



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

New York Morgan Processing and Distribution Center Efficiency

Audit Report

Report Number
NO-AR-16-008

May 4, 2016





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Highlights

From FYs 2011 to 2015, NY Morgan P&DC's mail processing productivity was significantly lower than the national average. Specifically, for FYs 2011 to 2015, it was 43, 37, 35, 28, and 25 percent lower than the national average, respectively.

Background

The U.S. Postal Service has more than 250 mail processing facilities nationwide. These facilities sort and distribute mail for dispatch and eventual delivery. Post offices, stations, and branches in designated ZIP Code service areas send originating mail to mail processing centers for processing and dispatch and receive mail from the centers for delivery to customers.

The New York (NY) Morgan Processing and Distribution Center (P&DC) in NY City is one of the largest processing facilities. It processes originating mail for Brooklyn, Queens, the Bronx, Staten Island, and Manhattan; and destinating mail for the Bronx and Manhattan. It also processes inbound international mail from the John F. Kennedy International Service Center. In fiscal year (FY) 2015, the NY Morgan P&DC processed about 1.96 billion mailpieces.

Our objective was to assess the efficiency of NY Morgan P&DC mail processing operations.

What the OIG Found

We identified opportunities to improve mail processing efficiency at the NY Morgan P&DC. Specifically, there is an opportunity to reduce 385,365 workhours over the next 5 years, for a savings of about \$15.2 million annually. We estimated 200,000 of the workhours should have been reduced in FYs 2014 and 2015. The cost of those workhours was about \$8.5 million annually.

From FYs 2011 to 2015, NY Morgan P&DC's mail processing productivity was significantly lower than the national average. Specifically, for FYs 2011 to 2015, it was 43, 37, 35, 28, and 25 percent lower than the national average, respectively. Also, in FY 2015, NY Morgan P&DC's achievement of productivity targets was 19 percent lower than the national average and a 1.73 percent decline from its performance in FY 2014.

Inefficiencies occurred because management did not adjust workhours to workload or follow the facility's daily machine schedule for mail processing and maintenance runs from the Run Plan Generator application. In addition, machine processing performance was generally below the national average rate at which a machine processes mail (throughput).

Furthermore, jam and reject rates were higher than the national averages because machine operators did not properly align the edges of the mail (jog) or remove mailpieces that were too thick, stiff, long, or tall (cull) for automated processing. As a result, the NY Morgan P&DC used more workhours than necessary to process the mail.

Finally, in FY 2015, the 385,365 workhours were automatically charged to a default operation number and management did not adjust those charges when employees were assigned to different operations. Although management said they identified the problem, they were not aware that 477,982 of the 2,976,692 FY 2015 mail processing workhours (16 percent) were charged



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to the default operation number and had not corrected the problem. As a result, NY Morgan P&DC managers could not properly evaluate productivity.

In FY 2014, the Postal Service conducted a pilot study at the Birmingham, AL, P&DC. Based on the study, management was able to reduce volume and workhour coding errors from 58 to 2 percent by performing timely updates to management operating data systems (MODS), supervising employee operation movements, making MODS training easily accessible to employees, and ensuring Human Resources made appropriate base operations assignments for new employees. Implementing the actions listed above would assist the NY Morgan P&DC in reducing workhour coding errors.

What the OIG Recommended

We recommended the district manager, New York District, instruct NY Morgan P&DC management to:

- Reduce 385,365 workhours over the next 5 years by evaluating operational efficiency and adjusting workhours to workload.
- Ensure consistent use of the Run Plan Generator to schedule mail processing machine operations.
- Ensure employees understand and use proper procedures for jogging and culling the mail prior to processing.
- Ensure managers update MODS data timely and supervise employee operation movements.
- Ensure Human Resources makes appropriate base operations assignments for new employees.
- Complete annual MODS reviews as required by Handbook M-32, *Management Operating Data System*.

Transmittal Letter

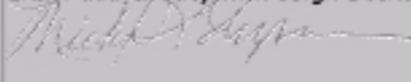


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MAY 4, 2016

MEMORANDUM FOR: LORRAINE G. CASTELLANO
DISTRICT MANAGER, NEW YORK DISTRICT

E-Signed by Michael Thompson
VERIFY authenticity with eSign Desktop



FROM: Michael L. Thompson
Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Audit Report – New York Morgan Processing and Distribution
Center Efficiency (Report Number NO-AR-16-008)

This report presents the results of our audit of the New York Morgan Processing and Distribution Center Efficiency (Project Number 16XG001NO000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Margaret B. McDavid, director, Network Processing, or me at 703-248-2100.

Attachment

cc: Vice President, Network Operations
Vice President, Northeast Area

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Findings

We identified opportunities to improve mail processing efficiency at the NY Morgan P&DC. Specifically, there is an opportunity to reduce 385,365 workhours over the next 5 years, for a savings of about \$15.2 million annually.

Introduction

This report presents the results of our self-initiated audit of the New York (NY) Morgan Processing and Distribution Center (P&DC) Efficiency (Project Number 16XG001NO000). Our objective was to assess the efficiency of the NY Morgan P&DC's mail processing operations. See [Appendix A](#) for additional information about this audit.

Mail processing is an integrated group of activities required to sort and distribute mail for dispatch and eventual delivery. Post offices, stations, and branches send originating mail¹ to mail processing centers for processing and dispatch. They also receive destinating mail² through the mail processing centers for delivery to customers. The U.S. Postal Service has more than 250 mail processing facilities nationwide.

