



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

A3 Events at the Denver, CO, Processing and Distribution Center

Audit Report

Report Number
NO-AR-17-002

November 2, 2016

MEASURES ACHIEVEMENTS AND ACTIONS

PLAN
PROCESS
DEVELOPMENT

IMPLEMENT PLAN & CAPTURE RESULTS

DO
PROCESS
IMPLEMENTATION

BREAKTHROUGH

ACT
PROCESS
ENHANCEMENT

CHECK
QUALITY
ASSURANCE

REVIEW & ANALYZE RESULTS

ACTIONS: CORRECTIVE, PREVENTATIVE, BREAKTHROUGH



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Highlights

Denver P&DC management did not comply with A3 process requirements for five of the seven A3 events we reviewed.

Background

In 2007, the U.S. Postal Service introduced the Continuous Improvement (CI) Program as a management strategy to produce both immediate and sustainable, continuous process improvements for the organization. The Postal Service management uses the Lean Six Sigma, Kaizen, and A3 problem solving processes as part of the CI Program. All three CI processes use the A3 report format, an industry term derived from the “11x17” paper size used for reporting.

The A3 process is a “plan-do-check-act” approach that Postal Service management uses to analyze specific operational deficiencies and identify their root causes.

Between March and July 2016, the Denver, CO, Processing and Distribution Center (P&DC) managers with training in CI principles used the A3 process seven times to reduce the amount of unprocessed First-Class Mail® (FCM) on-hand at 3 p.m. The Denver P&DC was required to complete A3s because they were listed in the top 10 of the daily mail condition report as having FCM on-hand at 3 p.m.

The Postal Service has established 3 p.m. as a critical time to complete processing of all destinating FCM to a 5-digit ZIP Code level so that letter carrier delivery point sequencing of the 5-digit mail can begin for the next day’s delivery. When this FCM is on-hand and not processed the risk of delayed mail increases.

The objective of this audit was to evaluate the Postal Service’s compliance with and effectiveness in using the A3 process to eliminate FCM on-hand at 3 p.m. at the Denver P&DC.

What the OIG Found

Denver P&DC management did not comply with A3 process requirements for five of the seven A3 events we reviewed. Specifically, for five A3 events, management used the same general cause of delivery bar code and tray sorter staffing rather than documenting specific root causes for staffing issues. In addition, in four of the A3 events, management did not update the A3 reports to reflect the current conditions of FCM on-hand at 3 p.m.

Noncompliance occurred because management viewed the A3 process as a continuous refinement of ongoing issues instead of an analysis of unique incidents that may have unique root causes.

We did find that management correctly completed two of the A3s for FCM on-hand at 3 p.m.

Because management did not document specific root causes, they were not able to effectively develop specific actions to address delivery barcode and tray sorter staffing issues. In addition, because management did not update the current condition they could not readily identify the gap between



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We recommended management ensure employees follow the entire A3 process.

the current performance and the desired state of having no unprocessed FCM on-hand at 3 p.m. Management may have been able to fix the problem sooner and sustained the improvements if they had correctly used the A3 process.

While management did not always correctly use the A3 process, the process did help management focus on eliminating the causes of FCM on-hand at 3 p.m. at the Denver P&DC. This

category of mail declined from a high of 29 percent of the national volume in April 2016 to 0.3 percent in July 2016.

What the OIG Recommended

We recommended management ensure employees follow the entire A3 process.

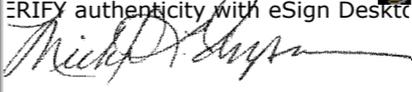
Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

November 2, 2016

MEMORANDUM FOR: KAREN A. PADDEN
SENIOR PLANT MANAGER, DENVER PROCESSING
AND DISTRIBUTION CENTER

E-Signed by Michael, Thompson
VERIFY authenticity with eSign Desktop


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

SUBJECT: Audit Report – A3 Events at the Denver, CO, Processing and
Distribution Center (Report Number NO-AR-17-002)

This report presents the results of our audit of A3 Events at the Denver, CO, Processing and Distribution Center (Project Number 16XG034NO000). Our objective was to evaluate the U.S. Postal Service's compliance with and effectiveness in using the A3 process to eliminate First-Class Mail® on-hand at 3 p.m.

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: Corporate Audit and Response Management
Vice President, Network Operations

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Findings

Between March and July 2016, Denver, CO, P&DC managers with training in CI principles used the A3 process seven times to reduce the amount of unprocessed FCM on-hand at 3 p.m.

Introduction

This report presents the results of our audit of the A3 events at the Denver, CO, Processing and Distribution Center (P&DC) (Project Number 16XG034NO000). Our audit is a continuation of our work on the *Timeliness of Mail Processing at the Denver, CO, Processing and Distribution Center* management alert (Report Number NO-MT-16-001, dated December 3, 2015). The objective of this self-initiated audit was to evaluate the U.S. Postal Service's compliance with and effectiveness in using the A3 process to eliminate First-Class Mail® (FCM) on-hand at 3 p.m.¹ See [Appendix A](#) for additional information about this audit.

