



Office of Inspector General | United States Postal Service

## Audit Report

# Priority Mail Express Service Performance Costs in the Caribbean District

Report Number 19BG006CP000-R20 | October 17, 2019



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# Highlights

## Objective

Priority Mail Express, formerly known as Express Mail, is the fastest mail service the U.S. Postal Service offers. It is a competitive product that provides guaranteed 1-day or 2-day expedited shipping service for any mailable matter and provides customers with refunds when not delivered by the guaranteed service arrival time. The Postal Service has the authority to adjust the guaranteed 1-day or 2-day delivery commitment for Priority Mail Express in the point-of-sale system upon the request of district personnel. The Caribbean District, which includes Puerto Rico and the U.S. Virgin Islands, accounted for 22 percent of Priority Mail Express refunds issued in the Northeast Area. Between March 2018 and February 2019, about 168,000 Priority Mail Express pieces originated in the Caribbean District. During this period, the district issued the highest amount of Priority Mail Express refunds of all Postal Service districts nationwide, totaling over \$380,000.

Our objective was to determine whether processes and procedures were effective to minimize the costs of Priority Mail Express service failures and refunds in the Caribbean District.

## What the OIG Found

Postal Service processes and procedures were not effective to minimize the costs of service failures and refunds for Priority Mail Express originating in the Caribbean District. The Postal Service has a nationwide service performance (on-time delivery) goal of 96.85 percent for Priority Mail Express pieces. However, from March 2018 to February 2019, only about 84.78 percent of those pieces originating in the Caribbean District met on-time service standards. Further, during the past five fiscal years (FY), the Caribbean District had an on-time service performance score of only 87.64 percent and failed to meet service standards on about 93,000 pieces originating in the district.

Between September 2018 and July 2019, Priority Mail Express performance reports showed that over 70 percent of failed pieces originating in the Caribbean District were already identified as unable to meet guaranteed delivery times when they arrived at the destination delivery unit. This indicated that most of the service failures were the result of operational or logistical challenges. Based on

our analysis of scan data, operating times, and transportation schedules and site visits to Caribbean District facilities, we found that the following transportation challenges contributed to the service failures:

- Ground transportation schedules may not accurately reflect travel congestion in the district and did not always align with operating times. The Postal Service uses the schedules to transport Priority Mail Express between facilities according to key operating times. However, during site visits, facility managers expressed concern that current schedules and operating times did not reflect actual travel time on routes.

Our analysis of scan data for Priority Mail Express originating in the Caribbean District from April 1 to July 10, 2019, found that about 16 percent of failed overnight pieces were accepted at post offices after the transportation departure time, about 61 percent of failed overnight pieces arrived at the San Juan Processing and Distribution Center (P&DC) after the latest time to receive pieces for on-time processing, and about 25 percent (included in the 61 percent above) arrived after the clearance time for timely dispatch. This degree of service failures prior to arrival at the P&DC suggests that management should reevaluate the feasibility of current ground transportation schedules.

- Personnel stated that district management sometimes directed personnel to hold trucks at the P&DC until they were filled with mail to improve efficiency. However, this caused the trucks to arrive late to pick up outbound mail at the main post offices for transportation back to the P&DC for processing. This negatively impacted timely transportation, processing, and delivery of Priority Mail Express originating in the Caribbean District.

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***“During site visits, facility managers expressed concern that current schedules and operating times did not reflect actual travel time on routes.”***

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- [REDACTED] the Postal Service contracted air carrier to move Priority Mail Express, sometimes transported it out of the district behind schedule. Our evaluation of the carrier's service performance data for the Caribbean District, between March 2018 and February 2019, found that, on average, it transported only about [REDACTED] percent of originating Priority Mail Express containers on time. This indicates that [REDACTED] operations may have played a role in the service failures of Priority Mail Express originating in the Caribbean District.

Postal Service management attributed much of these issues in the Caribbean District to lingering impacts of Hurricane Maria, which occurred from mid-September to early October 2017. However, our analysis demonstrated that Priority Mail Express service failures in the district occurred before Hurricane Maria and likely were not driven primarily by continued impacts of the storm.

Issues related to timely transportation of originating Priority Mail Express products have resulted in the Postal Service issuing over \$500,000 in refunds to customers in the Caribbean District during FYs 2017 and 2018. We estimate that the Postal Service would issue about \$300,000 annually in Priority Mail Express refunds over the next five fiscal years if it does not address these transportation challenges.