The NY Morgan P&DC in NY City is one of the largest processing facilities. It has 10 floors, the first six of which are used for mail processing, and processes originating mail for Brooklyn, Queens, the Bronx, Staten Island, and Manhattan and destinating mail for the Bronx and Manhattan. It also processes inbound international mail from the John F. Kennedy (JFK) International Service Center. In fiscal year (FY) 2015, the NY Morgan P&DC processed about 1.96 billion first handling pieces (FHP),³ an increase of 24.4 percent from FY 2011 that was partly due to consolidation of operations into the facility.⁴

Summary

We identified opportunities to improve mail processing efficiency at the NY Morgan P&DC. Specifically, there is an opportunity to reduce 385,365 workhours over the next 5 years, for a savings of about \$15.2 million annually. We estimated 200,000 of the workhours should have been reduced in FYs 2014 and 2015. The cost of those workhours was about \$8.5 million annually.

From FYs 2011 to 2015, NY Morgan P&DC's FHP productivity was significantly lower than the national average. Specifically, for FYs 2011 to 2015, it was 43, 37, 35, 28, and 25 percent lower than the national average, respectively. Also, in FY 2015, NY Morgan P&DC's achievement of mail processing variance⁵ (MPV) productivity targets was 19 percent lower than the national average and a 1.73 percent decline from its performance in FY 2014.

These inefficiencies occurred because management did not adjust workhours to workload or follow the facility's daily machine schedule for mail processing and maintenance runs from the Run Plan Generator (RPG) software.⁶ In addition, machine performance was generally below the national average in throughput⁷ and the jam and reject rates were higher than national averages because machine operators were not jogging⁸ or culling⁹ the mail for automated processing. As a result, the NY Morgan P&DC used more hours than necessary to process the mail.

Also, in FY 2015, the 385,365 new mail processing employee workhours were automatically charged to a default operation number. Management did not adjust the charges when the employees were assigned to different operations. Although

¹ Mail entering the mailstream for processing through a mail processing facility.

² Mail arriving for its point of final delivery (destination) through a mail processing facility.

³ Mail volume recorded in the operation where the mail receives its first distribution handling at a Postal Service facility.

⁴ The Postal Service uses Area Mail Processing (AMP) guidelines to consolidate mail processing functions and increase productivity through more efficient use of machines. Consolidations of operations that impacted the NY Morgan P&DC include the Queens P&DC and Staten Island P&DF into the Brooklyn P&DC; and the Brooklyn and Bronx P&DCs into the NY Morgan P&DC.

⁵ A model that provides staffing, workhours, productivity, and workload analysis.

⁶ The RPG software gives the floor supervisors a guide on how many machines should be started and what sort plans should be run based on the volume of mail expected.

⁷ The rate at which a machine processes mail, usually designated in pieces per hour.

⁸ To hit or shake a handful of mailpieces against a hard surface to align their edges.

⁹ To remove pieces that are too thick, stiff, long, or tall for machine processing.

Although NY Morgan P&DC's FHP productivity has increased over the past 5 years, it was 25 percent lower than the FY 2015 national average.

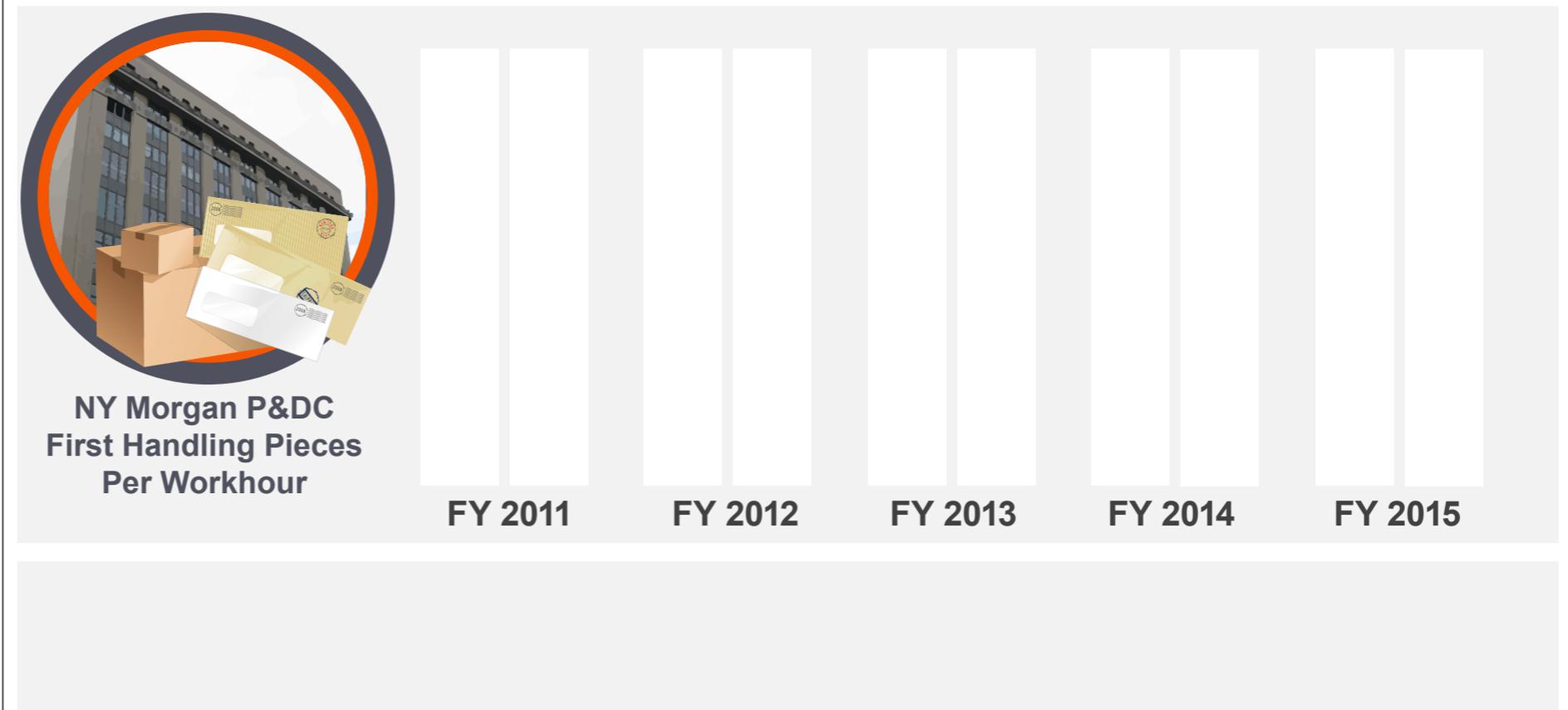
management said they identified the problem, they were not aware that 477,982 of the 2,976,692 FY 2015 mail processing workhours (16 percent) were charged to the default operation number and had not corrected the problem. As a result, the NY Morgan P&DC management could not properly evaluate productivity.

