September 28, 2006

JOHN P. BERTOLINA
ACTING PLANT MANAGER, MARGARET L. SELLERS
PROCESSING AND DISTRIBUTION CENTER

SUBJECT: Management Advisory – Color Coding of
              Standard Mail at the Margaret L. Sellers
              Processing and Distribution Center
              (Report Number NO-MA-06-004)

This report presents the results of our review of color-coding
of Standard Mail® at the Margaret L. Sellers Processing
and Distribution Center (P&DC) (Project Number
06XG028NO000). The primary objective of the review was
to determine whether color-coding of Standard Mail
conformed to the U.S. Postal Service's National Color-Code
Policy. This is the second in a series of reviews addressing
mail processing color-coding.

Results in Brief	The Margaret L. Sellers P&DC generally color-coded Standard Mail according to the Postal Service's National Color-Code Policy. We found that out of 697 Standard Mail containers:

- 638, or about 92 percent, were tagged with the
  correct color code on arrival and processed with the
  original tag on a timely basis.

- 59, or about 8 percent, did not conform to Postal
  Service policy.

We also found that none of the 638 containers with correct
color codes had completed tags.

These conditions resulted from employee inattention and haste to meet critical entry times (CET), and insufficient training and monitoring of employees. As a result:

- When Standard Mail is not color-coded, the Postal Service cannot ensure it is timely processed, dispatched, and delivered. Additionally, the Postal Service cannot readily track service standards to ensure compliance.

- Mail inappropriately retagged with the next day's color code represents unreported delayed mail.

- Without a date and time on the tag, the Postal Service cannot determine whether employees processed Standard Mail using the first in first out (FIFO) method. In addition, when an operation does not meet its clearance time, facility managers cannot determine what role the arrival time played.

The P&DC also was not performing a timely count of Standard Mail, which may have distorted plan failures[1] and delayed mail information posted to the daily mail condition report.

Management agreed with the findings and recommendations. To ensure compliance with color-coding policy, management agreed to develop instructions, conduct training, and monitor date and time stamping on color-code tags. To ensure accurate mail counts, management indicated they added Standard Mail to the 12:10 a.m. count each day, and will monitor this activity for compliance. Management's actions, taken or planned, should correct the issues identified in the report. Management's comments, in their entirety, are included in Appendix B.

Background	The Postal Service uses a system of color-coding to facilitate the timely processing, dispatch, and delivery of Standard Mail to meet established service standards. The purpose of color-coding is to sequence the mail to ensure FIFO processing.

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[1] A plan failure occurs when mail is not processed timely with regard to a facilities operating plan.

Postal Service policy requires a color-code tag on all Standard Mail, regardless of where the Postal Service receives it. This code represents the targeted day for clearing the mail from operations or delivering it. P&DCs generally use colored placards or tags to code this mail. The illustration below shows an example of a color-code tag used at the Margaret L. Sellers P&DC.

Illustration 1: Sample of Margaret L. Sellers Color-Code Tag

The tag in Illustration 1 indicates the "green" color designation, which represents clearance or delivery on Wednesday. The tag also provides space for entering the class of mail and the arrival day and time.

The color code applied depends on the mail's arrival time at the facility in relation to the facility's CET for Standard Mail.[2] *Postal Operations Manual* (POM), Section 458, sets the National Color-Code Policy for Standard Mail.

For P&DCs, all outgoing, area distribution center (ADC),[3] sectional center facility (SCF),[4] incoming primary, and

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[2] CET is the latest time mail can enter an operation if it is to complete processing by the planned clearance time.
[3] An ADC is a postal facility that receives, processes, and distributes mail destined for specific ZIP Code areas under the Management Mail Program.
[4] An SCF is a postal facility that serves as a distribution and processing center for post offices in designated geographic areas as defined by the first three digits of the ZIP Code of those offices.

carrier route mail must be color-coded to indicate scheduled clearance 1 day after receipt at the facility, as shown in Table 1 below.

