



AUDIT REPORT

Manual Letter Processing Operations at the North Bay, CA, Processing and Distribution Center

December 9, 2019




Report Number 20-065-R20



December 9, 2019

MEMORANDUM FOR: RAJINDER SANGHERA
ACTING MANAGER, SAN FRANCISCO DISTRICT

E-Signed by Matthew B. Hartshorn 
VERIFY authenticity with eSign Desktop
Matthew B. Hartshorn

FROM: Matthew B. Hartshorn
Director, Plant Evaluation Team

SUBJECT: Audit Report – Manual Letter Processing Operations at the
North Bay, CA, Processing and Distribution Center
(Report Number 20-065-R20)

This report presents the results of our audit of Manual Letter Processing Operations at the North Bay, CA, Processing and Distribution Center.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Jeff Giordano, Operations Manager, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit and Response Management
Acting Vice President, Processing and Maintenance Operations
Vice President, Pacific Area Operations

Background

This report presents the results of our self-initiated audit of manual letter processing operations at the North Bay Processing and Distribution Center (P&DC) in Petaluma, CA (Project Number 20-065). We conducted this audit to provide U.S. Postal Service management with timely information on operational risks at the North Bay P&DC.

The North Bay P&DC is in the San Francisco District of the Pacific Area. During fiscal year (FY) 2019, it manually processed 17.7 million letters, almost 800,000 flats, and 1.2 million parcels. Mail is processed manually when its dimensions or address quality prevent it from being processed on mail processing equipment. It is much more cost effective for mail to be processed on mail processing equipment. In FY 2019, the average productivity¹ for letters processed on mail processing equipment was 7,299 mailpieces per hour while the average productivity for manually processed letters was 1,163 mailpieces per hour.

We selected the North Bay P&DC for review based on our analysis of manual letter productivity as measured by the Management Operating Data System (MODS).² The Postal Service uses MODS data to plan workload, forecast workhours and mail volume, track mail processing activities, evaluate the efficiency of facilities, and estimate staffing requirements. In addition to its operational uses, the Postal Service uses MODS workhour data to calculate totals for many of the cost pools³ within the Clerks and Mail Handlers Cost Segment. Postal Service management and the Postal Regulatory Commission rely on accurate and precise product cost estimates to set postal prices and to reliably determine whether revenue for products and mail classes cover attributable costs. The North Bay P&DC's FY 2019 manual letter productivity of 4,165 mailpieces per hour⁴ was significantly higher than the national average productivity of 1,163 mailpieces per hour.

Objective, Scope, and Methodology

Our objective was to assess the manual letter processing operations at the North Bay P&DC.

To accomplish our objective, we analyzed manual letter processing productivity metrics for FY 2019. During our October 7-10, 2019 site visit, we interviewed P&DC management and employees, conducted observations of manual letter operations, and analyzed manual letter workhours and volumes. We also reviewed the P&DC's

¹ The Postal Service calculates productivity by taking total mail volume and dividing it by total workhours.

² A web-enabled application that provides a systematic approach to gathering, storing, and reporting data on workload, workhours, and machine utilization by operation number and facility type.

³ A cost pool represents the cumulative costs incurred from related activities performed within an organization. Examples of Postal Service cost pools include Manual Priority, Dispatch, and Mail Processing Support.

⁴ Manual Letter Volume of 17,714,730/Manual Letter Workhours of 4,253.

operating plan to ensure it included the correct information for manual letter processing operations.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW).⁵ Although we did not test the validity of controls over these systems, we assessed the accuracy of the data by reviewing existing information, comparing data from other sources, observing operations, and interviewing Postal Service officials knowledgeable about the data. Therefore, we determined the data were sufficiently reliable for the purposes of this report.

We conducted this audit from October through December 2019, in accordance with generally accepted government auditing standards. 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 November 15, 2019, and included their comments where appropriate.

Finding # 1: Manual Letter Processing Workhours

The North Bay P&DC's manual letter processing workhours were understated, which caused the manual letter productivity to be overstated. During our review, we observed employees working in the manual letter processing operations who were clocked into other operations. Specifically, on October 8, we observed three employees working in the operation, while only one of them was clocked into the operation. Although we immediately discussed the errors with P&DC management, we observed similar conditions again on October 9. During our observations on October 10, the employees were correctly clocked into the manual letter processing operations.

The time clock errors occurred because the P&DC's supervisors did not always review MODS data and time charges to ensure employees charged their workhours to the operation that corresponded to the work they performed. According to Postal Service policy,⁶ managers at field offices and mail processing facilities are responsible for ensuring data integrity, including accurate recording of workhours and mail volume in the proper operation number. Additionally, management is responsible for correcting data reporting errors. The North Bay P&DC's FY 2019 manual letter productivity of 4,165 mailpieces per hour⁷ was significantly higher than the national average productivity of 1,163 mailpieces per hour. When employees do not attribute workhours to the correct operation and supervisors do not correct the errors, the Postal Service cannot accurately track mail processing activities, estimate staffing requirements, and evaluate productivity to identify opportunities to reduce workhours and costs. In

⁵ A repository intended for all data and the central source for information on retail, financial, and operational performance. Mission-critical information comes to EDW from transactions that occur across the mail delivery system, points-of-sale, and other sources.