In FY 2014, the Postal Service conducted a pilot study at the Birmingham, AL, P&DC. Based on the study, management was able to reduce volume and workhour coding errors from 58 percent to 2 percent by performing timely updates to Management Operating Data Systems¹⁰ (MODS), supervising employee operation movements, making MODS training easily accessible to employees, and ensuring Human Resources made appropriate base operations assignments for new employees. Implementing the actions listed above would assist the NY Morgan P&DC in reducing workhour coding errors.

New York Morgan Processing and Distribution Center Efficiency

Although NY Morgan P&DC's FHP productivity has increased over the past 5 years, it was 25 percent lower than the FY 2015 national average, as shown in Table 1. Specifically, in FY 2015, NY Morgan P&DC's FHP productivity was 658 pieces per workhour while the national average was 882.

Table 1. FY 2011 Through FY 2015 FHP Productivity



Source: Enterprise Data Warehouse (EDW) and U.S. Postal Service Office of Inspector General (OIG) calculations.
 * Difference due to rounding.

¹⁰ A Postal Service database used to gather, store, and report workload, workhours, and machine utilization.

Further, in FY 2015, the national percent achievement to MPV productivity targets was 63.83. During the same period, the NY Morgan P&DC percent achievement to productivity targets was 44.66, which is more than 19 percent lower than the national rate (see Table 2).

Table 2. FY 2015 MPV Percent Achievement to Targets

Labor Distribution Code (LDC)*	LDC Description	NY Morgan P&DC	National	Percent Difference
11	Automation Letters/Flats	63.84%	72.72%	-8.88%
12	Mechanized Letters/Flats	64.12%	62.88%	1.24%
13	Mechanized Other	60.09%	65.32%	-5.23%
14	Manual Distribution	27.41%	45.28%	-17.87%
15	Remote Barcode System	38.63%	39.99%	-1.36%
17**	Other Direct Operations	37.42%	64.33%	-26.91%
18	Indirect/Related	55.62%	58.98%	-3.36%
Total 11-18		44.66%	63.83%	-19.17%

Source: MPV and OIG calculations.

* A two-digit number that describes the major work assignments at a Postal Service facility.

** LDC 16 is not assigned.

We found NY Morgan P&DC's percent achievement to targets declined in FY 2015, compared to the same period last year. In FY 2014, NY Morgan P&DC had a 46.39 percent achievement to targets. This rate fell to 44.66 percent in FY 2015, a 1.73 percent decline (see Table 3).

In FY 2015, the NY Morgan P&DC percent achievement to productivity targets was 44.66, which is more than 19 percent lower than the national rate.

Management did not adjust workhours to workload, which resulted in inefficiency.

Table 3. Comparison of FY 2014 and FY 2015 MPV Percent Achievement to Targets

LDC	FY 2014	FY 2015	Difference
11	64.88%	63.84%	-1.04%
12	60.39%	64.12%	3.73%
13	64.98%	60.09%	-4.89%
14	26.16%	27.41%	1.25%
15	45.90%	38.63%	-7.27%
17	41.78%	37.42%	-4.36%
18	46.69%	55.62%	8.93%
Total 11-18	46.39%	44.66%	-1.73%

Source: MPV and OIG calculations.

Productivity at NY Morgan P&DC was lower than the national average because:

- Management did not adjust workhours to workload, which resulted in inefficiency. See Figure 1 for an example of an inefficiency observed during our site visits.

Figure 1. Low Cost Tray Sorter Not Properly Staffed



Source: OIG took photograph on November 18, 2015, 11:19 a.m.

Note: Only one employee was removing full tubs and the lanes backed up preventing the induction of tubs into the sorter. Typically, four employees should be working the low cost tray sorter.

Managers and supervisors of distribution operations did not follow the machine run plan from the RPG for the facility's mail processing machines.