Table 1. 1-Day Clearance Matrix

Receipt Day	Color Code	Clearance Day
Saturday	**White**	Sunday
Sunday	**Blue**	Monday
Monday	**Orange**	Tuesday
Tuesday	**Green**	Wednesday
Wednesday	**Violet**	Thursday
Thursday	**Yellow**	Friday
Friday	**Pink**	Saturday

After the facility completes processing within the plant, it removes the color code for the clearance day before dispatch.

Some Standard Mail receives additional processing at the ADC or SCF. This mail receives a 2-day color code based on arrival time or its identification and extraction during the initial distribution operation, as shown in Table 2 below.

Table 2. 2-Day Delivery Matrix

Arrival or Extraction Day	Color Code	Delivery Day
Saturday and Sunday	**Orange**	Tuesday
Monday	**Green**	Wednesday
Tuesday	**Violet**	Thursday
Wednesday	**Yellow**	Friday
Thursday	**Pink**	Saturday
Friday	**Blue**	Monday

The delivery day color-code remains on the mail until delivery.

Postal Service policy requires P&DC managers to develop local procedures to ensure employees apply and maintain the correct color code on the mail based on its arrival time on Postal Service property. Postal Service facilities use color-coding to determine what mail did not meet their operating plans for the daily mail condition report.

The Postal Service's Mail Condition Reporting System is a repository for information related to mail processing conditions, including operating plan failures and delayed mail volumes. Each facility takes a daily inventory of these conditions by counting on-hand mail volume in conjunction with the facility's operating plan, generally immediately after clearance times.

| **Objective, Scope, and Methodology** | The primary objective was to determine whether color-coding of Standard Mail at the Margaret L. Sellers P&DC followed the Postal Service's National Color-Code Policy. We also examined whether the Postal Service followed best practices for color-coding. |

To determine whether Standard Mail in the facility followed the National Color-Code Policy, we:

- Observed 697 containers of Standard Mail, including containers arriving in the facility 1 hour before and after CET,[5] and mail being prepared for processing.

- Interviewed the acting plant manager, the in-plant support manager, and six managers of distribution operations or supervisors on various tours.

- Reviewed the Standard Mail volume at the Margaret L. Sellers P&DC from June 26 – 30, 2006.

Although not in our original scope, we also observed:

- Clearance time counts of on-hand Standard Mail.

- Preparation of the Daily Mail Condition Report from actual hand counts to the finished product.

We conducted this review from June through September 2006 in accordance with the President's Council on Integrity and Efficiency, *Quality Standards for Inspections*. We discussed our observations and conclusions with management officials and included their comments where appropriate.

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[5] CET for Standard Mail at the Margaret L. Sellers P&DC was 2100 hours.

Prior Audit Coverage	The U.S. Postal Service Office of the Inspector General issued a management advisory report entitled *Color-Coding of Standard Mail at the Portland, Oregon, Processing and Distribution Center* (Report Number NO-MA-06-003, September 26, 2006). We concluded that the Portland P&DC generally color-coded Standard Mail according to the Postal Service's National Color-Code Policy. However, we did note a few instances where color-coding did not conform to Postal Service policy or best practices. Management concurred with the report and began implementing the recommendations.

Color Coding of Standard Mail	The Margaret L. Sellers P&DC generally color-coded Standard Mail according to the National Color-Code Policy.[6] Specifically, 638 of 697 observed Standard Mail containers, or about 92 percent, were tagged with the correct color code on arrival and processed in a timely manner with the original tag.

However, color-coding on 59 of the 697 Standard Mail containers that we observed, or about 8 percent, did not conform to Postal Service policy. In addition, none of the 638 Standard Mail containers coded with the correct color conformed to best practices. We describe some of these exceptions below and list them in their entirety in the appendix.

- Forty-six Standard Mail containers had no evidence of color-coding. See Illustration 2 below. When Standard Mail is not color-coded, the Postal Service cannot ensure its timely processing, dispatch, and delivery. Additionally, the Postal Service cannot readily track service standards to ensure compliance.

