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SUBJECT: Management Advisory – Allegations Concerning Operations and Service in
the Philadelphia Customer Service District
(Report Number NO-MA-09-001)

This report presents the results of a joint review of allegations at the Philadelphia Customer Service District, Philadelphia, PA, by the U.S. Postal Service Office of Inspector General's (OIG) Office of Investigations and Office of Audit (Project Number 09XG007NO001). This review was initiated at the request of U.S. Postal Service management to determine the validity of allegations concerning mail processing, delivery, transportation, and customer service operations. See [Appendix A](#) for additional information about this review.



Conclusion

Of the 18 allegations, one was substantiated; seven were partially substantiated; and 10 were not substantiated. The details of the substantiated allegation involving report falsification of delayed First-Class Mail® (FCM) and Standard Mail® is covered in a separate investigative report.¹ The remaining findings resulted from process failures, not from conspicuously bad conduct or intentional actions to misrepresent conditions.

The substantiated allegation involved the understatement of delayed mail volumes. The Philadelphia Processing and Distribution Center (P&DC) reported about 19,000 delayed pieces of FCM in fiscal year (FY) 2008, while other similar-sized facilities had an average of 1.5 million pieces for the same period.

The partially substantiated allegations involved:

- Inadequate processes to ensure that a small amount of mail was not being destroyed.
- Philadelphia carrier units delayed more mail than the national average during the period reviewed.
- Mail transported to a plant and returned unprocessed based on a miscommunication.
- Inadequate processes, equipment problems, and insufficient labeling that did not ensure the timely delivery of some FCM, including Business Reply Mail, prescription drugs, and laboratory samples.

The following allegations were not substantiated.

- Undercounted mail volumes.
- Color-coding changed to make it appear as if mail was not late.
- Chronic understaffing.
- Year-long overtime ban.
- Falsified mail volume reports so management could receive performance bonuses.
- Understaffed carrier operations.
- Late or irregular delivery.
- Underreported carrier mail volumes.
- Carrier overtime prohibited.
- Mail shipped to other plants to exclude it from mail counts or hidden in trailers.

The Philadelphia Customer Service District experienced periods of increased on-hand volumes, delayed mail, and customer complaints from October 2007 through December

¹ Investigative Report Number 09UIPA1176IM18IM.

2008. These concerns negatively affected service scores, caused customer complaints, and in this case, resulted in negative media reports. While many allegations were not substantiated, the negative exposure can still be detrimental to the Postal Service's brand/image and damaging to its reputation. The organization's ability to quickly identify and resolve concerns about service and mail conditions protects the brand and ensures that service to customers is not negatively impacted.

Many of the concerns raised in the allegations reviewed could have been resolved through better process disciplines; systems of checks and balances; and communications and outreach with customers, supervisors, and labor organizations. We are making 13 recommendations addressing these concerns in this report. Throughout the review, the OIG reviewed findings and recommendations with Postal Service management, who implemented proactive measures immediately. See [Appendix H](#) for a list of management actions.

Allegations

On December 1, 2008, the *Philadelphia Daily News* began a series of reports regarding delayed mail allegedly caused by the chronically understaffed Philadelphia P&DC. Reports appeared most days from December 1 – 19, 2008, and gave customers' accounts of not receiving mail in a timely manner, as well as employees' accounts of problems in mail processing, delivery, transportation and customer service that led to the mail delays. See [Appendix F](#) for the specific allegations, along with when the *Philadelphia Daily News* reported them. Based on these news reports, along with interviews with employees, union officials, and the staff writer for the newspaper, we identified 18 allegations.

We summarize the dispositions of the 18 allegations below, along with our conclusions. We based the conclusions in this report on observations and interviews that began on December 8, 2008. We cannot attest to any incidents that may have occurred prior to this date that could affect our conclusions. We conducted analyses and evaluated trends, which were also used to support our conclusions.

Mail Processing Allegations (For a more detailed discussion of these allegations, see [Appendix B.](#))

	Allegation	Conclusion
1	Undercounting of mail volumes in order to justify staffing cuts.	Not Substantiated – Mail volume reporting is reasonably accurate.
2	Undercounting of delayed mail. Falsifying mail volume reports. Trailers on lot not included in count.	Substantiated – The Philadelphia P&DC needs to improve its reporting of delayed mail. Substantiated – There was evidence to support the allegation that mail condition reports were intentionally falsified. (This issue is being addressed separately in a report of investigation.) Not Substantiated – There was no evidence that mail was stored in trailers to avoid counting it.
3	Color-coding changed to make it appear as if mail was not late.	Not Substantiated – There was no evidence to support the allegation that color-coding was changed in order to intentionally underreport delayed mail volume.
4	FCM in waste bins destroyed; circulars and other mail destroyed; trucking firm hauled mail away.	Partially Substantiated – While incidental pieces were found in waste bins, ² no evidence was found that FCM, Periodicals, and deliverable Standard Mail were intentionally sent for destruction. Opportunities exist, however, to better review mail destined for waste and recycling.
5	The Philadelphia P&DC was chronically understaffed.	Not Substantiated – Adequate staffing exists.
6	Year-long overtime ban.	Not Substantiated – There was no ban on overtime.

² Of the estimated 500,000 pieces of recycled mail, we found 80 mailpieces, or .02 percent, in waste bins, which represented a very small amount of the total mail sent for destruction.

	Allegation	Conclusion
7	Reports were falsified so management could receive performance bonuses.	Not Substantiated – There was no evidence of falsified performance reports. Performance ratings, spot awards, and compensation awarded to management were appropriate.

Delivery Allegations (For a more detailed discussion of these allegations, see [Appendix C.](#))

	Allegation	Conclusion
8	No regular carrier all year; carrier operation understaffed.	Not Substantiated – Overall, the Philadelphia Customer Service District had sufficient carrier staff and regular carriers assigned to routes.
9	Late or irregular carrier delivery.	Not Substantiated – Generally, carriers made timely deliveries. For example, 90 percent of carriers returned before 5:00 p.m., compared to the national average of 79 percent.
10	Mail delayed for days in delivery units. Backlogged mail received in spurts from the plant, resulting in delayed mail.	Partially Substantiated – The Philadelphia Customer Service District delayed more carrier mail than the national average. We could not determine the extent of the time delays. Not Substantiated – No significant amount of backlogged mail was received from the plant.
11	Underreporting of carrier mail volume at the stations.	Not Substantiated – Automated systems at the Philadelphia P&DC downloaded delivery volumes, which fed directly to the delivery unit computer.
12	Overtime prohibition; carriers sent out without full loads and the remainder given to part-time employees to avoid overtime; supervisors must call for overtime approval; carrier overtime records are falsified to reduce carrier hours.	Not Substantiated – The Philadelphia Customer Service District did not prohibit the use of carrier overtime. There was no evidence to support falsified overtime records to reduce carrier hours.

Transportation Allegations (For a more detailed discussion of these allegations, see [Appendix D.](#))

	Allegation	Conclusion
13	Mail shipped to other plants and returned unworked. Mail routed to other locations so it would not be included in daily count.	Partially Substantiated – Miscommunication caused the return of unworked mail in one case. Not Substantiated – We did not find evidence that management routinely routed mail to other plants to reduce the count.
14	Trailers with mail parked at stations to hide mail; parked trailers should have been unloaded and worked.	Not Substantiated – We did not see any evidence of mail staging at other facilities to hide mail.

Customer Service (For a more detailed discussion of these allegations, see [Appendix E.](#))

	Allegation	Conclusion
15	FCM delayed or missing; Business Reply envelopes not returned on regular basis. Passport not received.	Partially Substantiated – While the Philadelphia Customer Service District delivers almost 96 percent of local mail overnight, there were customer-specific concerns that generated customer complaints, such as Business Reply envelopes for one particular customer that were not returned regularly.
16	Weeks to receive prescription drugs; Periodicals chronically late.	Partially Substantiated – Observations identified incidental processing delays (we could not validate delays of weeks) in prescription drugs, Periodicals, and Standard flats. Improving processing on the APPS ³ will address these complaints.
17	Laboratory samples weeks late.	Partially Substantiated – Improper customer labeling of some laboratory samples delayed processing. We could not determine the extent of these delays.
18	Packages damaged and missing contents.	Partially Substantiated – Observations identified damage to some very small packages.

³ Automated Package Processing System (APPS).

Criteria

The President's Commission on the U.S. Postal Service report, dated July 31, 2003, states that the mission of the Postal Service is

. . .to provide high-quality, essential postal services to all persons and communities by the most cost-effective and efficient means possible at affordable and, where appropriate, uniform rates.

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

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

The *web Mail Condition Reporting System (webMCRS) Training/User Guide*, dated March 2005, requires personnel to count all mail volume and report it in webMCRS categories daily.

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

On June 17, 2008, Postal Service management updated the policy on color-coding, *National Color Code Policy for Standard Mail*. The change took effect on August 29, 2008. The *Domestic Mail Manual (DMM)*, Chapter 507, provides instructions for handling of all classes of nondeliverable mail, including handling of dead mail, which is mail without a return address.

National Critical Entry Times (CETs) for Destination Entry Standard Mail, June 16, 2008, established a CET for Standard Mail pallets and other containers at 4:00 p.m. and bed-loaded trailers at 12:00 p.m.

Mail Condition Reporting System Changes for Standard Mail, June 16, 2008, updated the reporting procedures for delayed flow of Standard Mail to support field initiatives to improve processing efficiencies and service performance.