The NY Morgan P&DC's machine performance was generally below the national average in throughput and the jams per 10,000 pieces and reject rates were higher than the national average.

- Managers and supervisors of distribution operations did not follow the machine run plan from the RPG for the facility's mail processing machines. The RPG is used to manage mail processing machine runs, sort programs based on expected mail volume, and schedule daily maintenance to maximize processing efficiency. For example, the November 17, 2015, run plan for Automated Flats Sorting Machine 100 #31 called for the machine to run from 11:00 p.m. to 1:30 a.m. The machine actually ran from 1:00 p.m. to 7:00 a.m. In addition, the Automated Parcel and Bundle Sorter #3 run plan called for the machine to operate from 7:00 a.m. to 7:00 a.m. the next day, with a maintenance window from 4:00 p.m. until 8:00 p.m. The machine actually ran from 9:00 a.m. to 1:00 a.m., preventing maintenance from being performed as scheduled. When the RPG is not used or only partially used, the result is lower machine throughput and reduced productivity. Machine downtime may also increase when required maintenance is not performed.
- Mail processing machine performance could improve. The P&DC's machine performance was generally below the national average in throughput (see Table 4). Further, the P&DC's jams per 10,000 pieces and reject rates were higher than the national average (see Tables 5 and 6). See [Appendix B](#) for additional information about machine type.

Table 4. FY 2015 Throughput

Machine Type	National	NY Morgan P&DC	Difference
Advanced Facer Canceler System	29,818	18,681	-11,137
Advanced Facer Canceler System 200	33,080	32,000	-1,080
Automated Flats Sorter Machine 100	13,182	12,012	-1,170
Automated Parcel and Bundle Sorter	4,229	3,288	-941
Automated Package Processing System	6,638	4,128	-2,510
Combined Input/Output Subsystem	31,291	27,587	-3,704
Delivery Bar Code System	35,399	34,372	-1,027
Delivery Bar Code System-Output Subsystem	35,808	35,869	61
Delivery Bar Code System Input/Output Subsystem	32,364	31,254	-1,110

Source: National Maintenance Activity Reporting System (nMARS) and OIG calculations.

Table 5. FY 2015 Jams per 10,000 Pieces

Machine Type	National	NY Morgan P&DC	Difference
Advanced Facer Canceler System	3.43	9.99	6.56
Advanced Facer Canceler System 200	2.79	3.72	0.93
Automated Flats Sorter Machine 100	23.42	37.88	14.46
Automated Parcel and Bundle Sorter	0	0	0
Automated Package Processing System	26.13	17.63	-8.5
Combined Input/Output Subsystem	2.36	5.07	2.71
Delivery Bar Code System	2.2	3.16	0.96
Delivery Bar Code System-Output Subsystem	1.84	2.58	0.74
Delivery Bar Code System Input/Output Subsystem	2.28	3.73	1.45

Source: nMARS and OIG calculations.

Table 6: FY 2015 Reject Rate

Machine Type	National	NY Morgan P&DC	Difference
Advanced Facer Canceler System	3.40%	6.80%	3.40%
Advanced Facer Canceler System 200	0.00%	0.00%	0.00%
Automated Flats Sorter Machine 100	2.70%	4.90%	2.20%
Automated Parcel and Bundle Sorter	10.90%	16.30%	5.40%
Automated Package Processing System	11.90%	15.70%	3.80%
Combined Input/Output Subsystem	6.40%	13.00%	6.60%
Delivery Bar Code System	1.20%	1.20%	0.00%
Delivery Bar Code System-Output Subsystem	1.40%	1.60%	0.20%
Delivery Bar Code System Input/Output Subsystem	4.00%	9.70%	5.70%

Source: nMARS and OIG calculations.

Lower throughput on mail processing machines increases the workhours needed to process the mail. Higher jam or reject rates can lower throughput, damage mail, require reworking of mail, or cause missorts.

- Lower throughput on mail processing machines increases the workhours needed to process the mail. Higher jam or reject rates can lower throughput, damage mail, require reworking of mail, or cause missorts.¹¹ When NY Morgan P&DC machine operators do not properly jog and cull the mail, the number of rejects and jams can increase and throughput can decrease. During FY 2015, the NY Morgan P&DC's throughput was lower than the national average for eight of the nine machine types. In addition, the NY Morgan P&DC's number of jams per 10,000 pieces was higher than the national average for eight of the nine machine types and its reject rates were higher than the national average for seven of the nine machine types.

Workhours Incorrectly Charged

We found that about 215 NY Morgan P&DC employees¹² were incorrectly charging workhours to LDC 17,¹³ operation 002.¹⁴ Specifically, new employee workhours were automatically charged to operation 002 and supervisors of distribution operations did not adjust those charges when employees were assigned to different operations. The acting plant manager said he had identified this problem. But he was not aware that 477,982 of the 2,976,692 FY 2015 mail processing workhours (16 percent) were charged to operation 002 and did not correct the problem by assigning employees an operation number based on work assignment, verifying employees clocked in and out of operations as assigned, and correcting workhour charging errors. Finally, the area in-plant support manager was not able to determine when the last required annual MODS review¹⁵ was performed at the NY Morgan P&DC.

Because, in FY 2015, the NY Morgan P&DC did not accurately report operational data, evaluate productivity by operation, or benchmark to goals, management relied on erroneous data, which could impact the quality of its decisions.