Processes and procedures also were not effective to minimize the costs of service failures for Priority Mail Express destinating to the district. We found transportation delays occurred when daylight savings time ended, and standard time was in effect in the continental U.S. During FYs 2018 and 2019, the service performance for Priority Mail Express pieces destined to the district when standard time was in effect was only 72.55 percent, which was a 12 percent decline from when daylight savings was in effect for the same period. This occurred because the Caribbean District does not observe the time change when most of the continental U.S. does, and the district's operating times and service commitments generally remain the same.

In 2014, the Postal Service developed a dynamic next-day commitment for Priority Mail Express destined to 38 Caribbean District ZIP Codes most impacted

by the standard time change. For those ZIP Codes, the Postal Service does not guarantee a next-day commitment during standard time. However, it maintains the next-day commitment for 30 ZIP Codes. While the dynamic commitment was designed to improve standard time service performance issues, it does not currently mitigate service failures effectively because the district's on-time performance during standard time was still significantly lower than its performance during daylight savings time.

If the Postal Service does not adjust Caribbean District Priority Mail Express processing, transportation, and delivery procedures or service commitments to accommodate the time change, service failures and refunds will likely continue.

## What the OIG Recommended

We recommended management:

- Evaluate the feasibility of current ground transportation schedules and, if necessary, adjust the schedules, operating times, or service commitments.
- Evaluate the impact that delaying dispatch to fill mail trucks has on Priority Mail Express service performance and, if necessary, develop a plan to balance mail truck efficiency with timely dispatch of Priority Mail Express.
- Assess [REDACTED] capabilities to meet service standards and, as appropriate, [REDACTED].
- Reevaluate next-day commitments for Priority Mail Express destinating to the Caribbean District when standard time is in effect and implement a solution to reduce service failures caused by the time change.

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***“We estimate that the Postal Service would issue about \$300,000 annually in Priority Mail Express refunds over the next five fiscal years if it does not address these transportation challenges.”***

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# Transmittal Letter




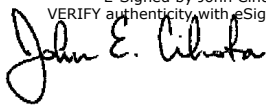
OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

October 17, 2019

**MEMORANDUM FOR:** ROBERT CINTRON  
VICE PRESIDENT, LOGISTICS

LISA M. OJEDA  
MANAGER, CARIBBEAN DISTRICT

E-Signed by John Cihota  
VERIFY authenticity with eSign Desktop 



**FROM:** John E. Cihota  
Deputy Assistant Inspector General  
for Finance and Pricing

**SUBJECT:** Audit Report – Priority Mail Express Service Performance  
Costs in the Caribbean District  
(Report Number 19BG006CP000-R20)

This report presents the results of our audit of the Priority Mail Express Service Performance Costs in the Caribbean District (Project Number 19BG006CP000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Sherry Fullwood, Director, Cost and Pricing, or me at 703-248-2100.

Attachment

cc: Postmaster General  
Corporate Audit Response Management

# Results

## Introduction/Objective

This report presents the results of our self-initiated audit of Priority Mail Express Service Performance Costs in the Caribbean District (Project Number 19BG006CP000). Our objective was to determine whether processes and procedures were effective to minimize the costs of Priority Mail Express service failures and refunds in the Caribbean District. See [Appendix A](#) for additional information on this audit.

## Background

Priority Mail Express, formerly known as Express Mail, is the fastest mail service the U.S. Postal Service offers. It is a competitive product that provides guaranteed 1-day or 2-day expedited shipping service for any mailable matter and includes insurance coverage with most shipments. Priority Mail Express delivery is offered 365 days a year (in most locations) and provides customers with refunds when it is not delivered by the guaranteed service arrival time. The Postal Service has the authority to adjust the guaranteed 1-day or 2-day delivery commitment for Priority Mail Express in the point-of-sale system upon the request