Causes

We identified a number of factors that contributed to the validity or partial validity of some of the allegations. Specifically, the Postal Service did not always:

- Conduct regular meetings to foster good employee relations and more readily identify and address employees' concerns.
- Provide color code training and supervisory oversight to employees.
- Verify delayed mail volume counts conducted by the data collection technicians.
- Ensure that mail sent for recycling was properly verified.
- Provide adequate street supervision to ensure that carriers deliver mail in a timely manner.
- Ensure that all mail at carrier stations was delivered in a timely manner.
- Provide effective communications and contingency planning when mail is directed to other plants for processing.
- Expedite mail flow throughout the facility.
- Ensure that APPS operations were properly staffed and maintained.
- Ensure that the APPS was modified to prevent damage to packages.
- Contact mailers to improve labeling and packaging.
- Effectively communicate operational issues to employees.

We recommend the Acting District Manager, Philadelphia Customer Service District, take the following actions, to be completed no later than the end of FY 2009:

1. Provide color-code training and supervisory oversight to employees.
2. Verify the delayed mail volume counts conducted by data collection technicians.
3. Conduct regular meetings to foster good employee relations and more readily identify and address employees' concerns.
4. Ensure that mail sent for recycling is properly verified.
5. Improve street supervision to ensure that carriers deliver mail in a timely manner.
6. Ensure that mail at carrier stations is delivered in a timely manner.
7. Improve communications and contingency planning when mail is directed to other plants for processing.
8. Expedite mail flow throughout the facility.
9. Ensure Automated Package Processing System operations are properly staffed and maintained.
10. Modify the Automated Package Processing System to reduce damage to packages.

11. Contact mailers to improve labeling and packaging.
12. Effectively communicate operational issues to employees.
13. Evaluate staffing at each mail processing operation and delivery unit.


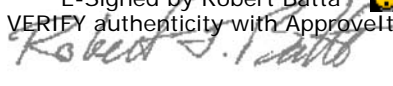
Management's Comments

Management agreed with the findings and recommendations. They agreed that stronger process disciplines and better communications could have prevented many issues and concerns. Management's response also indicated they have taken or will be taking numerous actions to correct the issues, including conducting training, adjusting staffing, and modifying machines, as necessary. See [Appendix I](#) for management's comments. Management provided extensive documentation that supports their corrective actions. While we have not included this information in this report, it is available upon request.

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendations. Regarding recommendation number 5, management subsequently provided comments stating they would provide increased oversight of carrier street performance, including audits of collection routes. Additionally, the district's delivery program and finance managers will audit individual delivery units to ensure delivery oversight processes are in place. Management's corrective actions should resolve the issues identified in the report.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact James L. Ballard, Director, Network Processing, or me at (703) 248-2100.

E-Signed by Robert Batta 
VERIFY authenticity with ApproveIt


Robert J. Batta
Deputy Assistant Inspector General
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Attachments

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APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

The OIG developed a risk model utilizing 11 performance indicators to rank Postal Service districts by overall performance. In FY 2008, the model identified the Philadelphia Customer Service District one of the most at-risk districts. As the OIG initiated fieldwork to review performance of the Philadelphia P&DC, news articles began to report damaged, delayed, and destroyed mail, as well as numerous employee complaints. Consequently, we expanded our review to include allegations about mail processing, transportation, and delivery operations in the Philadelphia Customer Service District. Several allegations suggested the possibility of criminal intent, so; therefore, the project became a joint effort between OIG Audit and Investigations staff.

The Philadelphia P&DC was originally located at 2970 Market Street, adjacent to the 30th Street train station, and consisted of four Postal Service-owned facilities, including the five story P&DC. The Board of Governors approved a new facility in August 2003. The Postal Service activated the new \$272 million building, consisting of 910,059 square feet on two levels, in June 2006. The Philadelphia P&DC processes approximately 6 million pieces of mail daily for ZIP Code areas 190 and 191.

The purpose of the new facility was to eliminate existing constraints that resulted from operating out of two buildings on multiple levels in a downtown metropolitan location. The Decision Analysis Report prepared for the project recommended that the new facility improve operational efficiencies, provide better service to customers, and reduce labor-intensive activities. Opening the new facility resulted in transferring almost 800 employees from the Philadelphia Customer Service District to surrounding areas.

On December 1, 2008, the *Philadelphia Daily News* began a series of reports alleging delayed mail service in the Philadelphia Customer Service District. The articles were published almost daily through December 19, 2008. This report addresses those allegations. See [Appendix F](#) for a complete list of the allegations and when they were reported.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to determine the validity of allegations concerning mail processing, delivery, transportation, and customer service operations in the Philadelphia Customer Service District. To achieve this objective, we analyzed media reports, customer complaints, mail volume, service scores, delayed mail trends, and training records, and we interviewed Postal Service officials and employees. Additionally, we interviewed union officials, the legal counsel for the union, and the newspaper staff writer. We visited a recycling center; the Philadelphia P&DC, Bulk Mail Center (BMC), and Airmail Center (AMC); district offices; and selected carrier units. We judgmentally selected nine delivery units based on city delivery performance indicators for Quarter 4, fiscal year

(FY) 2008. The carrier units selected for observation were the lower performers in the following three city delivery performance indicators for Quarter 4, FY 2008: (1) carriers returning after 5:00 p.m.; (2) customer service delivery delayed mail; and (3) delivery overtime. The nine units selected were West Chester, Paoli, Levittown, Fairmount, Torresdale, Southwark, Telford, Bensalem, and Upper Darby. The scope of the data analysis reviewed for the carrier operations was Quarter 1, FY 2006, to Quarter 1, FY 2009.

We used computer-processed data from the following systems:

- Web Enterprise Information System
- Enterprise Data Warehouse
- Transportation Information Management Evaluation System (TIMES)
- Vehicle Information Transportation Analysis Logistics System (VITALS)
- Transportation Contract Support System (TCCS)
- Delivery Operations Information System (DOIS)

We did not test controls over these systems. However, we checked the reasonableness of results by confirming our analyses and results with Postal Service managers and multiple data sources.

We conducted this review from December 2008 through March 2009 in accordance with the President's Council on Integrity and Efficiency, *Quality Standards for Inspections*. We discussed our observations and conclusions with management officials on January 27, 2009, and included their comments where appropriate. We based our conclusions on observations and interviews that began on December 8, 2008. We cannot attest to any incidents that may have occurred prior to December 8, 2008, that could affect our conclusions. We conducted analyses and evaluated trends, which were also used to support our conclusions.

PRIOR AUDIT COVERAGE

Report Title	Report Number and Final Report Date	Report Results
<i>Activation of the Philadelphia Processing and Distribution Center</i>	NO-AR-08-004, July 10, 2008	We found that not all activation steps were fully implemented, resulting in significant mail delays.
<i>Timeliness of Mail Processing at the San Juan Processing and Distribution Center</i>	NO-AR-09-002, January 29, 2009	We found that opportunities existed to process mail volume in a more timely manner.
<i>Delayed Mail at the North Texas Processing and Distribution Center</i>	NO-AR-08-006, August 14, 2008	During FY 2007, the North Texas P&DC had difficulty with timely processing of all types of mail. However, by March 2008, management made significant progress in reducing the amount of delayed mail.
<i>Timeliness of Mail Processing at the Chicago, Illinois Cardiss Collins Processing and Distribution Center</i>	NO-AR-07-012, September 28, 2007	We recommended management provide consistent, high-quality supervision and training; improve planning; make employees accountable; and continue monitoring and adjusting mail processing operations to ensure the timely processing of mail.
<i>Timeliness of Mail Processing at the Los Angeles Processing and Distribution Center</i>	NO-AR-07-001, February 9, 2007	We recommended management correct deficiencies in the timely processing of Periodicals and Standard Mail.
<i>Mail Processing at the Southeastern Processing and Distribution Center</i>	NO-AR-07-007, August 6, 2007	We recommended management implement procedures for utilizing capacity at other facilities when volume at the Southeastern P&DC exceeds capacity, and instruct plant managers to process mail using the first-in first-out method.
<i>The Impact of Transportation on Chicago District Performance</i>	NL-AR-07-008, September 28, 2007	We concluded that neither local nor nationwide network transportation issues were root causes or significant contributors to Chicago's performance challenges. However, we also concluded that district transportation was not efficient or cost-effective and transportation issues were potentially causing inaccurate and understated mail counts.

APPENDIX B: MAIL PROCESSING DETAILED ANALYSIS

Total Mail Volume Reporting

Allegation: The Philadelphia P&DC undercounted mail volume to justify staffing cuts.

Conclusion: Not Substantiated – Mail volume recording was reasonably accurate.

Basis for Conclusion:

- The majority of mail volume is machine-counted and recorded through the automated Management Operating Data System (MODS), which limits possible manipulation by postal managers.
- Comparison of the Philadelphia P&DC's volume to similar-sized sites (Group 1 Plants⁴) revealed no irregularities. For example, in FY 2008, Philadelphia P&DC's First Handled Pieces (FHP) total volume was 2.1 billion, compared to the Group 1 Plant average of 1.8 billion. Philadelphia P&DC's FHP volumes declined by 1.28 percent, while the Group 1 Plants increased by .59 percent. In addition, Philadelphia's Total Pieces Handled (TPH) volume increased, while the average for similar-size sites declined. For example, Philadelphia P&DC's TPH increased by 4.26 percent, compared to the Group 1 decrease of 4.53 percent. The Postal Service uses TPH volume to determine staffing requirements. See Appendix G, [Table 1](#) for additional details.