In an earlier OIG report¹⁶ we reported that, as part of Delivering Results, Innovation, Value, and Efficiency (DRIVE) Initiative 47, Greenfield Costing,¹⁷ the Postal Service conducted a pilot study at the Birmingham, AL, P&DC in FY 2014. In the study, MODS error rates were reduced from 58 percent to 2 percent as of Quarter (Q) 2, FY 2015. The OIG recommended the Postal Service implement the processes and controls established in the Birmingham, AL, P&DC pilot program nationwide.¹⁸

During this limited study, the Postal Service reduced errors by:

- Having managers perform timely updates to MODS data and supervise employee operation movements.
- Making MODS operations training easily accessible to employees.
- Ensuring Human Resources made appropriate base operations assignments for new employees.

Implementing the actions listed above would assist the NY Morgan P&DC in reducing workhour coding errors.

¹¹ To distribute mail to the wrong separation or bin.

¹² Based on our calculation of 385,365 hours being incorrectly charged and a Productive Workyear Factor of 1,791 hours per employee, we estimated at least 215 employees incorrectly charged workhours.

¹³ Mail Processing - Other Direct Operations.

¹⁴ Presort.

¹⁵ Per Handbook M-32, *Management Operating Data System*, each facility is required to conduct a MODS review at least once per year.

¹⁶ *Management Operating Data System Flat Mail Exceptions* (Report Number CP-MA-16-001, dated October 13, 2015).

¹⁷ An ongoing strategy to develop a versatile and dynamic costing system. The Greenfield Method is an alternative cost allocation method the Postal Service will use to improve its current cost segmentation system and identify future cost reduction and profitability opportunities.

¹⁸ The vice president, Network Operations, stated Network Operations would implement this recommendation nationwide by January 29, 2016, but, as of February 24, 2016, it is still open.

In FY 2015, NY Morgan P&DC mail processing personnel charged 477,982 (or 16 percent) of their 2,976,692 Function 1 workhours to operation 002.

In FY 2015, NY Morgan P&DC mail processing personnel charged 477,982, or 16 percent, of their 2,976,692 Function 1¹⁹ workhours to operation 002. Facilities of similar size used about 3.11 percent of their workhours in operation 002. Based on that percentage, we determined the NY Morgan P&DC should have used about 92,617 workhours in operation 002 or 385,365 fewer workhours. Implementing process improvements and workhour controls to reduce 385,365 workhours over the next 5 years would save about \$15.2 million annually (see Table 7).

Table 7. OIG-Calculated Opportunity Workhours

NY Morgan P&DC's LDC 17 Operation 002 Workhours	Other Facilities in NY Morgan P&DC's LDC 17 Operation 002 Mail Processing Group Average Workhour Ratio	NY Morgan P&DC's Total Function 1 Workhours	NY Morgan P&DC's LDC 17 Operation 002 OIG Calculated Workhours (2,976,692 x 3.11* percent)	NY Morgan P&DC Opportunity Workhours (477,982 – 92,617)
477,982	3.11%	2,976,692	92,617	385,365

Source: EDW and OIG calculations.
* The exact percentage is 3.111407.

If NY Morgan P&DC reduces 385,365 workhours, the percent of achievement to MPV targets would rise from 44.66 percent in FY 2015 to about 57 percent.

Employee Complement

As of November 3, 2015, the NY Morgan P&DC had 1,664 mail processing employees and 1,404 of them were career employees. Fifty-nine percent of the career employees are eligible to retire (see Table 8). To reduce the recommended 385,365 workhours, the NY Morgan P&DC needs about 215²⁰ fewer employees. From FY 2014 to FY 2015, an average of 119 career employees separated from the NY Morgan P&DC (see Table 9). If the attrition trend continues and management does not fill the positions, the P&DC could achieve the recommended workhour savings in 2 years. But, attrition alone will not improve mail processing efficiency. Management still needs to adjust workhours to workload to improve productivity.

¹⁹ Mail processing operations.

²⁰ We estimated the 215 employees by dividing 385,365 workhours by the Productive Workyear Factor of 1,791 hours per employee.

In FY 2015, Q3, an acting plant manager was assigned to the NY Morgan P&DC and began taking action to increase efficiency.

Table 8: Mail Processing Complement Summary

Complement	Career	Non-Career	Total
Management	69	N/A	69
Craft	1,335	260	1,595
Total	1,404	260	1,664
Number of Career Employees Eligible to Retire	833	N/A	N/A
Percentage of Career Employees Eligible to Retire	59%	N/A	N/A

Source: Web Complement Information System (WebCOINS),²¹ November 3, 2015.

Table 9: Potential Savings Through Employee Attrition

	Number of Employees			Workhours Saved Through Attrition (1,791 Workhours per year)
	FY 2014	FY 2015	Average FY 2014 - FY 2015*	
Resignation	4	7	6	9,851
Retirement	83	119	101	180,891
Other Separations**	11	13	12	21,492
Total Separations	98	139	119	212,234

Source: WebCOINS, EDW, and OIG calculations.

* Difference due to rounding.

** Separation for reason other than retirement or resignation, such as promotion, termination or death.

Management Actions

In FY 2015, Q3, an acting plant manager was assigned to the NY Morgan P&DC and began taking the following actions to increase efficiency:

- Reducing the number of Delivery Bar Code Sorters and expanding the capacity of existing machines.
- Realigning staffing and employee scheduling and correcting employee base operation numbers.
- Adjusting the platform and elevator assignments and staging areas to improve mail flow.
- Reducing manual letter cases by combining primary and secondary outgoing cases and instituting processes to reduce the amount of mail sorted manually.
- Realigning Automated Parcel and Bundle Sorter sort plans to reduce double handling and advance dispatch times.

