3%	7.7%	2.4%
22		0.8%	2.6%	2.1%
23		0.7%	0.9%	1.9%
24		1.9%	1.9%	1.9%
25		1.5%	3.8%	1.8%
26		1.3%	3.6%	1.6%
27		2.8%	8.5%	1.6%
28		3.1%	1.4%	1.6%
29		1.4%	2.2%	1.6%
30		1.1%	2.1%	1.6%
31		2.4%	3.4%	1.4%
32		3.1%	2.3%	1.1%
33		2.5%	0.8%	1.1%
34		1.3%	1.1%	1.1%
35		1.7%	2.8%	1.0%
36		1.6%	2.3%	1.0%
37		3.3%	2.0%	1.0%
38		1.0%	1.2%	0.9%
39		1.5%	0.8%	0.8%
40		1.2%	0.7%	0.7%
41		3.1%	2.0%	0.7%
42		0.3%	0.4%	0.4%
43		2.0%	3.9%	0.3%
<b>Average Group 1 Plants</b>		<b>3.8%</b>	<b>4.8%</b>	<b>2.6%</b>

Source: EDW.

<sup>18</sup> Highlighted plant percentages were the gaining P&DCs in a consolidation that occurred during the respective period.

<sup>19</sup> FY 2012 data encompasses Quarters 1, 2, and 3. Quarter 4 data were not available at the time of our audit; however, we reviewed 2 of the 3 months in Quarter 4 and delayed mail percentages were actually lower than the averages for the Quarters 1 through 3.

## Appendix D: Glossary

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

**External First-Class Measurement System** - This is an end-to-end service performance measurement system, measuring FCM performance from the time mail enters the mailstream until it is delivered to a household, small business, or Post Office box.

**Intelligent Mail barcode** - The IMb is a 65-bar Postal Service barcode used to sort and track letters and flats.

**Mail Condition Reporting System (MCRS)** - The MCRS, formerly the *Daily Mail Condition Report*, was established as a repository for information related to facility conditions. Generally, a daily snapshot of conditions at facilities throughout the nation is taken at the time of day mail volume is at its lowest. Information relating to conditions at that time, as well as prior day's processing, is reported in the MCRS.

**Mail History Tracking System (MHTS)** - The MHTS is a Web-based application, introduced in 2007, that allows the Postal Service to identify missorted, missequenced, and missent letters and locate exactly where in each tray they are located.

**Run Plan Generator (RPG)** - The RPG creates a schedule of mail processing and maintenance runs using a site's preferred machines and sort programs and based on expected mail volume.

**Service Performance Diagnostics** - A tool for troubleshooting service measurement issues within the iMAPs.

**Web End-of-Run Reporting System** - A software application that allows end users to retrieve, view, and store various end-of-run statistics from automated mail processing equipment.

**Web Management Operating Data System** - A web-enabled application that provides a systematic approach to gathering, storing, and reporting data pertaining to workload, workhours, and mail processing machine utilization.

## Appendix E: Management's Comments

FRANK NERI  
MANAGER, PROCESSING OPERATIONS  
NETWORK OPERATIONS



September 26, 2012

LUCINE WILLIS  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Timeliness of Mail Processing in Processing and Distribution Centers  
(Report Number NO-AR-12\_DRAFT)

Thank you for the opportunity to respond to the recommendations contained in the Draft Audit Report: Timeliness of Mail Processing in Processing and Distribution Centers. (Report Number NO-AR-12\_DRAFT). Management agrees with all recommendations.

As the report indicates, our efforts to reduce delayed mail and improve service performance scores have been successful in FY 2012. We have maintained record levels of service performance while simultaneously reducing costs in our overall network.

These improvements notwithstanding, we recognize the additional opportunity which exists for reducing delayed mail in our Processing and Distribution Centers. Management agrees that the three recommendations presented in the report will help to facilitate these additional opportunities.

### Recommendation 1:

Evaluate mail processing operations for additional opportunities to decrease delayed mail by increasing the use of automation, clearing floor congestion and optimizing operating plans.

### Management Response/Action:

Management agrees with this recommendation.

We have either already initiated or have planned several initiatives to increase the use of automation. These initiatives include:

Improving first pass DPS – Operation 918 - Letter Automation throughput per hour performance to more closely align with the throughput per hour performance for second pass – Operation 919.

This initiative will provide the opportunity to increase total volume processed per day and to reduce on-hand and delayed letter volumes.

### Target Implementation Date:

October 2012

Increasing Flats Sequencing System (FSS) and Automated Flats Sorting Machine (AFSM) 100 utilization by shifting flats from manual distribution.

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**Target Implementation Date:**

October 2012 through August, 2013

In July, 2012, a Lean Six Sigma (LSS) Black Belt Project with the goal of FSS throughput per hour performance was chartered. This project is intended to create the opportunity to increase total pieces fed (TPF) per day as a result of the improvement in efficiencies.

**Target Implementation Date:**

April 2013

Expanding FSS Operating Plans. Where feasible, we will expand our operating windows on the FSS from the current target of 17 hours per day to as many as 20 hours per day.

**Target Implementation Date:**

November 2012 through August 2013

**Responsible Management Official:**

Bobby E. Miller, A/Manager, Processing and Distribution Center Operations

**Recommendation 2:**

Ensure that field personnel are properly trained in the color coding of Standard Mail as well as the counting and reporting of delayed mail in accordance with policies.

**Management Response/Action:**

Management agrees with this recommendation and will take the following actions to address this issue:

Re-issue Standard Operating Procedures for Color Coding Standard Mail with accompanying service talk for employees.

Provide Standard Mail Color Code Training webinar for field employees, supervisors, managers and In-Plant Support staff.

Provide Mail Conditions counting and reporting Webinar for field supervisors, managers and In-Plant Support staff.

Re-issue Standard Operating Procedures Mail Conditions counting and reporting, with accompanying service talk for Supervisors and Managers.

**Target Implementation Date:**

January 2013

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**Responsible Management Official:**

Bobby E. Miller, A/Manager, Processing and Distribution Center Operations

**Recommendation 3:**

Increase investment in and employee access to the Intelligent Mail Barcode tracking system or other tools to assist management with identifying potential mail processing problems that could result in delayed mail.

**Management Response/Action:**

Management agrees with this recommendation. However, as background, the Service Performance Diagnostics (SPD) tool that provides performance reports and diagnostics data is still a relatively new tool. Since its deployment in January, 2012 several important enhancements have been made to the tool. The enhancements include Start-the-Clock (STC) Day of Week analysis, Average WIP Cycle Time, Weekly 5-Day Median WIP Cycle Time, service performance reports for Network Optimization Consolidation Sites and most recently, service performance reports for Political Mailings.

Management will take the following actions to address Recommendation Number 3:

Develop First-In-First-Out (FIFO) exception diagnostics within the SPD tool. The data derived from this tool will provide visibility for pallets of flats which are processed out of order with respect to when they were entered into a mail processing facility.

**Target Implementation Date:**

November 2012

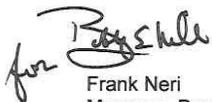
Provide Service Performance Diagnostics training webinar for field personnel.

**Target Implementation Date:**

January 2013

**Responsible Management Official:**

Bobby E. Miller, A/Manager, Processing and Distribution Center Operations

*for* 

Frank Neri  
Manager, Processing Operations

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cc: David E. Williams, Jr.  
Deborah Giannoni-Jackson  
Corporate Audit and Response Management  
Frank Neri