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[6] The on-hand Standard Mail volume at the P&DC for the 5 days of observations (June 26 through 30, 2006) was about 4 million pieces.

Illustration 2: No Color-Code Tags[7]

- Thirteen mail containers had the wrong color code applied. Illustration 3 shows a container that arrived after CET on Monday, June 26, 2006, that employees should have coded green for Tuesday, June 27, but instead tagged with Monday's yellow code. Of the 13 containers with incorrect codes, eight resulted from inappropriately retagging the mail with the next day's color code.

Illustration 3: Wrong Color-Code[8]

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[7] The green tag on the floor is not applicable to the mail in the picture.
[8] We determined that the color-code was incorrect based on the day and time recorded on the tag.

- None of the 638 containers with correct color codes had completed tags. We found that 506 had no arrival date and time recorded on the tag, and 132 had no arrival time recorded on the tag. See Illustrations 4 below and 5 on page 9. While the Postal Service's national policy does not explicitly require placing the date and time on the color-code tag, this best practice helps mail handlers ensure compliance with the FIFO process.

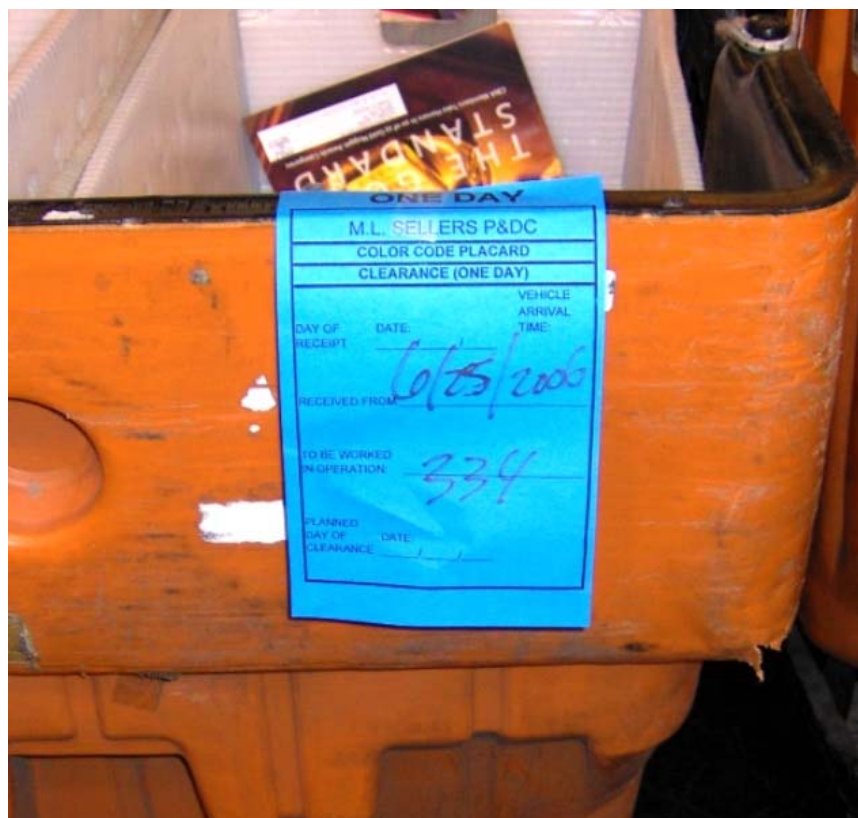**Illustration 4: No Date or Time**

Illustration 5: Date, but No Time, on Tag

Criteria for color-coding are well-established. POM 458.1a, 1b, and 2a require facilities to code all Standard Mail with the color representing the day the mail is scheduled to be delivered or cleared from operations, and select the color code based on the mail's arrival time. POM 458.321a also requires facilities to develop local procedures to ensure they maintain the correct color code based on when the mail arrives on the premises.[9]

Section 458, while not explicitly requiring facilities to record the mail arrival date and time on a tag, clearly implies the information should be recorded. In addition, recording the date and time on the tag is a best practice[10] that assists mail handlers in working Standard Mail in a FIFO process. Further, according to headquarters operations specialists who review color-coding in the field, the tag adopted by a facility constitutes a local procedure employees must follow.