Delayed Mail Reporting

Allegations:

- Undercounting of delayed mail.
- Falsifying mail volume reports.
- Trailers of mail on lot not included in count.

Conclusion: First and Second Substantiated – The Philadelphia P&DC needs to better report delayed mail. There was evidence to support that mail condition reports were intentionally falsified. (This issue is covered separately in a report of investigation.)

Third Not Substantiated – We found no evidence that mail was stored in trailers to avoid counting.

⁴ Group 1 plants are the 36 largest volume plants, based on FY 2006 Breakthrough Productivity Initiative groupings.

Basis for Conclusion:

- Comparison of the Philadelphia P&DC delayed mail volumes to similar-sized sites (Group 1 Plants) revealed irregularities and indicated that the Philadelphia P&DC was not properly reporting all its delayed mail volumes. For example, in FY 2008, Philadelphia's delayed FCM was 19,000 pieces, while the average for Group 1 Plants was 1.5 million pieces. During this same period, Periodicals delays for the Philadelphia P&DC totaled 1.8 million pieces, and the Group 1 Plant average was 2.9 million pieces. See Appendix G, [Tables 2](#) and [3](#), for additional information on delayed mail reporting.
- A significant decrease in delayed FCM volumes did not result in a significant increase in service scores. For example, there was a 98 percent decrease in delayed FCM volume. However, the Philadelphia P&DC's service scores remained below the national average without showing any significant change.
- Observations corroborated our analysis that delayed mail was misreported. For example, during our first week of observations, we found about 451,000 pieces of delayed First-Class and Standard Mail that were not reported. Additionally, 426,398 pieces of delayed Standard Mail were not reported. However, this was the result of confusion about the new color code policy. This mail would not have been reported under the prior policy. The estimated 451,000 pieces of unreported delayed mail included the following.
 - FCM with no time of arrival indicated, accepted several days earlier at another Philadelphia unit (see Illustration 1, page 16).
 - Missent Mail⁵ (see Illustration 2, page 16), Backflow Mail⁶ (see Illustration 3, page 16) and Loop Mail⁷ (see Illustration 4, page 16).
 - Delayed mail resulting from machine breakdowns.
 - Standard Mail that was not included because the supervisor did not submit the count sheet.
- There was evidence to support that mail condition reports were intentionally falsified.
- Our examination of 38 trailers showed that no mail was stored in trailers in order to exclude it from delayed mail counts.

⁵ Missent mail is mail sent to the wrong station.

⁶ Backflow mail is mail that requires additional sortation.

⁷ Loop mail is mail showing barcode information that does not match the address.



Illustration 1: Eight pallets (about 363,000 pieces) of First-Class Mail accepted on December 8, 2008, in the Philadelphia P&DC. These pallets were on-hand the morning of December 10, 2008, and had not been reported as delayed.



Illustration 2: Missent flats (about 35,000 pieces) sent to the incorrect stations on December 9, 2008, returned to the P&DC, and not included in the inventory.



Illustration 3: Backflow mail – mail returned by the stations for additional sortation, not reported as delayed (about 30,000 flat pieces) on December 10, 2008.



Illustration 4: Loop mail (about 11,000 pieces) not reported as delayed on December 10, 2008.

Color-Coding⁸

Allegation: Color-codes on mail bins were changed at the Philadelphia P&DC to make it appear as if mail was not late.

Conclusion: Not Substantiated – There was no evidence to support that color-coding was changed in order to intentionally underreport delayed mail volume. However, we found opportunities for color-coding improvements.

⁸ 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 first-in, first-out processing.

Basis for Conclusion:

- Interviews with management and employees as well as reviews of electronic records did not provide evidence to show that color-codes were intentionally changed to misreport mail delays. Specifically:
 - Mail containers bearing different color-code tags processed together correctly received the color-code marker of the oldest mail. However, because of poor communications, some employees believed that management had improperly changed the color-code.
 - Eighteen of 54 (33 percent) containers received from the BMC were incorrectly color-coded, which could appear to employees that color-code tags were improperly changed.
 - Management directed some employees to change color-codes in accordance with the new policy, which could appear to employees unfamiliar with the new policy that color-codes were improperly changed.
- Our observations showed that generally, mail was color-coded, but opportunities for improvement exist. (See Illustrations 5 and 6 below.) Specifically, of 436 containers reviewed:
 - Forty-eight, or 11 percent, were missing a color-code tag.
 - Thirty-four, or 8 percent, had neither date nor time recorded on the color-code tag.
 - Seventy, or 16 percent, had an incorrect color tag.



Illustration 5: Container missing a color-code, December 10, 2008.



Illustration 6: Color-code date changed to reflect proper date following the policy change, December 9, 2008.

Mail Safeguarding

Allegations:

- FCM in waste bins destroyed.
- Circulars and other mail destroyed.
- Trucking firm hauled away 19 tons of “waste mail” to be destroyed.

Conclusion: Partially Substantiated – Although incidental pieces were found in waste mail, no evidence suggested that FCM was intentionally sent for destruction. Opportunities exist to better review mail destined for waste and recycling.

Basis for Conclusion:

- Observations revealed a small amount of mail erroneously sent for recycling. Specifically:
 - On December 10, 2008, Auditors found 10 pieces of FCM, which was 0.06 percent of approximately 17,000 mailpieces examined, erroneously designated for recycling. (See Illustration 7.)
 - On December 11, 2008, Auditors found 75 pieces⁹ of deliverable mail and 15 pieces of Mail Recovery Center mail designated erroneously for recycling. The 90 mailpieces represented 0.5 percent of the approximately 17,000 mailpieces examined. (See Illustration 8.)
 - Special Agents reviewed 19 tons of mail, or approximately 500,000¹⁰ mailpieces, at the recycling center. (See Illustrations 9 and 10 on page 19.) Of the 500,000 pieces examined, 80 pieces of FCM and 1,639 of deliverable Standard Mail were erroneously sent by the Philadelphia P&DC for recycling. The 1,719 pieces represented approximately 0.3 percent of the total mailpieces examined.



⁹ The 75 mailpieces found in the In-House container designated for recycling included 13 pieces of FCM, 27 Periodicals, 34 pieces of deliverable Standard Mail, and one Priority mailpiece.

¹⁰ Based on MODS conversion factors.

Illustration 7: Ten pieces of First-Class Mail, or 0.06 percent of approximately 17,000 pieces examined, designated erroneously for recycling on December 10, 2008.

Illustration 8: Seventy-five pieces of deliverable mail and 15 pieces of mail that should have been directed to the Mail Recovery Center were designated erroneously for recycling. These items were found in-house, labeled as waste, on December 11, 2008.



Illustration 9: Special Agents reviewing discarded mail at the Recycling Plant, Elmwood Park, NJ, December 30, 2008.



Illustration 10: Nineteen tons of discarded mail at the Recycling Plant, Elmwood Park, NJ, December 30, 2008.

Staffing

Allegation: The Philadelphia P&DC has been chronically understaffed since opening the new facility in 2006.

Conclusion: Not Substantiated – Adequate staffing exists.

Basis for Conclusion:

- A productivity comparison to similar-size Group 1 Plants showed that the Philadelphia P&DC had lower FHP productivity than most of the other sites, ranking in the bottom half (21 out of 36 plants). In addition, for the Philadelphia P&DC to achieve the average Group 1 Plant productivity level of 806 pieces per hour it would need to reduce annual workhours by 40,000, or the equivalent of 23 full-time employees.
- Our observations showed that some operations had idle employees while other operations could have used additional staffing. The Philadelphia P&DC should perform a staffing analysis.
- The Philadelphia P&DC did not fully utilize its staff. In some instances, employees left the building for extended periods or were observed sleeping while on the clock.

Overtime

Allegation: Staffing shortages were the result of a year-long ban on overtime.

Conclusion: Not Substantiated – There was no ban on overtime.

Basis for Conclusion:

- Interviews conducted with supervisors and managers concerning a ban on overtime revealed that there was no blanket ban on scheduling overtime. Both supervisors and managers stated that when volume warranted the scheduling of overtime, it was scheduled.
- The Philadelphia P&DC used 104,000 hours of overtime, or 4 percent of its total 2.6 million mail processing workhours, in FY 2008.
- A comparison of the Philadelphia P&DC's overtime percentages with the Eastern Area showed that at times, the Philadelphia P&DC used more overtime than the average of other Eastern Area processing facilities. See Appendix G, [Chart 1](#) for additional details.

Management Bonuses

Allegation: Performance bonuses were fraudulently obtained through systematic falsification of official government records, diversion of mail and destruction of mail.

Conclusion: Not Substantiated – Performance ratings, spot awards, and compensation awarded to the Philadelphia P&DC managers were appropriate and justified based on FY 2008 individual performance.

Basis for Conclusion:

- The majority of spot awards were awarded to craft employees; 93 craft employees received a total of \$27,150.
- Twenty-six Executive and Administrative employees received awards totaling \$24,700.
- A Supervisor of Distribution Operations received the largest management bonus of \$2,000 for increasing Delivery Point Sequencing percentages.
- Two senior managers received spot awards of \$1,500 each.
- Performance ratings were not based on information reported in the daily mail condition report. The Pay for Performance system does not factor in the daily mail condition report.