²¹ A system that gives local management a resource for monitoring and tracking employee complement.

These actions are beginning to have a positive impact on NY Morgan P&DC's performance. Since our site visit in November 2015, NY Morgan P&DC's FHP productivity increased by about 3.55 percent in Q1 and Q2, FY 2016, compared to Q1 and Q2, FY 2015.

These actions are beginning to have a positive impact on NY Morgan P&DC's performance. Since our site visit in November 2015, NY Morgan P&DC's FHP productivity increased by about 3.55 percent in Q1 and Q2, FY 2016, compared to Q1 and Q2, FY 2015. Additionally, after we made the acting plant manager aware that 16 percent of the facility's FY 2015 total workhours were being charged to LDC 17, operation 002, he took actions during our audit to reduce the workhours to 2.65 percent of Q1 and Q2, FY 2016 total workhours. However, management must take additional actions to improve efficiency. The district manager and acting plant manager generally agreed that workhour coding errors need to be corrected and additional actions can be implemented to improve efficiency. They also agreed that reducing 385,365 workhours over 5 years (about 3 percent of their total Function 1 workhours per year) is achievable.

Recommendations

We recommend the district manager, New York District, instruct New York Morgan Processing and Distribution Center management to:

1. Reduce 385,365 workhours over the next 5 years by evaluating operational efficiency and adjusting workhours to workload.
2. Ensure consistent use of the Run Plan Generator to schedule mail processing machine operations.
3. Ensure employees understand and use proper procedures for jogging and culling the mail prior to processing.
4. Ensure managers update Management Operating Data System data timely and supervise employee operation movements.
5. Ensure Human Resources makes appropriate base operations assignments for new employees.
6. Complete annual management operating data system reviews as required by Handbook M-32, *Management Operating Data System*.

Management's Comments

Management agreed with all recommendations; however, they disagreed with the methodology used to determine the potential workhour reduction. See [Appendix C](#) for management's comments in their entirety.

Regarding management's disagreement with the methodology used to determine the potential workhour reduction, management stated that the OIG appeared to determine workhours could be reduced because they were incorrectly charged to the default base LDC 17, operation 002 with minimal work actually performed in the operation. Management agreed that the vast majority of workhours charged to the operation were not related to LDC 17, operation 002 work but were used by employees performing work in various other operations.

Management also stated that comparing NY Morgan P&DC productivities to national performance and other processing facilities in their MPV group is useful in identifying possible areas of opportunity; however, the unique characteristics of the NY Morgan P&DC, such as processing on numerous floors using elevators, do not allow for a direct comparison to other processing facilities. They stated that a similar uniqueness exists for the mail base the NY Morgan P&DC presently processes, which includes international inbound products and the consolidated Postal Automated Redirection System operations. Both of these operations typically generate a higher portion of manual processing compared to plants that do not have these processes.

Regarding recommendation 1, management agreed that there are opportunities to reduce workhours by evaluating operational efficiencies and adjusting workhours to workload. Management stated the New York District continues to improve the efficiency of the NY Morgan P&DC and has numerous initiatives currently underway for additional improvements. Management agreed the correction of the base operation MODS data will highlight where actual opportunities exist and will focus future projects and savings initiatives in these areas. The target implementation date is May 2020.

Regarding recommendation 2, management agreed that increased use of the RPG processing tool will assist in improving efficiencies and will review both the quality of the plan and the execution of it. The target implementation date is May 2016.

Regarding recommendation 3, management agreed that proper jogging and culling procedures will assist in improving efficiencies at the NY Morgan P&DC by decreasing jamming rates on processing platforms. The target implementation date is May 2016.

Regarding recommendation 4, management agreed that proper MODS data will assist in analyzing productivity opportunities and will train supervisors on the proper movement of operations within the MODS system. The target implementation date is May 2016.

Regarding recommendation 5, management agreed that appropriate base operation assignments will decrease the need for daily correction of MODS data. Human Resources functions relevant to base operations are normally handled at the local in-plant level; however, the frequency of reviews will be increased. The NY Morgan P&DC in-plant team performed a position-by-position base operation review before we began our audit and was in the process of performing large-scale base operation adjustments with Human Resources. The target implementation date is May 2016.

Regarding recommendation 6, management agreed that proper annual MODS reviews will assist in analyzing productivity opportunities. The target implementation date is May 2016.

Evaluation of Management's Comments

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

Regarding management's disagreement with the methodology used to determine potential workhour reduction, the NY Morgan P&DC is part of the Postal Service's MPV Group 6 processing facilities, which consist of processing facilities greater than 500,001 square feet. Our comparison of NY Morgan LDC 17, operation 002 workhours was limited to other processing facilities in that group. We determined that those processing facilities used about 3.11 percent of their workhours in LDC 17, operation 002. Based on that percentage, we determined the NY Morgan P&DC should have used about 92,617 workhours in LDC 17, operation 002, or 385,365 fewer workhours. Reallocating these workhours to the various operations where the work was actually performed would lower productivities in the corresponding LDCs which is why management must take additional action to improve efficiency in all operations.