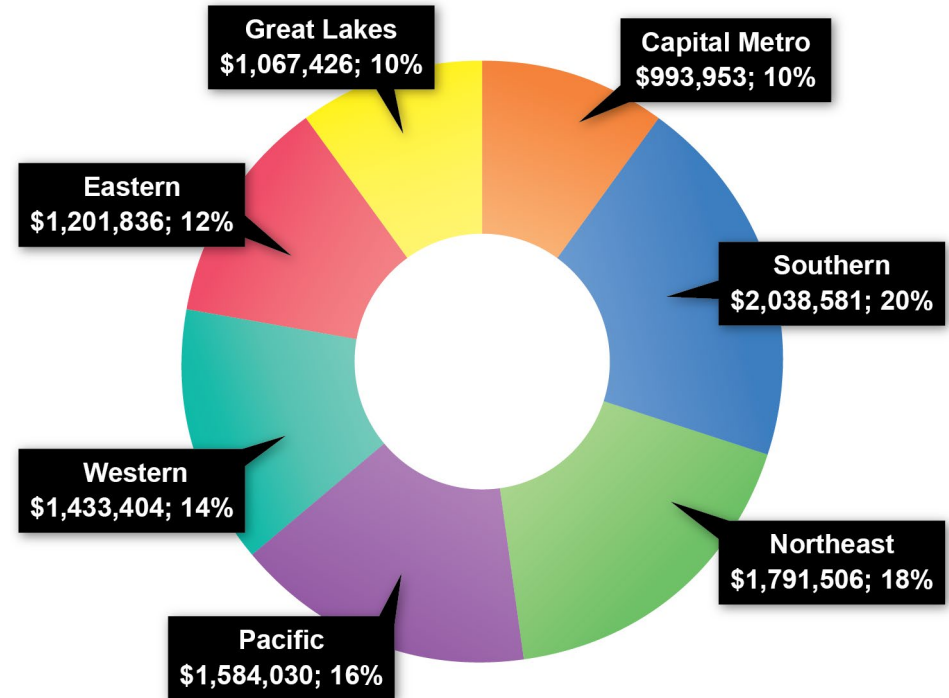
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***“Priority Mail Express, formerly known as Express Mail, is the fastest mail service the U.S. Postal Service offers”***

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of district personnel. Between March 2018 and February 2019, the Postal Service refunded about \$8.8 million in Priority Mail Express postage and fees nationwide due to service failures. During that time, \$1.6 million (about 18 percent) of the refunds were issued in the Northeast Area, as shown in Figure 1.

Figure 1. March 2018 – February 2019 Priority Mail Express Refunds by Area



Source: Financial Performance Report (FPR)<sup>1</sup> refund data.

The Caribbean District, which includes Puerto Rico and the U.S. Virgin Islands, accounted for 22 percent of Priority Mail Express refunds issued in the Northeast Area, as shown in [Table 1](#).

<sup>1</sup> FPR, which replaced the Postal Service Financial Report, is an accounting period report available in the Accounting Data Mart (ADM) in the Enterprise Data Warehouse (EDW). The FPR shows items such as current period and year-to-date actual, plan, and same period last year revenue and expenses. The EDW is the repository intended for all data and the central source for information on retail, financial, and operational performance. The ADM is a section of the EDW that contains accounting and financial information.

**Table 1. March 2018 – February 2019 Priority Mail Express Refunds by Northeast Area District**

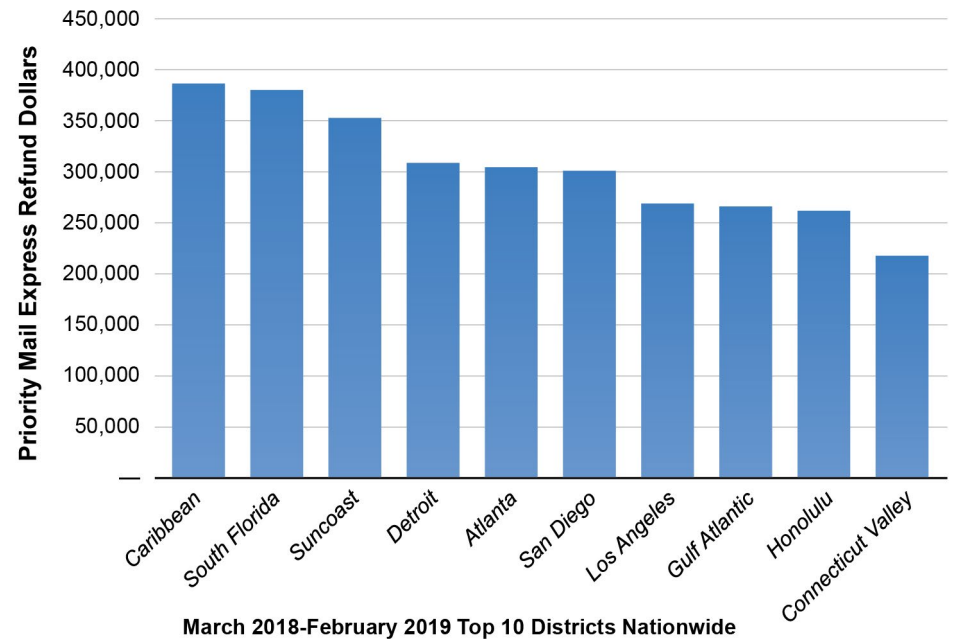
Northeast Area Districts	Refund Totals	Refund Percentages
Caribbean	\$385,227	22%
Connecticut Valley	216,652	12%
Northern NJ	197,563	11%
Greater Boston	190,075	11%
Triboro	173,150	10%
New York	153,330	9%
Long Island	136,385	8%
Northern New England	130,776	7%
Westchester	120,173	7%
Albany	83,974	5%
<b>Total</b>	<b>\$1,787,305</b>	<b>100%</b>