APPENDIX C: DETAILED ANALYSIS OF DELIVERY ALLEGATIONS

Carrier Staffing

Allegations:

- No regular carrier all year.
- Carrier operation understaffed.

Conclusion: Not Substantiated – Overall, the Philadelphia Customer Service District had sufficient carrier staff and regular carriers assigned to routes.

Basis for Conclusion:

- The district's overall average city carrier staffing ratio was 1.49 carriers per route for FY 2008, compared to the national average of 1.45 carriers per route. This indicated that staffing was adequate. See Appendix G, [Table 4](#), for additional details.
- Eight of the nine units in our sample had adequate staff and regular carriers assigned to routes. However, one of the nine units may require an evaluation of its carrier staff. West Chester Station had a carrier-staffing ratio of 1.20 carriers per route, indicating a possible shortage. This unit is assigned 91 carriers to cover 70 routes; however, only 84 regular carriers are currently performing city carrier functions. Seven carriers were on military deployment, extended sick leave, or other leave. Postal Service Headquarters recommends a staffing ratio of 1.33 to 1.37 carriers per route. At levels below 1.20, there is a risk that not all routes will be covered.

Delivery Times

Allegations:

- Late or irregular carrier delivery to customers.
- Carriers scheduled later, resulting in later deliveries.

Conclusion: Not Substantiated – 90 percent of carriers returned before 5:00 p.m. compared to the national average of 79 percent.

Basis for Conclusion:

- A review of the Philadelphia Customer Service District's "Carrier return by 1700" report indicated that carriers generally returned before 5:00 p.m. From Quarter 4, FY 2007, to Quarter 1 FY 2009, more Philadelphia Customer Service District carriers returned before 5:00 p.m. than the national average. For example, in Quarter 1, FY 2009, an average of 90 percent of carriers

returned before 5:00 p.m., compared to the national average of 79 percent. By the end of the Quarter 1, FY 2009, 98 percent of the carriers returned before 5:00 p.m. See Appendix G, [Chart 2](#), for additional details.

- The Philadelphia Customer Service District's managed service point scan percentage was slightly lower than the national average of 94 percent; however, 88 percent of deliveries were made on time.
- Although Philadelphia Customer Service District carriers generally made deliveries on time, opportunities exist for improvement. For example, street efficiency, as measured in deliveries per hour, for the district was 87.9 percent, while the national rate was 93.7 percent. Improved street supervision could result in more efficient deliveries.

Delayed Mail Reporting

Allegations:

- Mail delayed for days in delivery units.
- Mail held back to avoid overtime.
- Backlogged mail received in spurts from the plant.

Conclusion: Partially Substantiated – The Philadelphia Customer Service District delayed more carrier mail than the national average. We could not determine the length of time the mail was delayed. No significant amount of backlogged mail was received from the plant.

Basis for Conclusion:

- The Philadelphia Customer Service District delayed more carrier mail than the national average, indicating opportunities for improvement exist. For example, delayed carrier mail was 0.9 percent in Quarter 1, FY 2009, compared to the national average of 0.5 percent.
- Although our review showed an overall downward trend in delayed mail over the last 3 years, customer service delayed volume increased by approximately 5.5 million pieces from Quarter 3, FY 2008, to Quarter 1, 2009. See Appendix G, [Chart 3](#), for additional details.

Volume Reporting

Allegation: Underreporting of carrier mail volume at the stations.

Conclusion: Not Substantiated – Volume recording and reporting is largely automated.

Basis for Conclusion:

- Mail processed for the delivery units is accounted for on the End-of-Run Reports from the plant and is downloaded into DOIS.
- Recorded mail volumes follow national trends. See Appendix G, [Chart 4](#), for additional details.

Overtime

Allegations:

- Overtime prohibited.
- Carriers sent out without full loads and the remainder of the loads given to part-time employees to avert overtime.
- Supervisors must make a phone call to have overtime approved.
- Carrier overtime records falsified to reduce carrier hours.

Conclusion: Not Substantiated – The Philadelphia Customer Service District did not prohibit the use of carrier overtime and we did not find any basis for carriers being sent out without full loads of mail. We found no incidences of supervisors making phone calls to have overtime approved and no basis for overtime records being falsified to reduce carrier hours.

Basis for Conclusion:

- A comparison of the Philadelphia Customer Service District's overtime rate to the national average showed that the district used more overtime than the national average. For example, in FYs 2006 through 2008, the district had an overtime rate of 18 percent, compared to the national average of 15.5 percent. See Appendix G, [Chart 5](#), for additional details.
- All nine units visited had overtime, ranging from 13.16 to 24.05 percent.
- There was no evidence that clock rings were falsified to reduce overtime.

APPENDIX D: DETAILED ANALYSIS OF TRANSPORTATION ALLEGATIONS

Mail Diversion

Allegations:

- Mail shipped to other plants and returned unworked.
- Mail routed to other locations so it would not be included in the daily count.

Conclusion: Partially Substantiated – Miscommunication caused the return of unworked mail in one case; however, we did not find evidence that management routinely routed mail to other plants to reduce the count.

Basis for Conclusion:

- For approximately 1 week in September 2008, the Philadelphia P&DC routed standard letter mail to the Horsham Post Office (PO) for processing because the Philadelphia P&DC was in a delayed mail status. On the first day of processing, there was a miscommunication between the facilities, and Horsham PO returned the mail to the Philadelphia P&DC without processing it. The mail was then returned to Horsham PO and processed. Employees might have misconstrued this situation as mail being routed to other plants to reduce the mail count.
- Strong working relationships existed between the Philadelphia P&DC and stations for the processing of 5-digit standard flats. Stations prepared the mail (unwrap and unband it) and returned it for processing on flat sorting machines, eliminating sortation at the clerical level at the stations. Employees could also misconstrue this practice as routing unsorted mail to other plants and returning it unworked.
- The Philadelphia P&DC routinely sent mail to other facilities to leverage processing capacity, not to exclude it from being included in the daily count. These facilities included:
 - Horsham PO
 - South Jersey P&DC
 - Philadelphia Logistics and Distribution Center
 - Southeastern P&DC
 - Philadelphia AMC
 - Philadelphia BMC

Mail Staging

Allegations:

- Trailers with mail parked at stations to hide mail.
- Parked trailers should have been unloaded and worked.

Conclusion: Not Substantiated – We did not see any evidence of staging mail at other facilities in order to hide mail.

Basis for Conclusion:

- Based on discussions with employees, we identified several facilities suspected of hiding mail. We visited these facilities and examined the contents of 54 trailers both on the docks and in the yards. We found no trailers that were hiding mail. See Appendix G, [Table 5](#), for additional details.

APPENDIX E: DETAILED ANALYSIS OF CUSTOMER SERVICE ALLEGATIONS

First-Class Mail

Allegations:

- FCM delayed or missing, including:
 - No response to fundraising letters
 - Delayed bill payments
 - Delayed mortgage payments, generating late fees
 - Lost wedding invitations
 - Delayed event invitations
 - Banks, law firms, and other businesses not receiving mail
 - Delayed greeting cards
 - Nonreceipt of passport

Conclusion: Partially Substantiated – While the Philadelphia Customer Service District delivered almost 96 percent of local mail overnight, the other 4 percent may have generated customer complaints, such as delayed FCM that included passports and Business Reply envelopes for a particular customer that were not returned on a regular basis.

Basis for Conclusion:

- The national average for overnight service has consistently been higher than the Philadelphia Customer Service District. See Appendix G, [Chart 6](#), for additional details.
- Interviews with a customer and station manager identified improper handling of business reply mail.
- During observation, we identified various stages of processing operations with delayed FCM mail, including:
 - Induction
 - Manual operations
 - APPS operations
 - Loop mail
 - Missent mail
 - Postal Automated Redirection System

See our previous discussion in [Appendix B](#), Underreporting of Delayed Mail.

Prescriptions, Periodicals, and Standard Flats

Allegations:

- Weeks to receive prescription drugs.
- Newspaper losing 30 percent of subscribers due to late delivery.
- Periodicals chronically late.

Conclusion: Partially Substantiated – Observations identified incidental processing delays in prescription drugs, Periodicals, and Standard flats. Improving processing on the APPS will address the complaints.

Basis for Conclusion:

- The Philadelphia Customer Service District has a greater reject rate¹¹ than the national average, which could result in mail delays. For example, in FY 2008, the reject rate on the Philadelphia P&DC APPS was 14.7 percent, compared to the national average of 10.9 percent. See Appendix G, [Chart 7](#), for additional details. Observations identified potential improvements in the culling and preparation of mail, which may decrease reject rates. Specifically:
 - For certain types of mail, we suggest additional staffing for culling operations. (See Illustration 11, page 27.)
 - Improved packaging of prescription drugs would decrease fly-aways and machine jams. (See Illustration 12, page 27.)
- Proper maintenance on the APPS could reduce the risk of delays. For example, the December 7, 2008, APPS breakdown caused the delay of approximately 11,000 mailpieces. The APPS was out of service for 36 hours before a qualified technician arrived.
- APPS reject mail was not directed to manual operations in a timely manner, but was sometimes looped between the two APPS, causing delays. (See Illustration 13, page 27.)
- During our observations, manually processed mail that could not be processed on the APPS was not completely finalized to meet service standards.
- Mail searches not conducted properly, resulting in mail delays. For example, one mailpiece was delayed by 5.5 weeks because of poor mail searches. (See Illustration 14, page 28.)