In addition, we did not report excessive manual processing at the NY Morgan P&DC because we took into consideration the difficulties associated with processing international inbound mail and Postal Automated Redirection System operations. Although NY Morgan P&DC's FHP productivity has increased over the past 5 years, it was 25 percent lower than the FY 2015 national average. We believe the methodology we used to identify 385,365 workhours the Postal Service could potentially reduce is valid and achieving that reduction over the next 5 years is reasonable.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. All recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendices

*Click on the appendix title
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Appendix A: Additional Information

Background

Mail processing is an integrated group of activities required to sort and distribute mail for dispatch and eventual delivery. Post offices, stations, and branches send originating mail to the mail processing centers for processing and dispatch. They also receive destinating mail from the mail processing centers for delivery to customers. The Postal Service has more than 250 mail processing facilities nationwide.

Title 39 U.S.C. §403 (a) states “The Postal Service shall plan, develop, promote, and provide adequate and efficient Postal Services . . .” The U.S. Postal Service Transformation Plan also recommends that the Postal Service improve productivity. The Postal and Accountability Enhancement Act, P.L. 109-435, Title II, dated December 20, 2006, highlights “. . . the need for the Postal Service to increase its efficiency and reduce its costs, including infrastructure costs, to help maintain high quality, affordable Postal Services . . .”

The NY Morgan P&DC in NY City is one of the Postal Service’s largest processing facilities. It has 10 floors and uses the first six for mail processing. The facility processes originating mail for Brooklyn, Queens, the Bronx, Staten Island, and Manhattan; and destinating mail for the Bronx and Manhattan. It also processes inbound international mail from the JFK International Service Center. In FY 2015, the NY Morgan P&DC processed about 1.96 billion FHP, an increase of 24.4 percent from FY 2011 that was partly due to consolidating operations into the facility. One of the Postal Service’s initiatives is to standardize and simplify mail processing operations to increase mail processing efficiency.

Objective, Scope, and Methodology

Our objective was to evaluate the efficiency of the NY Morgan P&DC mail processing operation. To accomplish our objective we:

- Analyzed trends in volumes, workhours, and productivities at the NY Morgan P&DC from FY 2011 through FY 2015.
- Compared the NY Morgan P&DC productivity for LDCs 11, 12, 13, 14, 15, and 18 with the national average.
- Compared NY Morgan P&DC LDC 17 MPV average with other plants in its LDC 17 MPV group.
- Conducted observations at NY Morgan P&DC the week of November 16, 2015; interviewed the acting plant manager, in-plant support manager, and operations support specialist; and obtained documents to support the objective of the audit.
- Assessed whether the facility and workhours were being used efficiently as required by postal regulations.

We conducted this performance audit from October 2015 through May 2016, 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 on April 7, 2016, and included their comments where appropriate.

We used computer-processed data from EDW, nMARS, WebEOR, WebCOINS, and WebMods when performing our analysis. We assessed the reliability of computer-generated data by interviewing agency officials knowledgeable about the data. We determined the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Efficiency of the San Francisco, CA Processing and Distribution Center</i>	NO-AR-15-001	11/19/2014	\$21
<p>Report Results: The report determined the San Francisco P&DC has increased efficiency but has more opportunities for improvement. Regarding recommendation 1, management disagreed with the methodology and monetary calculation rather than the finding of improving efficiency. With regard to improving efficiency, management acknowledges that opportunities for improvement exist and has begun to take corrective action by reducing workhours by 108,839 in FY 2014 and increasing volume. Management agreed with recommendations 2, 3, and 4.</p>			
<i>Assessment of Overall Plant Efficiency 2013</i>	NO-MA-13-007	9/26/2013	\$628.7
<p>Report Results: The report determined the Postal Service made substantial progress by reducing the number of workhours in the network from the previous year; however, we found it had not yet fully adjusted workhours in response to declining mail volume or achieved all possible efficiencies in mail processing operations. Also, management had not evaluated operational efficiency by assessing performance based on median productivity for each plant grouping. Therefore, the Postal Service used over 14 million workhours more than necessary to process mail volume. Management agreed with the recommendations.</p>			
<i>Supervisor Workhours and Span of Control</i>	NO-MA-13-005	4/4/2013	\$12
<p>Report Results: The report determined that, although the Postal Service generally reduced supervisor workhours in relation to craft employee workhours, it did not always achieve its span of control target. Specifically, we found that, based on the 1:25 span of control target, there was a shortage of 412 regular supervisors nationwide and an excess of 1.8 million replacement supervisor workhours used in FY 2012. Replacement supervisors are craft employees used to fill supervisors positions. These conditions occurred because the Postal Service did not always adjust supervisor positions in relation to craft positions to achieve span of control targets. In addition, the Postal Service did not always monitor span of control during the plant consolidation process. As a result, the Postal Service incurred excess costs from replacement supervisor workhours with no real added benefit. Management agreed with the recommendations.</p>			

Appendix B: Additional Information About Machine Type

The Advanced Facer Canceler System is a machine with many components that culls, faces, and cancels through a series of automated operations First-Class Mail letter size pieces received primarily from collection mail.

The Advanced Facer Canceler System 200 is a major upgrade to the Advanced Facer Canceler System with Optical Character Reader that retains all the functionality of the Automated Facer Canceler System with Optical Character Reader and adds image-based indicia detection, a switchback module that switches trail-oriented mail to lead orientation, a POSTNET barcode printer, and a two-tier 12-bin stacker module.