Source: FPR refund data.

***“From March 2018 to February 2019, only about 84.78 percent of Priority Mail Express pieces originating in the Caribbean District met service standards.”***

The Caribbean District, from which about 168,000 Priority Mail Express pieces originated, also issued the highest amount of Priority Mail Express refunds of all Postal Service districts nationwide between March 2018 and February 2019, as shown in Figure 2.

**Figure 2. March 2018 – February 2019 Top 10 Districts Nationwide by Priority Mail Express Refund Dollars**



Source: FPR refund data.

### **Finding #1: Priority Mail Express Service Failures**

Postal Service processes and procedures did not effectively minimize the costs of service failures and refunds for Priority Mail Express originating in the Caribbean District. The Postal Service has a nationwide service performance (on-time delivery) goal of 96.85 percent for Priority Mail Express pieces. However, from March 2018 to February 2019, only about 84.78 percent of Priority Mail Express pieces originating in the Caribbean District met service standards. Further, during the past five fiscal years, the Caribbean District had an on-time service performance score of only 87.64 percent and failed to meet service standards on about 93,000 pieces originating in the district, as shown in Table 2.

**Table 2. FYs 2014 – 2018 Service Performance of Priority Mail Express Pieces Originating in the Caribbean District**

Fiscal Year	Failed Pieces	On-Time Pieces	Total Pieces	Percent Failed	Percent On-Time
2014	14,141	148,909	163,050	8.67%	91.33%
2015	17,528	140,143	157,671	11.12%	88.88%
2016	20,588	148,209	168,797	12.20%	87.80%
2017	14,827	126,603	141,430	10.48%	89.52%
2018	25,681	94,175	119,856	21.43%	78.57%
<b>Total</b>	<b>92,765</b>	<b>658,039</b>	<b>750,804</b>	<b>12.36%</b>	<b>87.64%</b>

Source: Priority Mail Express service performance scores provided by the Postal Service Enterprise Analytics Office.

We were unable to definitively identify the root causes of the service failures and refunds that occurred for Priority Mail Express pieces that originated in the Caribbean District from March 2018 to February 2019 because the Postal Service’s Enterprise Data Warehouse (EDW)<sup>2</sup> does not maintain scan data beyond 120 days. However, our assessment of failed pieces data in recent *Priority Mail Express Root Cause Weekly Reports*<sup>3</sup> showed that over 70 percent of the originating failed pieces arrived at the destination delivery unit (DDU) one or more days late, as shown in the first four rows of Table 3. This indicated that most of the service failures may have been the result of operational or logistical challenges in the Caribbean District.

**Table 3. Failed Priority Mail Express Pieces Originating in the Caribbean District by Root Cause<sup>4</sup>**

Root Cause	Pieces	Percentage
Arrival at unit (AAU) scan occurred the day after the scheduled delivery date.	7,492	56.2%
AAU scan occurred two or more days after scheduled delivery date.	1,819	13.6%
Stop the clock (STC) scan occurred after scheduled delivery date and there was no AAU scan.	305	2.3%
AAU scan occurred after AAU clearance time and STC scan occurred after scheduled delivery date.	64	0.5%
Other causes for failures that occurred on scheduled delivery date.	3,659	27.4%
<b>Total</b>	<b>13,339</b>	<b>100%</b>

Source: FY 2019 Priority Mail Express Root Cause Weekly Reports from September 29, 2018, to July 19, 2019.