¹¹ Percentage of mail not accepted for processing by a particular piece of automated equipment.



Illustration 11: Better culling with additional staffing could improve APPS processing, December 11, 2008.



Illustration 12: Prescription mail processed on the APPS was subject to high volume of fly-aways and missorting, December 11, 2008.



Illustration 13: *Rolling Stone* magazines dated November 13 that had been looped between the two APPS machines, resulting in delayed Periodicals, December 8, 2008.



Illustration 14: This package, caught below the APPS, was scanned on November 28, 2008. After an OIG request, the package was removed on January 6, 2009. A carrier delivered the package in Austin, TX, on January 12, 2009.

Laboratory Samples

Allegation: Laboratory samples arriving weeks late, delaying diagnosis and treatment.

Conclusion: Partially Substantiated – Improper customer labeling of some laboratory samples delayed processing. We could not determine the length of those delays.

Basis for Conclusion:

- Mailers and other Postal Service facilities sometimes incorrectly labeled laboratory samples as hazardous material or HAZMAT, creating special handling procedures that could result in mail delays. (See Illustrations 15 and 16.)
- The APPS cannot easily sort laboratory samples, which are generally round. The Philadelphia P&DC must rely on manual sortation; however, no consistent workforce was assigned, resulting in mail delays.



Small Parcel Handling

Allegation: Packages damaged and missing contents.

Conclusion: Partially Substantiated – Observations identified opportunities to improve processing of very small packages.

Basis for Conclusion:

- Our observations of APPS operations showed that small parcels occasionally became stuck and damaged between two belts on one APPS machine. A modification similar to that made to the other APPS may prevent future damage to small parcels. (See Illustrations 17 and 18 on page 30.)



Illustration 17: Small package damaged in space between APPS feeder belts.



Illustration 18: Modification of the other APPS machine with a broom-type sweep eliminates parcel damage and slip-through.

**APPENDIX F: PHILADELPHIA CUSTOMER SERVICE DISTRICT
ALLEGATIONS IDENTIFIED BY SOURCE**

Allegation	Reported by the <i>Philadelphia Daily News</i> on:
Undercounting of Mail Volumes	December 1, 2, 4, 5, 9, 10, 12, and 15, 2008
Undercounting of Delayed Mail; Falsifying Mail Volume Reports; Trailers on Lot Not Included in Count	December 1, 2, 3, 4, 6, 8, 9, and 15, 2008
Color-Coding Changed to Make it Appear as if Mail Was Not Late	December 1, 5, 9, 10 and 15, 2008
First-Class Mail in Waste Bins Destroyed; Circulars and Other Mail Destroyed; Trucking Firm Hauled Away Deliverable Mail	December 1, 2, 5, 8, 9, 10, 11, and 15, 2008
Philadelphia P&DC Chronically Understaffed	December 1, 2, 3, 8, 9, and 16, 2008
Staffing Shortages the Result of Year-Long Overtime Ban	December 1, 3, 4, 5, 6, 8, 10, and 15, 2008
Reports Falsified so Management Could Receive Performance Bonuses	December 1, 8, 10, and 15, 2008
No Regular Carrier All Year; Carrier Operation Understaffed	December 3 and 8, 2008
Late or Irregular Carrier Delivery	December 3, 5, and 19, 2008
Mail Delayed for Days in Delivery Units; Backlogged Mail Received in spurts from the Plant	December 4 and 5, 2008
Underreporting of Carrier Mail Volume at the Stations	December 5 and 16, 2008
Overtime Prohibition; Carriers Sent Out Without Full Loads and the Remainder Given to Part Time Employees to Avert Overtime; Supervisors Must Call for Overtime Approval; Carrier Overtime Records Falsified to Reduce Carrier Hours	December 5 and 6, 2008
Mail Shipped to Other Plants and Returned Unworked; Mail Routed to Other Locations so it Would Not be Included in Daily Count	December 1, 2, 8, 10, and 15, 2008
Trailers with Mail Parked at Stations to Hide Mail; Parked Trailers Should Have Been Unloaded and Worked	December 1 and 5, 2008

Allegation	Source
First-Class Mail Delayed and Missing; Business Reply Envelopes Not Returned on Regular Basis; Passport Not Received	December 1, 2, 3, 9, and 15, 2008
Weeks to Receive Prescription Drugs; Periodicals Chronically Late	December 1, 2, 8, 12, and 15, 2008
Laboratory Samples Weeks Late	December 4 and 8, 2008
Packages Damaged and Missing Contents	December 4, 2008

APPENDIX G: TABLES AND CHARTS

Table 1: Philadelphia Processing Volume Compared to Group 1 (Similar-Size) Plants			
Group 1 Plants			
	FY 2007	FY 2008	Percent Change*
FHP	64,154,402,035	64,534,711,590	0.59
TPH	125,847,229,192	120,147,962,543	-4.53
Workhours	87,199,471.74	80,091,994.88	-8.15
FHP / Workhours	736	806	9.52
TPH / Workhours	1,443	1,500	3.94
Overtime	9,377,668	5,033,531	-46.32
Overtime Percent	10.75	6.28	-41.56
Handling Ratio	1.96	1.86	-5.09
Philadelphia P&DC			
	FY 2007	FY 2008	Percent Change
FHP	2,082,224,460	2,055,651,673	-1.28
TPH	3,625,726,560	3,780,363,339	4.26
Workhours	2,764,767.33	2,591,313.59	-6.27
FHP / Workhours	753	793	5.33
TPH / Workhours	1,311	1,459	11.24
Overtime	274,910	104,235.10	-62.08
Overtime Percent	9.94	4.02	-59.55
Handling Ratio	1.74	1.84	5.61

* Percent change may not add due to rounding

Table 2: Philadelphia P&DC Delayed Processing (Reported)						
	All Priority	All FCM	Periodicals	All Standard	Package Services	Total Delayed Mail
FY 2007	1,300	1,309,575	123,298,245	59,075,536	46,268	183,730,924
FY 2008	0	18,910	1,890,627	64,898,092	0	66,807,629
	All Priority	All FCM	Periodicals	All Standard	Package Services	Total Delayed Mail
Percent of Change	-100.00	-98.56	-98.47	9.86	-100.00	-63.64
Average of Group 1 Plants						
	All Priority	All FCM	Periodicals	All Standard	Package Services	Total Delayed Mail
FY 2007	37,175	3,403,047	7,666,866	57,073,274	75,138	68,255,501
FY 2008	21,908	1,505,356	2,963,267	34,707,789	12,517	39,210,836
	All Priority	All FCM	Periodicals	All Standard	Package Services	Total Delayed Mail
Percent of Change	-41.07	-55.76	-61.35	-39.19	-83.34	-42.55

Table 3: Delayed Mail During Site Visit

Mail Condition Date	12/8/2008	12/9/2008	12/10/2008	3-Day Total
Backflow Flats		30,226		30,226
Missent		35,333		35,333
Loop			10,900	10,900
First-Class Letters			363,330	363,330
First-Class Flats			14,906	14,906
Standard Letters	97,999	115,817	169,271	383,087
Standard Flats	22,336	234,539	653,341	910,216
Periodicals	6,901	49,731	34,844	91,476
Package Services	539	461	1,118	2,118
Small Parcels and Rolls	11,808			11,808
Total Delayed Pieces	139,583	466,107	1,247,710	1,853,400
First Handled Pieces	4,588,002	6,267,320	5,811,646	16,666,968
Percent Delayed	3.04%	7.44%	21.47%	11.12%
Unreported Delayed	11,808	65,559	374,230	451,597
Percent Delayed Not Reported	0.26	1.05	6.44	2.71