The Automated Flats Sorter Machine 100 is a fully automated machine that processes flat size mail.

The Automated Parcel and Bundle Sorter is a machine with barcode and optical character reader technology that sorts small parcels and packages or bundles of letters and flats to specific bins for either delivery or processing.

The Automated Package Processing System is an automated parcel and bundle sorting system that uses a carousel-type cross belt sorter subsystem.

The Combined Input/Output Subsystem is an extension of the Delivery Bar Code Sorter Input/Output Subsystem sorter that incorporates additional components for use in Postal Automated Redirection System processing.

The Delivery Bar Code Sorter is an automated letter sorting machine used for letter-size mail already barcoded by mailers or the Postal Service on other mail processing machines.

The Delivery Bar Code Sorter/Output Subsystem is a version of the Delivery Bar Code Sorter system modified with a high-speed ink jet printer and interface to the decision storage unit that allows the printing of barcodes.

The Delivery Bar Code Sorter Input/Output Subsystem is a multi-functional letter mail processing system based on the Delivery Bar Code Sorter with additional components for optical character recognition and image lift to the input subsystem as well as supporting output subsystem capabilities to spray barcodes on mail.

Appendix C: Management's Comments

April 25, 2016

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Response for New York Morgan P&DC Efficiency
(Report Number NO-AR-16)

Recommendation 1:

Reduce 385,365 work hours over the next 5 years by evaluating operational efficiencies and adjusting work hours to work load.

Management Response/Action Plan:

The New York District agrees that operational efficiencies do exist within the Morgan Processing and distribution center however, it disagrees with the amount and methodology applied to determine the opportunity work hours in the audit.

The determination of the opportunity work hours appears to be presumed available because they were incorrectly annotated as MODS base 002 (Default base operation) with minimal actual 002 presort work performed. The New York district does agree that the vast majority of 002 annotated work hours were not performing 002 work but, does not agree that they were not performing work in other various MODS base units.

The New York district notes that the comparison of Morgan LDC productivities to National facility numbers and even MPV within the plant group is useful in identifying possible areas of opportunities; however it is not a direct comparison. The unique characteristics of the Morgan facility such as processing on numerous floor utilizing elevators for example, will not lead to an unswerving comparison. The same discrepancy exist for the mail base Morgan presently processes by handling International inbound products and the consolidated Postal Address Redirection System operations. Both of these operations typically generate a higher portion of manual processing when compared to plants that do not have these mail bases.

The New York district continues to improve the efficiency of the Morgan facility and has numerous lean initiatives and Green Belt projects currently underway that will continue these successes. The New York district agrees that the correction of the base operation data will highlight where actual opportunities do exist and will focus future projects and savings initiatives in these areas.

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Recommendation 2:

Ensure consistent use of the Run Plan Generator to schedule mail processing machine operations.

Management Response/Action Plan:

The New York District agrees that increased utilization of the Run Plan generator processing tool will assist in improving efficiencies within the Morgan Processing and distribution center. Reviews will be conducted on both the quality of the plan and the execution of it.

Target Implementation Date:

Targeted implementation Date is May 2016

Responsible Official:

The position responsible for implementation will be the Morgan Manager In Plant Support.

Recommendation 3:

Ensure employees understand and use proper procedures for jogging and culling the mail prior to processing.

Management Response/Action Plan:

The New York District agrees that proper jogging and culling procedures will assist in improving efficiencies within the Morgan Processing and distribution center. Proper jogging and culling will assist in decreasing jamming rates on processing platforms.

Target Implementation Date:

Targeted implementation Date is May 2016

Responsible Official:

The position responsible for implementation will be the Morgan Senior Manager Distribution Operations.

Recommendation 4:

Ensure managers update Management Operating Data System data timely and supervise employee operation movements

Management Response/Action Plan:

The New York District agrees that proper MODS data will assist in analyzing productivity opportunities within Morgan Processing and Distribution Center. Employee training on the proper movement of operations within the MODS system will be provided to supervisors within the facility.

Target Implementation Date:

Targeted implementation Date is May 2016

Responsible Official:

The position responsible for implementation will be the Morgan Manager In Plant Support.

Recommendation 5:

Ensure Human Resources make appropriate base operations assignments for new employees

Management Response/Action Plan:

The New York District agrees that position base operations within the MODS data will decrease the need for daily correction of incorrect default base numbers. Human Resources functions relevant to base operations are normally handled at the local unit inplant level however; the frequency of reviews will be increased. The Morgan inplant team performed a position by position base operation review before the audit was established and was in the process of performing large scale base adjustments with Human Resources prior to the review beginning to address this very issue.

Target Implementation Date:

Targeted implementation Date is May 2016

Responsible Official:

The position responsible for implementation will be the Morgan Manager In Plant Support.

Recommendation 6:

Complete annual management operating data system reviews as required by Handbook M-32, Management Operating Data System.

Management Response/Action Plan:

The New York District agrees that proper MODS annual reviews will assist in analyzing productivity opportunities within Morgan Processing and Distribution Center.

Target Implementation Date:

Targeted implementation Date is May 2016

Responsible Official:

The position responsible for implementation will be the Morgan Manager In Plant Support.



Lorraine Castellano
District Manager New York, NY

cc: Michael L Thompson, Deputy Assistant Inspector General
Vice Presidents, Network Operations
Area Vice President, Northeast Area
Manager, Corporate Audit Response Management



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