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[9] Arrival refers to the day and time the mail arrives on Postal Service property.
[10] Network Operations Management Service *Review of Processing Facilities in the North Florida Jacksonville District*, dated January 2006, discusses best practices for color-coding.

Thus, when a facility adopts a tag that provides for recording the date and time of arrival, employees should complete the tag with this information.

These conditions occurred for several reasons. Local management informed us that missing color codes were primarily the result of employee inattention and haste to meet CET. Miscoding occurred, in part, because employees preparing Standard Mail for primary sortation on Tour 2 were inappropriately retagging mail with the next day's color code. The employees said they routinely retag primary sortation mail but could not offer a reason. In addition, omitting dates and times on color-code tags resulted from insufficient training and monitoring of employees.

Several impacts of not properly color-coding the mail can occur. For example:

- When Standard Mail is not color-coded, the Postal Service cannot ensure it is timely processed, dispatched, and delivered. Additionally, the Postal Service cannot readily track service standards to ensure compliance.

- Mail inappropriately retagged with the next day's color-code represents unreported delayed mail.[11]

- Without a date and time on the tag, the Postal Service cannot determine whether employees processed Standard Mail using the FIFO method. In addition, when an operation does not meet its clearance time, facility managers cannot determine what role the arrival time played.

Recommendations

We recommend the Acting Plant Manager, Margaret L. Sellers Processing and Distribution Center:

1. Ensure that employees conform to Postal Service color-coding policy and supervisors oversee the proper color coding of Standard Mail.

2. Provide additional training on color-coding procedures.

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[11] Mail was still processed within acceptable parameters for Standard Mail.

       3. Date and time stamp the color-code tags when mail arrives, as applicable.

Management's Comments	Management agreed with the finding and recommendations. To ensure compliance with color-coding policy, management agreed to develop instructions, conduct training, and monitor date and time stamping on color-code tags.
Evaluation of Management's Comments	Management's comments are responsive to the finding and recommendations. Management's actions taken or planned should correct the issues identified in the finding.
Clearance Count for Standard Mail	The Margaret L. Sellers P&DC was not performing a clearance count on time. The clearance time for Standard Mail at the Margaret L. Sellers P&DC was 12:10 a.m. At this time, in-plant support personnel are required to count all on-hand mail, and tabulate plan failures and delayed mail for posting to the daily mail condition report. However, they do not include Standard Mail on-hand in the count. Instead, they delay counting Standard Mail until the next count at 6:30 a.m., or 6.5 hours later. Postal Service officials told us the Margaret L. Sellers P&DC included Standard Mail in the 12:10 a.m. count many years ago, and they did not know when or why the practice stopped. Excluding Standard Mail in the 12:10 a.m. count gives operations an additional 6.5 hours to process and dispatch the mail before identifying the previous day's mail as operating plan failures and delayed mail. As a result, the Postal Service may not have identified all Standard Mail operating plan failures and delays.
Recommendation	We recommend the Acting Plant Manager, Margaret L. Sellers Processing and Distribution Center: 4. Include Standard Mail in the 12:10 a.m. count.
Management's Comments	Management agreed with the finding and recommendation and added Standard Mail to the 12:10 a.m. count each day, and will monitor this activity for compliance.

Evaluation of Management's Comments	Management's comments are responsive to the finding and recommendation. Management's action should correct the issues identified in the finding.