⁶ Handbook 32, *Management Operating Data Systems*.

⁷ Manual Letter Volume of 17,714,730/Manual Letter Workhours of 4,253.

addition, persistent errors in MODS data, if significant, would cause the Postal Service to improperly allocate costs to cost pools and postal products.

During our site visit, P&DC management stated they would implement procedures to have supervisors escort employees from their current operation to their new operation and ensure employees perform a clock ring move to the operation number that corresponds to the work being performed.

Recommendation #1: We recommend the **District Manager, San Francisco District**, instruct North Bay Processing and Distribution Center management to ensure supervisors monitor mail processing productivity and correct employee operation number time charges on a regular basis.

Finding # 2: Operating Plan

We found that the P&DC's operating plan did not reflect current mail processing operations. Specifically, the operating plan, which was dated August 2016, did not list the start, end, critical entry,⁸ and clearance times⁹ for the manual letters processing operation. P&DC management said they were aware the operating plan was not current and had begun the process of updating it prior to our visit. Postal Service policy requires accurate operating plans to assist management in the scheduling, processing, and delivery of mail. Operating plans are contained in the Mail Processing Operating Plan System and provide an approach for planning mail processing operations to meet service commitments. A facility uses its operating plan to efficiently process and move mail from one operation to the next. From a larger perspective, all network and logistics planning for the facility are based on the facility's critical entry clearance and critical entry times reflected in the operating plan.¹⁰ Failure to maintain an updated operating plan can adversely impact employee and transportation scheduling and overall mail processing efficiency and service.

We previously identified issues with P&DCs not having operating plans that reflect current mail processing operations.¹¹ Because we are continuing to find similar issues in our current audits, we are planning to conduct future nationwide audit work to determine the impact of P&DCs having outdated operating plans and if there are other more efficient tools which can be utilized for network and logistics planning.

⁸ Critical entry time is the latest time committed mail can be received in an operation and still be processed before clearance time. Critical entry time impacts staffing, sort programs, service, and mailflows.

⁹ Clearance time is the latest time committed mail can clear an operation for proper dispatch or delivery.

¹⁰ *Mail Processing Operating Plan System User Guide*, May 19, 2009.

¹¹ For example, see *Delayed Mail Reporting in the Great Lakes Area* (Report Number [NO-AR-18-005](#), dated May 17, 2018), *Timeliness of First-Class Flats* (Report Number [NO-AR-17-001](#), dated October 6, 2016), and *Continuous Improvement of Mail Processing Operations* (Report Number [NO-AR-16-012](#), dated September 29, 2016).

Recommendation #2: We recommend the **District Manager, San Francisco District**, instruct North Bay Processing and Distribution Center (P&DC) management to ensure the P&DC's operating plan is updated to reflect current mail processing operations.

Management's Comments

Management agreed with the report's findings and recommendations.

Regarding recommendation 1, management stated that they put processes in place to ensure correct employee time charges. Specifically, supervisors walk employees to new assigned operations and ensure that they correctly clock in. Supervisors also certify to the Manager, Distribution Operations, at the end of each tour that all employees were clocked into the correct operations.

Regarding recommendation 2, management stated that they have completed updating the operating plan and are in the process of reviewing and validating it. The target implementation date is December 20, 2019.

See [Appendix A](#) for management's comments in their entirety.

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendations and planned actions should resolve the issues identified in the report.

All recommendations require OIG concurrence before closure. The OIG requests written confirmation when corrective actions are completed. Based on the information provided by Postal Service management, we consider recommendation 1 closed with the issuance of this report. Recommendation 2 should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

Appendix A: Management's Comments

SAN FRANCISCO DISTRICT MANAGER



12/2/2019

Matthew B. Hartshorn
Director, Plant Evaluation Team

SUBJECT: Manual Letter Processing Operations at the North Bay, CA, Processing and Distribution Center (Report Number 20-065)

Recommendation #1: We recommend the District Manager, San Francisco District, instruct North Bay Processing and Distribution Center management to ensure supervisors monitor mail processing productivity and correct employee operation number time charges on a regular basis.

Management Response/Action Plan:

A process was put in place on October 8, 2019 as soon as the issue was brought to the Plant Manger's attention. Supervisor is to walk employee to the new assigned operation and insure employees are moving correctly via the EBR using their TACS timecard. Supervisors will certify to their MDOs at the end of each tour that all employees are placed on the correct operation number via the TACS "Employee Move Report".

Target Implementation Date:

December 2019

Responsible Official:

North Bay P&DC, Plant Manager

Recommendation #2: We recommend the District Manager, San Francisco District, instruct North Bay Processing and Distribution Center (P&DC) management to ensure the P&DC's operating plan is updated to reflect current mail processing operations.

Management Response/Action Plan:

The Operating Plan for the North Bay P&DC was last updated in 2016. We have completed the update of the Operating Plan as of Week 9 and currently we are in the process of reviewing and validating according to the current mail flow. We anticipate to finalize it No Later than Friday, December 20, 2019.

Target Implementation Date:

December 2019

Responsible Official:

North Bay P&DC, Plant Manager

A handwritten signature in black ink, appearing to read "Ra Sanghera".

Ra Sanghera
District Manager (A)
San Francisco District

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