Identified by the OIG

Postal Service Headquarters Identified 426,398 of These Pieces

**Chart 1: Function 1 Overtime Comparison to Other Eastern Area Plants
FY 2007 through Quarter 1, FY 2009**

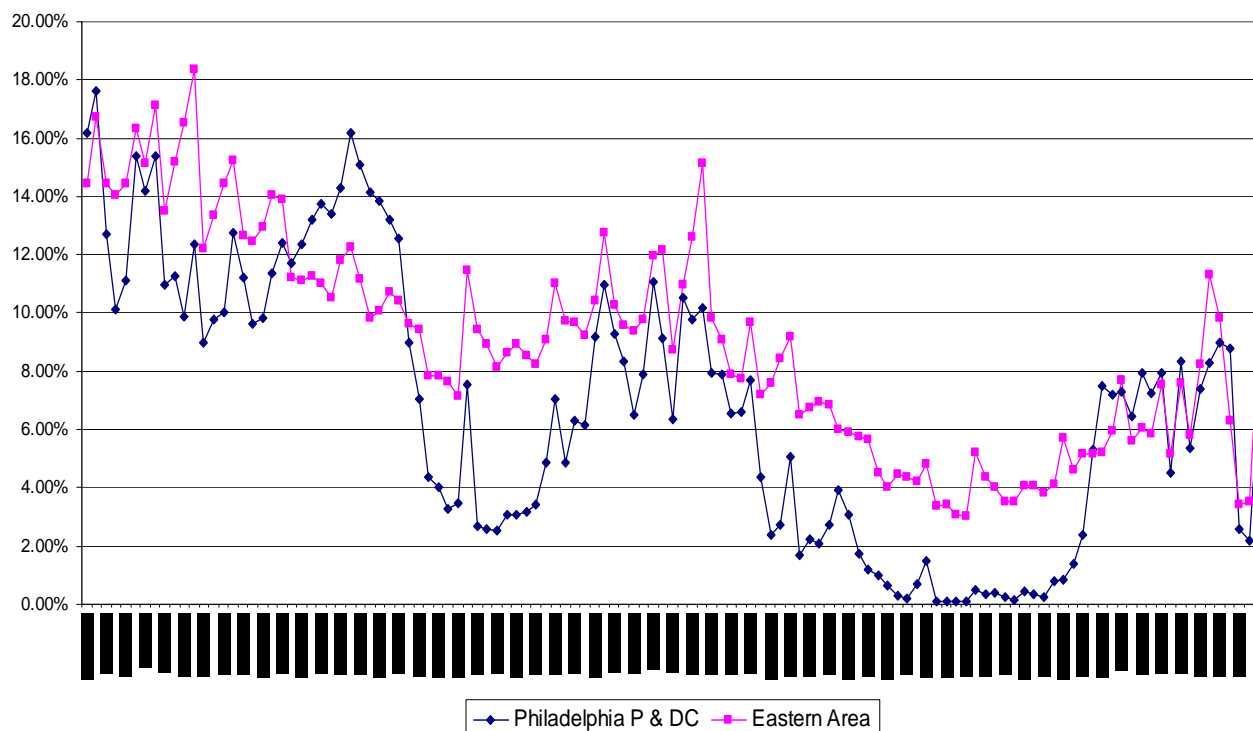
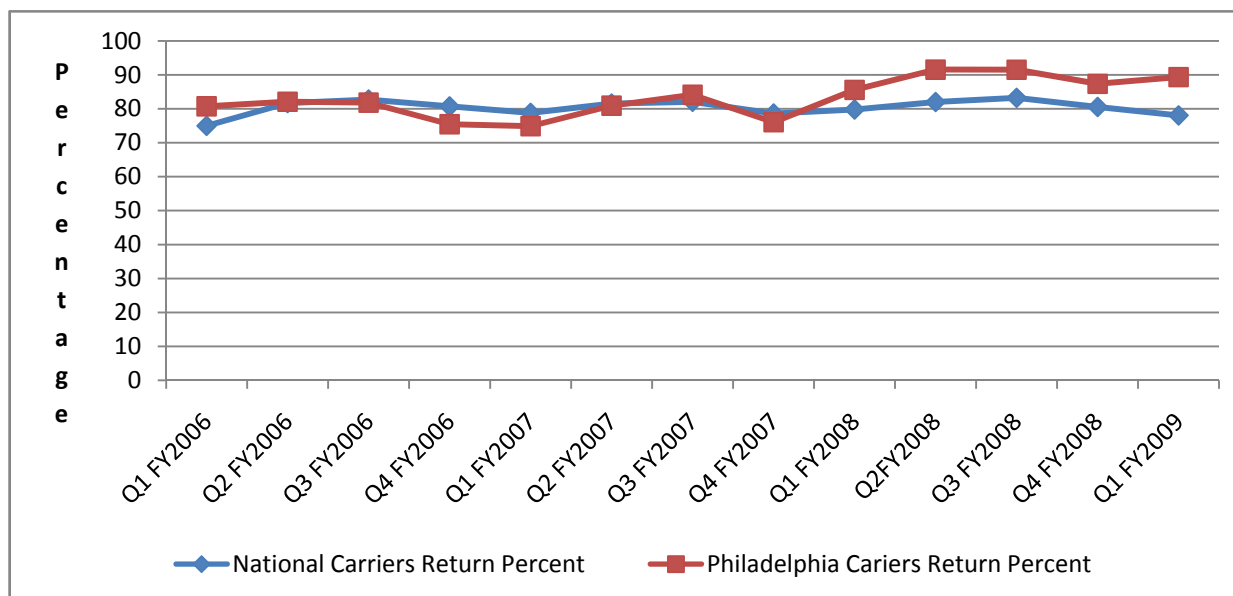


Table 4: City Carrier Staffing Ratio						
	Philadelphia Customer Service District			National		
	# City Carriers	# Carrier Routes	Carrier/Route Ratio	# City Carriers	# Carrier Routes	Carrier/Route Ratio
Q1 2008	5,108	3394	1.51	231,321	158,230	1.46
Q2 2008	5,070	3385	1.50	231,604	158,241	1.47
Q3 2008	5,095	3375	1.51	228,631	157,800	1.45
Q4 2008	5,066	3483	1.45	225,364	157,409	1.44
	Average		1.49			1.45