We appreciate the cooperation and courtesies provided by your staff during the review. If you have any questions or need additional information, please contact Robert J. Batta, Director, Network Operations - Processing, or me at (703) 248-2300. |

E-Signed by Colleen McAntee
ERIFY authenticity with Approve
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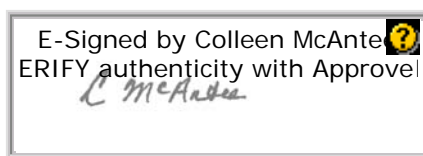
Colleen A. McAntee
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Attachments

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APPENDIX A

SUMMARY OF COLOR-CODE OBSERVATIONS

Action Tested	Criteria	What was found	Exceptions	Impact
Did employees color-code Standard Mail® on its arrival at the MLS P&DC?	POM 458.1a.	Observations during all three tours for the period June 26 - 30, 2006, revealed that MLS P&DC generally color-coded Standard Mail as it arrived.	Of 697 observed containers, 59 were not coded with the correct color – 46 containers were not color-coded, and 13 containers were inappropriately retagged.	Limited.
Did employees apply complete and accurate color codes?	Best Practice[12]	Observations during all three tours for the period June 26 - 30, 2006, revealed that MLS P&DC did not always include the arrival day or time on the color-code tag.	Of 697 observed containers, 638 had incomplete color-code tags. The tags did not have the day and/or time the mail arrived written on them. • 506 containers had no arrival date and time written on the tag. • 132 containers had no arrival time written on the tag.	Limited.
Was the mail moved on a timely basis using the FIFO method?	POM 458.321b & Operations Skills: *Processing and Distribution, Color Code Participant Guide*, pg 5-7.	From observations of in-plant support personnel performing mail counts, in general, the P&DC was processing mail on a timely basis; however, using the FIFO method is not possible when color-coded tags do not reflect the mail arrival date and time.	We observed only five containers of delayed flats by the AFSM. The P&DC properly reported them as delayed in MCRS.	Minimal; potentially significant during periods of high volume.

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[12] Network Operations Management Service *Review of Processing Facilities in the North Florida Jacksonville District*, dated January 2006, discusses best practices for color coding.

Action Tested	Criteria	What was found	Exceptions	Impact
Was the MLS P&DC applying the correct color code to mail upon arrival?	POM 458.321b & the MLS P&DC Operating Plan, Section 9 – In-Plant Operating Parameters.	We observed personnel unloading in-bound trailers both before and after the facility's CET (2100). All inbound mail was coded with the correct color.	None.	None.
Were color codes changed after the initial application?	POM 458.321h(1)(2).	Observations during all three tours for the period June 26 - 30, 2006, did not reveal that MLS P&DC changed color-code tags on Standard Mail after their original application.	Of 13 miscoded containers, eight were miscoded when employees retagged containers as they came out of a mail preparation operation on Tour 2.	Potentially Significant.

Legend: FIF0 – First In, First Out
MLS – Margaret L. Sellers
P&DC – Processing and Distribution Center
POM – *Postal Operations Manual*
AFSM – Automated Flat Sorting Machine
CET – Critical Entry Time
MCRS – Mail Condition Reporting System

APPENDIX B. MANAGEMENT'S COMMENTS

SENIOR PLANT MANAGER
M.L. SELLERS PROCESSING & DISTRIBUTION CENTER

UNITED STATES
POSTAL SERVICE

September 15, 2006

KIM H. STROUD
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1735 N LYNN ST., 10TH FLOOR
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SUBJECT: Transmittal of Draft Audit Report – Color-Coding of Standard Mail
(Report Number 06XG028NO000)

This is in response to the August 30, 2006 memorandum. We agree with the findings and recommendations of the OIG as stated in subject audit report. The MLS P&DC Senior Plant Manager/A, John Bertolina agrees with this recommendation and has already begun notification to his staff.

The OIG review contained four recommendations and our responses are listed below:

1. All Supervisors and Managers will be given specific instructions to verify all Standard Mail volumes in their area to assure compliance to the USPS color-coding policy.

2. Additional training is already underway for all Supervisors and craft personnel that work with Standard classes of mail. Correct application of color codes will be taught.

3. Daily monitoring of the time and date stamp on color codes has been added to the responsibilities of each Supervisor and Manager that deal with this product line.

4. Standard Mail has been added to the 010 count each day. We will continue to monitor for compliance.

Should you have any questions or concerns, please feel free to contact my office at (858) 674-0100.

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