In 2007, the Postal Service introduced the Continuous Improvement (CI) Program as a management strategy to produce both immediate and sustainable, continuous process improvements to the organization. The Postal Service management uses the Lean Six Sigma,² Kaizen,³ and A3 problem solving processes as part of the CI Program. All three CI processes use the A3 report format, an industry term derived from the "11x17" paper size used for reporting.

The A3 process is a "plan-do-check-act" approach that Postal Service management uses to analyze specific operational deficiencies and identify their root causes.

Between March and July 2016, Denver, CO, P&DC managers with training in CI principles used the A3 process seven times to reduce the amount of unprocessed FCM on-hand at 3 p.m. The Denver P&DC was required to complete A3s because they were listed in the top 10 of the daily mail condition report as having FCM on-hand at 3 p.m.

The Postal Service has established 3 p.m. as a critical time to complete processing of all destinating FCM to a 5-digit ZIP Code level so that letter carrier delivery point sequencing (DPS) of the 5-digit mail can begin for the next day's delivery. When this FCM is on hand and not processed the risk of delayed mail increases.

Delayed mail reduces customer confidence in the Postal Service's ability to provide trusted and reliable service. This could directly harm the Postal Service's brand, lead customers to seek alternative delivery options or use digital alternatives, and reduce revenue.

Summary

Denver P&DC management did not comply with A3 process requirements for five of the seven A3 events we reviewed. Specifically, for five A3 events, management used the same general cause of delivery bar code sorter (DBCS) and low cost tray sorter (LCTS) staffing rather than documenting specific root causes for staffing issues. In addition, in four of the A3 events, management did not update the A3 reports to reflect current conditions for FCM on-hand at 3 p.m. Noncompliance occurred because management viewed the A3 process as a continuous refinement of ongoing issues instead of an analysis of unique incidents that may have unique root causes.

We did find that management correctly completed two of the A3 reports concerning FCM on-hand at 3 p.m.

¹ This is measured in the Postal Service's Mail Condition Reporting System. The goal is to sort all destinating FCM to a 5-digit level by 15:00 or 3 p.m.

² A methodology that relies on a collaborative team effort to improve performance by systematically removing waste.

³ The Japanese word for "improvement" and a strategy to produce incremental improvements in processes.

Management may have been able to fix the problem sooner and sustained the improvements if they had correctly used the A3 process.

While Denver P&DC management did not always correctly use the A3 process, the process did help management focus on eliminating the causes of FCM on-hand at 3 p.m.

Because management did not document specific root causes, they were not able to effectively develop specific actions to address DBCS and LCTS staffing issues. In addition, because management did not update the current condition they could not identify the gap between the current performance and the desired state of having no unprocessed FCM on-hand at 3 p.m. Management may have been able to fix the problem sooner and sustained the improvements if they had correctly used the A3 process.

While management did not always correctly use the A3 process, the process did help management focus on eliminating the causes of FCM on-hand at 3 p.m. at the Denver P&DC. This category of mail declined from a high of 29 percent of the national volume in April 2016 to 0.3 percent in July 2016.

A3 Process Compliance

For five of seven A3s, Denver P&DC management did not identify specific root causes for FCM on-hand at 3 p.m. For the A3s submitted on April 5 and April 20, 2016, Denver P&DC management identified the same two general root causes of insufficient DBCS and LCTS staffing. Although the Denver P&DC management identified staffing and machine issues, they did not specifically state a root cause.

For the A3 reports submitted on May 31, June 27, and July 18, 2016, Denver P&DC management used the same two general root causes of insufficient DBCS and LCTS staffing from the April 5 and April 20, 2016, A3 reports and added another general root cause stating that Sunday was the remaining issue. Although the Denver P&DC management identified these issues, they did not specifically state a root cause.

A3 team members stated that staffing was the main issue for FCM on-hand at 3 p.m. Denver P&DC management stated they had dialogue on the root causes, but were unable to provide any supporting documentation. The operations support specialist (OSS)⁴ stated that, in retrospect, management could have included details about the root causes of each unique incident. Because specific root causes were not identified, the improvements implemented may not fully resolve the actual issues. Management may have been able to fix the problem sooner and sustained the improvements if they had correctly used the A3 process.

For four of seven A3 events at the Denver P&DC – those occurring on April 20, May 31, June 27, and July 18, 2016 – management did not update the A3 reports to reflect current conditions. Instead, they used outdated FCM on-hand at 3 p.m. data as the current conditions. For example, on the A3 report that the Denver P&DC management submitted on July 18, 2016, it reported data from April 1 through April 20, 2016. The May 31 and June 27, 2016, A3 reports showed the same April data. The current condition section of the May, June, and July A3 reports should have been updated to include current data from May, June, and July, respectively.

Effectiveness

While Denver P&DC management did not always correctly use the A3 process, the process did help management focus on eliminating the causes of FCM on-hand at 3 p.m. This category of mail declined from a high of 29 percent of the national volume in April 2016 to 0.3 percent in July 2016 (see [Table 1](#)). Even though FCM on-hand at 3 p.m. declined, the Denver P&DC continued to experience problems and the Network Operations management required Denver P&DC managers to submit A3s through July 2016.