Chart 2: Carriers Returning Prior to 1700 – Comparison to National Average



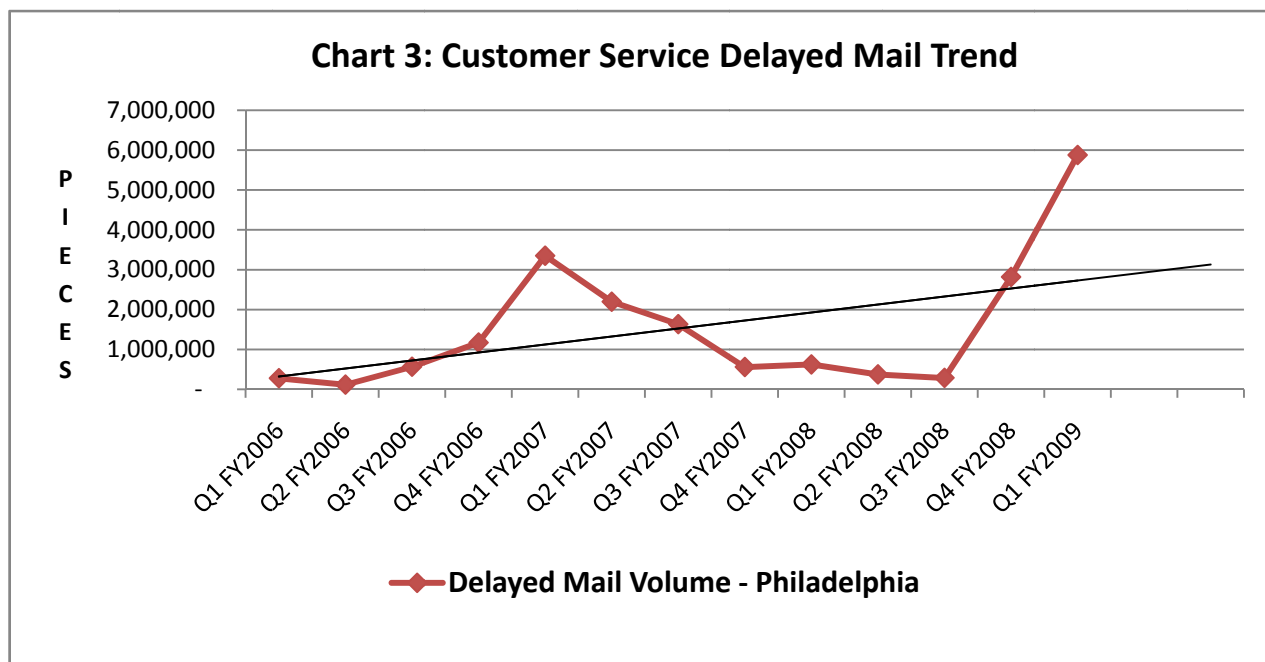


Chart 4: Philadelphia and National Carrier Volume Trends

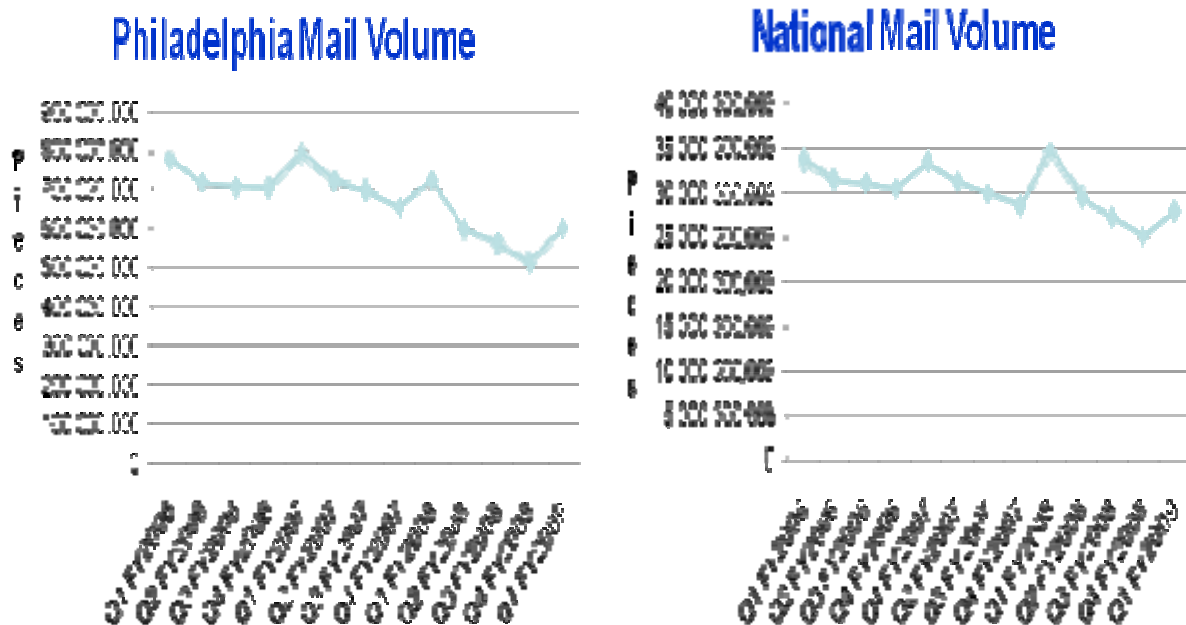


Chart 5: City Carrier Overtime Percentages

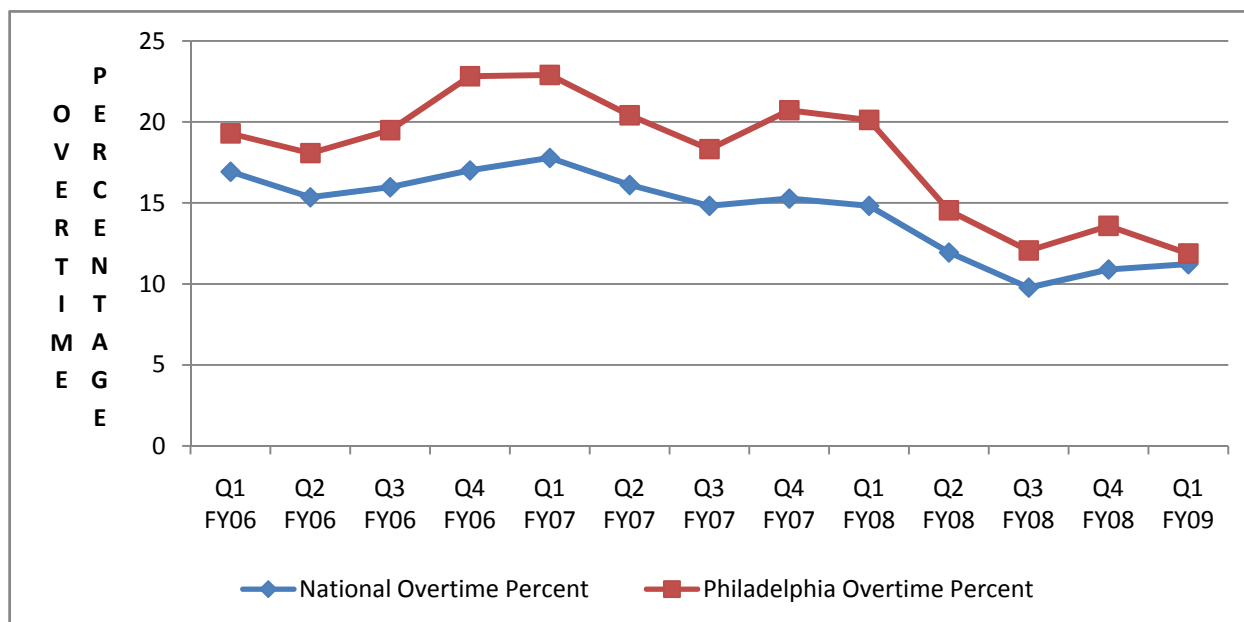


Table 5: Trailers Examined

Name of Facility	Number of Trailers Examined	Contents of Trailers - Mail Transportation Equipment (MTE)/Empty/Mail	Comments
Horsham	4	4 - Empty	None contained mail for Philadelphia P&DC
Delaware P&DC	24	8 - Empty 4 - MTE 12 - Contained Delaware Mail	None contained mail for Philadelphia P&DC
Philadelphia BMC	26	2 - Contained Mail for Los Angeles Bulk Mail Center & Cincinnati Bulk Mail Center (1) trailer was dispatched during observations 4 - MTE 19 - Empty	None contained mail for Philadelphia P&DC
Total	54	31 - Empty 8 - MTE 14 - Contained Mail 1 - Dispatched during observations	

Chart 6: Overnight Service Scores for the Philadelphia P&DC Compared to National Average

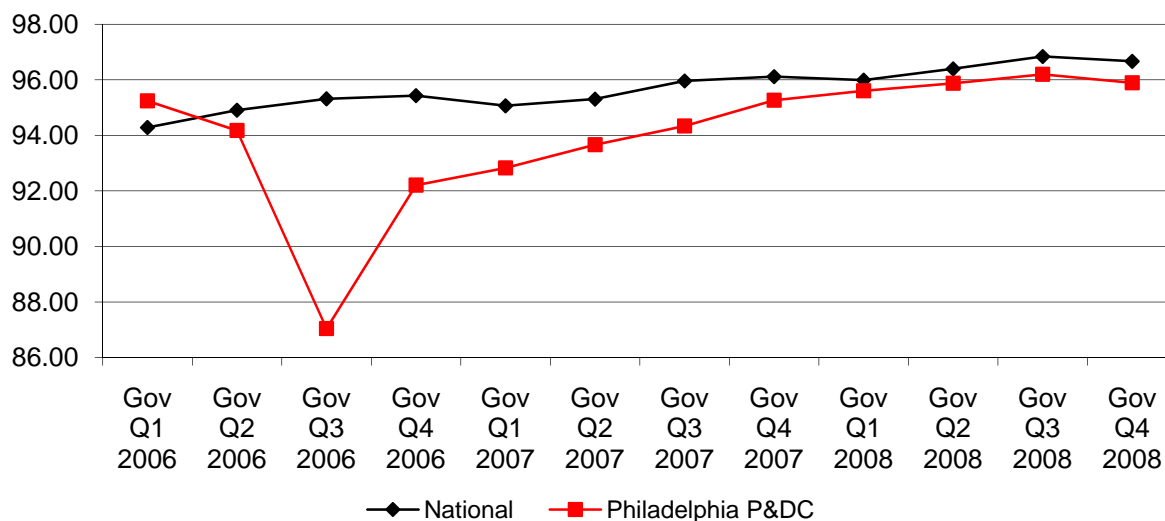
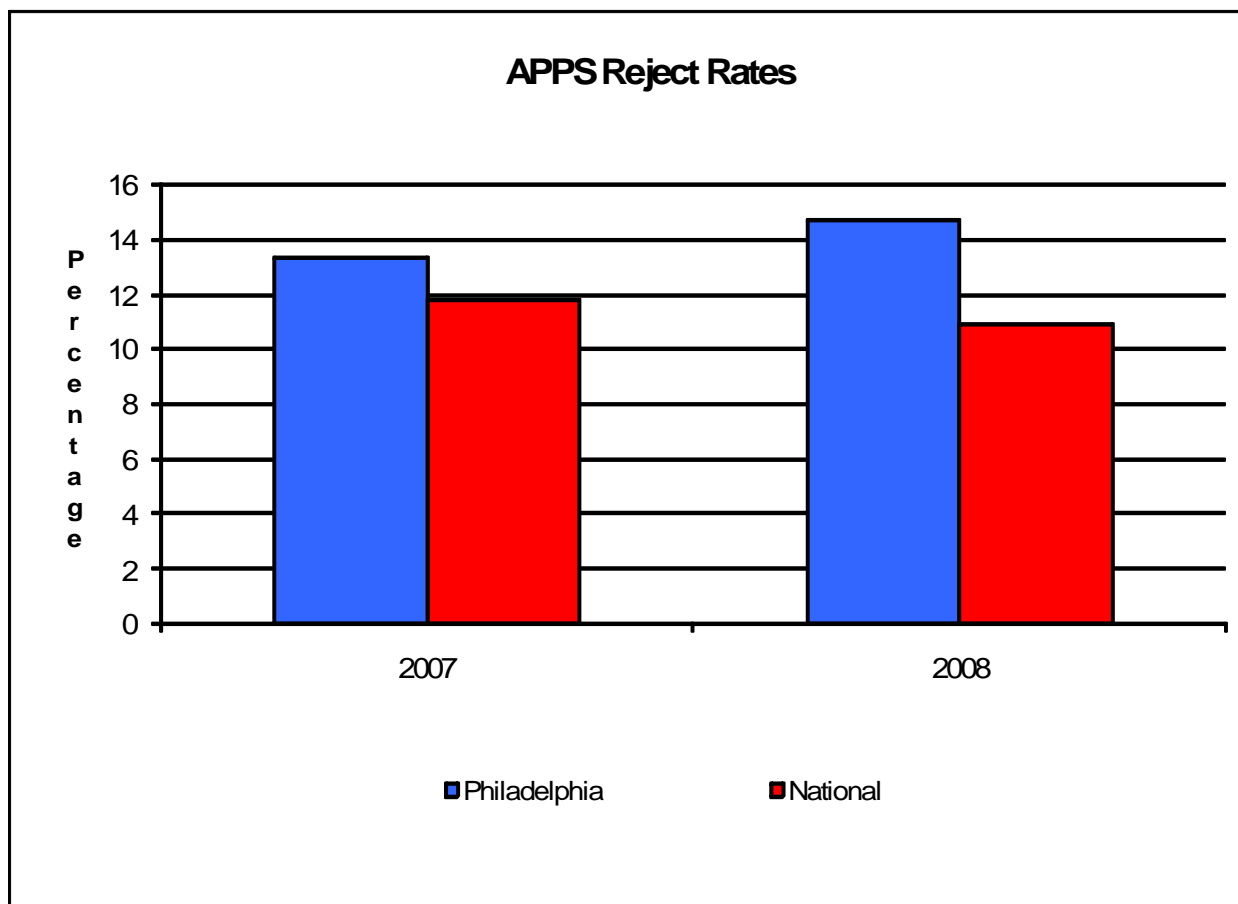


Chart 7: Philadelphia P&DC Reject Rates Compared to National Average



APPENDIX H: MANAGEMENT ACTIONS

- At the request of the Eastern Area, Postal Service Headquarters provided webMCRS compliance reviews and on-site training in November and December 2008.
- The Philadelphia P&DC issued a Standard Operating Procedure for webMCRS reporting on December 12, 2008.
- The Eastern Area reviewed webMCRS reporting and established a standardized counting process in September 2008.
- In-Plant Support redesigned count sheets, clarified categories, and added trailers on hand to the categories.
- Supervisor verification and signatures were required on count sheets.
- Managers agreed to receive additional training.
- On December 15, 2008, district management issued a policy on unendorsed business bulk mail for all stations and branches.
- A verification procedure was established for waste mail in the P&DC.
- A routing label was created to transport appropriate mail to the Mail Recovery Center in Atlanta.
- The Philadelphia Main Post Office delivery unit contracted their own recycling company to handle undeliverable waste mail.
- Standardized instructions on manual distribution were issued for the handling of undeliverable mail.
- The Eastern Area and other districts provided assistance to evaluate mail conditions at Philadelphia Stations and Branches.
- Operations engineers from other Eastern Area facilities were assigned to review mailflow and staging beginning in October 2008.
- Outreach Centers were established in December 2008 to facilitate customer relationships. This included contacting each customer identified in news reports.
- Management began addressing maintenance deficiencies in December 2008.
- Laboratory specimen mailpieces are now being tracked, including the number processed, and reported daily to the plant manager.
- The Postal Business Center contacted the customers and other Postal Service facilities regarding labeling as hazardous material or HAZMAT.
- Maintenance supervisors and plant management assured us that the APPS was repaired.

APPENDIX I. MANAGEMENT'S COMMENTS

DISTRICT MANAGER
PHILADELPHIA METROPOLITAN DISTRICT



March 19, 2009

Lucine Willis
Director, Audit Operations
1735 North Lynn St.
Arlington, VA 22209-2020

SUBJECT: Draft Management Advisory – Allegations Concerning Operations and Service in the Philadelphia Customer Service District (Report Number NO-MA-09-Draft)

Management concurs with the overall findings of the audit and agrees that stronger process disciplines and better communications could have prevented many issues and concerns. We are focused on implementing the recommendations put forth and strengthening processes and communications.

Management does not request any portions of this report to be excluded from the FOIA requirements.

Recommendation 1: Provide color-code training and supervisory oversight to employees.

Response:

The local managers and craft employees received training due to the changes in the national color-code policy during the months of July and August 2008. In response to the findings, additional on site training will be provided by the Eastern Area and HQ Processing Operations the week of March 30 – April 3.

Supervisory oversight and signature accountability is now a part of the Standard Operating Procedure for Mail Counts and Reporting.

Recommendation 2: Verify the delayed mail volume counts conducted by data collection technicians.

Response:

Delayed volume counts are an activity covered in the Standard Operating Procedure (SOP) for Mail Counts and Volume Reporting. Managers Distribution Operations are accountable for the accuracy of counts provided on their tour of operation. In-Plant Support is the process owner for mail condition reporting and is responsible for providing oversight to the process daily (SOP attached).

In addition, the Eastern Area Office is conducting on-site audits of the mail count process. The most recent audit was conducted February 23 -25, 2009. Audit results are reviewed with Philadelphia management with recommendations for improvement and follow-up.

Recommendation 3: Conduct regular meetings to foster good employee relations and more readily identify and address employees' concerns.

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Response:

Meetings with employees and their representatives have been ongoing in the Philadelphia District. Based on the findings in this audit however, it is clear that the frequency and effectiveness of these meetings can and should be improved.

The communication plan exists of the following:

Weekly meetings between the management of the Philadelphia P&DC and the union organizations. These meetings are scheduled in advance and documented.

Quarterly Labor-Management Meetings - The last meetings were held on Wednesday, December 10, 2008 and Wednesday, February 25, 2009. Our next Labor-Management meeting is scheduled for Wednesday, April 22, 2009.

Quarterly meetings for Senior Management to meet with supervisors in all functions to communicate state of the business and also the results of their respective units against the organizations goals.

Management will continue to meet with the employees on a regular basis, and provide information necessary to the business through the use of town hall sessions and daily plan five talks.

Management will ensure other outlets for the employee communications are fully leveraged: Service and safety talks, V.O.E. survey participation, local diversity initiatives and improved signage and posted communications such as, Direct Lines and Newsbreaks.

Recommendation 4: Ensure that mail sent for recycling is properly verified.

Response:

The district updated and re-issued the Standard Operating Procedure for offices, stations and branches regarding the correct methodology for handling waste to be re-cycled on December 16, 2008 (SOP attached). Service talks were given and documented throughout the district. Delivery Programs is conducting mid-day and p.m. audits to ensure that offices are in compliance (attachments will be provided).

In the Philadelphia Plant, logs were created and sign-off sheets were established for management to identify containers of UBBM as Unworked or Ready for Recycling.

Mail generated in the P&DC that is identified as PARS waste is sent to the "Nixie" area. It is then re-verified per the PARS waste process prior to being sent for recycling. Waste is dispatched daily to the recycling operation.

Recommendation 5: Improve street supervision to ensure that carriers deliver mail in a timely manner.

Response

The following procedures are in place to ensure active street supervision.

- Afternoon point to point observations are required in the units per the direction of the City Postmaster and/or POOM based on vital few units/routes for carrier return times or street expansion.
- MSP scans are checked daily and discussed with carriers.

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Recommendation 6: Ensure that mail at carrier stations is delivered in a timely manner.

Response:

To ensure more timely delivery of mail from the carrier stations the following actions have been taken:

- The delivery color coding policy and mail condition reporting requirements are being enforced thru daily monitoring of the CSDRS at the district level.
- Plan 5 talks are given to carriers, clerks and supervisors to educate and set daily expectations.
- A delivery unit daily checklist and self audit SOP has been established and put into effect on March 18, 2009 throughout the district, with emphasis on timely delivery and proper color coding. (attached)
- Delivery Programs is conducting audits from mid-day through close out at select offices to ensure that all mail is being delivered and to ensure that the Missort, Mis-sequenced, and Missent volumes are being properly recorded and addressed daily by local management.

Recommendation 7: Improve communications and contingency planning when mail is directed to other plants for processing.

Response:

While the expected frequency for this type of activity is very low the following protocol will be enforced for any volumes directed to other plants for processing. For each type of mail (letters, flats and parcels) and each class of mail, the local P&DC will communicate by phone and in writing (via email), the planned workload and the expectations for dispatch, arrival and clearance to the facility, designated to receive the workload. The Eastern Area will be included in the information disseminated as oversight.

Recommendation 8: Expedite mail flow throughout the facility.

Response:

The SOP regarding color-coding and mail counts provides the framework for First-in, First-out (FIFO) identification and processing. Mail is designated to be processed by class, according to the national standards and commitments. Mail is staged in designated spaces on the work floor, and then processed according to the Run Plan Generator. The Philadelphia P&DC implemented new staging and container flow SOP's at the recommendation of an Operational Industrial Engineer Task Force in November 2009 with full-up implementation. Staffing (bid structure) is provided commensurate with workload. NOTE: a new bid matrix covering all three tours has been established with bids to be awarded by May 16, 2009.

The goal is to clear mail according to commitment, and where possible, advance mail to level workload and improve service.

Recommendation 9: Ensure Automated Parcel Processing System operations are properly staffed and maintained.

Response:

Local management has completed a new bid matrix to address APPS staffing requirements. Bids have been aligned to meet operational clearance times. Bids have been added to the manual operation to ensure all volume clears daily.

- 4 -

The local facility has an ongoing Lean Six Sigma project to reduce the reject rate on these machines and as a by-product, a reduction in the amount of damaged mail. This project is due for completion by April 30, 2009 (attachment).

Recommendation 10: Modify the Automated Package Processing System to reduce damage to packages.

Response:

To address this concern and others on the APPS, the Philadelphia P&DC, in concert with the Eastern Area, undertook a Lean Six Sigma (LSS) project to address APPS reject percentages. As a by-product of this project, the APPS have been modified to improve product handling, reduce damage and improve service. The LSS project is currently in the "control phase," completion is planned for April 30, 2009.

Recommendation 11: Contact mailers to improve labeling and packaging.

Response:

The USPS currently has a system (eMIRS) for identifying preparation issues with the mail, and notifying the mailers. Refresher training for this system will be provided by Customer Relations and be completed by June 1, 2009.

Labeling hygiene will continue to be addressed. The BME Manager, will be the contact for any mail prep issues and the BSN Manager will be the primary contact for premier customers.

Recommendation 12: Effectively communicate operational issues to employees.

Response:

Consistent to our response to recommendation #3, informational briefing with employees and their representatives are ongoing.

Recommendation 13: Evaluate staffing at each mail processing operations and delivery unit.

Response:

Based on declining volumes and the changing business environment the district continues to assess staffing requirements in all core operating functions. For example, the Philadelphia P&DC has proposed a new bid matrix that impacts mail processing operations on all tours with bids to be awarded by May 2009.


James J. Gallagher
District Manager

cc: Daniel P. Muldoon, Plant Manager (Major)
Lucine Willis
Kathy Banks