⁴ The OSS was the acting in-plant support manager at the Denver P&DC at the time of the A3s.

Recommendation

On October 24, 2016, the senior plant manager stated she will ensure the district or area black belt reviews all future A3s to ensure the A3 process is complete.

We recommend the senior plant manager, Denver, CO, Processing and Distribution Center:

1. Ensure employees follow the entire A3 process.

Management's Comments

Management agreed with the finding and recommendation. Regarding the recommendation, management stated it is the responsibility of the senior plant manager to ensure employees follow the A3 process. On October 24, 2016, the senior plant manager stated she will ensure the district or area black belt reviews all future A3s to ensure the A3 process is complete. See [Appendix B](#) for management's comments in their entirety.

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General considers management's comments responsive to the recommendation in the report and corrective actions should resolve the issues identified in the report.

We consider the recommendation closed with the issuance of this report.

Appendices

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Appendix A: Additional Information

Delayed mail reduces customer confidence in the Postal Service's ability to provide trusted and reliable service. This could directly harm the Postal Service's brand, lead customers to seek alternative delivery options or use digital alternatives, and reduce revenue.

Background

In 2007, the Postal Service introduced the CI Program as a management strategy to produce both immediate and sustainable, continuous process improvements to the organization. The Postal Service management uses the LSS, Kaizen, and A3 problem-solving processes as part of the CI program. All three CI processes use the A3 report format, an industry term derived from the "11x17" paper size used for reporting.

The A3 process is a "plan-do-check-act" approach that Postal Service management uses to analyze specific operational deficiencies and identify their root causes. The "plan-do-check-act" approach, the foundation for the A3 process, was created in the 1930s and popularized in the 1950s. By the 1960's, it evolved into an improvement cycle and management tool in Japan by the automobile industry. The "plan-do-check-act" approach emphasizes the prevention of error recurrence by establishing standards and the ongoing modification of those standards.

The Postal Service has established 3 p.m. as a critical time to complete processing of all destinating FCM to a 5-digit ZIP Code level so that DPS of the 5-digit mail can begin for the next day's delivery. When this FCM is on-hand and not processed the risk of delayed mail increases. Between March and July 2016, Denver P&DC managers with training in CI principles used the A3 process seven times to reduce the amount of unprocessed FCM on-hand at 3 p.m.

Delayed mail reduces customer confidence in the Postal Service's ability to provide trusted and reliable service. This could directly harm the Postal Service's brand, lead customers to seek alternative delivery options or use digital alternatives, and reduce revenue.

Objective, Scope, and Methodology

Our objective was to evaluate the Postal Service's compliance with and effectiveness in using the A3 process to eliminate FCM on-hand at 3 p.m. at the Denver P&DC. To accomplish our objective we reviewed and evaluated A3 events conducted at the Denver P&DC to eliminate FCM on-hand at 3 p.m. We also interviewed Denver P&DC management, including the senior plant manager, managers of delivery operations, and Western Area OSS.

We conducted this performance audit from August through November 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 September 30, 2016, and included their comments where appropriate.

We assessed the reliability of computer-generated data by interviewing knowledgeable agency officials. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Timeliness of Mail Processing at the Denver, CO, Processing and Distribution Center</i>	To determine if the Denver P&DC was processing mail on time.	NO-MT-16-001	12/3/2015	None

Appendix B: Management's Comments

Senior Plant Manager
Colorado/Wyoming District



October 24, 2016

To: Lori Lau Dillard
Director, Audit Operations
1735 N Lynn St. #11.047
Arlington, VA 22209-2213

Subject: A3 Events at the Denver, CO, Processing and Distribution Center
Project Number 16XG034NO000

This is in response to the recommendations made concerning the Audit of the A3 Events at the Denver CO, Processing and Distribution Center (Project Number 16XG034NO000).

The Recommendation was made that the Senior Plant Manager, Denver CO, Processing and Distribution Center, ensure employees follow the entire A3 process.

I concur with the recommendation, it is the responsibility of the Senior Plant Manager to ensure the full A3 process is followed. This will better assist us in identifying the true root cause and improve the areas identified as having deficiencies. I will ensure any future A3s will be reviewed by the District or Area Black Belt to ensure the A3 process is complete.

If you have any further questions or concerns, please don't hesitate to contact me.

Sincerely,

A handwritten signature in blue ink that reads "Karen A. Padden".

Karen A. Padden
Senior Plant Manager
Colorado/Wyoming District

cc: Greg Graves, Area Vice President, Western Area
Robert Cintron, Vice President Network Operations, HQ
Erica Brix, Area Manager Operations Support, Western Area
Rick Pivovar, A/District Manager, Colorado/Wyoming District
Sally Haring, Manager Corporate Audit and Response Tracking

7500 E 53RD PL #1129
DENVER CO 80266-9997
303-853-6300
FAX: 303-853-6752



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1735 North Lynn Street
Arlington, VA 22209-2020
(703) 248-2100