Due to limited availability of historical scan data, we evaluated the scans of Priority Mail Express originating in the Caribbean District from April 1 to July 10, 2019. Based on scan data analysis, operating times and transportation schedules, and site visits to Caribbean District facilities, we found the following transportation challenges contributed to the service failures, whereby the Postal Service did not make delivery by the guaranteed date or time:

<sup>2</sup> The EDW is the repository intended for all data and the central source for information on retail, financial, and operational performance.

<sup>3</sup> We analyzed all available weekly data reports as of the time of our review. Available reports covered the first 42 weeks of fiscal year (FY) 2019, from September 29, 2018, to July 19, 2019. This report provides data on causes for Priority Mail Express service failures.

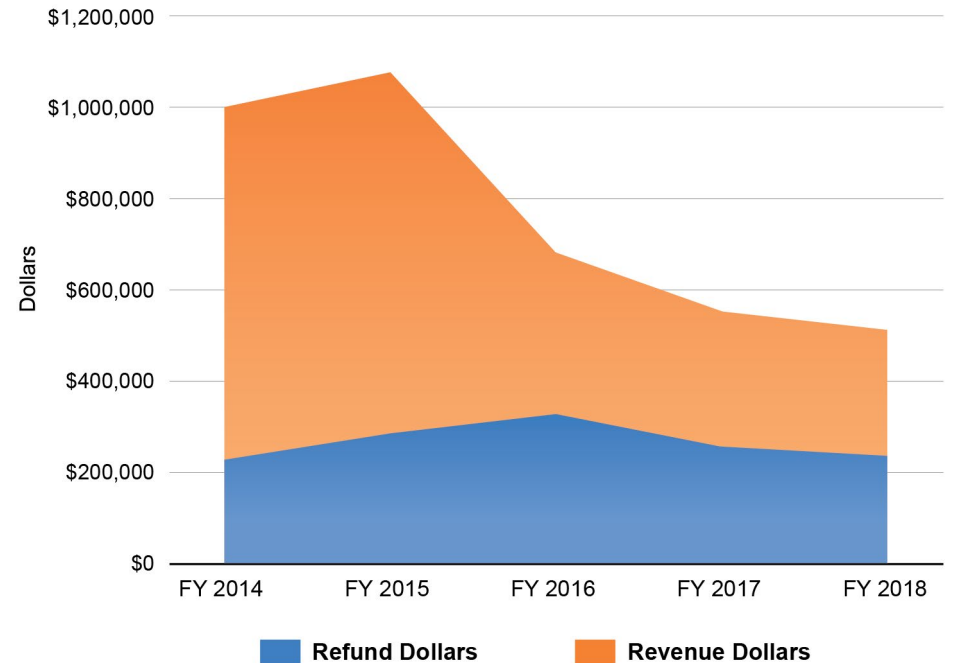
<sup>4</sup> We only included pieces that failed before they reached the delivery unit. We did not attribute other root causes, such as those classified as delivery issues, to Caribbean District operations as they were likely the result of factors on the destinating end.



- Ground transportation schedules that may not reflect actual travel time between Postal Service facilities and that did not always align with operating times.
- Postal Service personnel instruction to hold highway contract route (HCR)<sup>5</sup> trucks until filled to capacity.
- [REDACTED] air transportation delays from the district.

The Caribbean District is responsible for refunding any revenue associated with service failures for Priority Mail Express originating in the district. Service failures resulted in the Caribbean District issuing over \$380,000 in refunds to customers between March 2018 and February 2019. When considering only the accounts that exclusively reflect Priority Mail Express revenue, these refunds accounted for about 70 percent of the more than \$540,000 in revenue<sup>6</sup> the district received for the product during that period. Further, while the district's Priority Mail Express revenue has decreased considerably between FYs 2014 and 2018, the dollar value of refunds issued in the district has remained relatively constant, as shown in Figure 3. This indicated that costly operational or logistical challenges have persisted in the Caribbean District despite a decrease in Priority Mail Express sales.

**Figure 3. FYs 2014-2018 Trends of Priority Mail Express Refunds and Revenue in the Caribbean District**



Source: FPR refund and revenue data.

<sup>5</sup> A route of travel served by a postal contractor to carry mail in bulk over highways between designated points. HCRs generally do not deliver mail to individual customer addresses along the line of travel.

<sup>6</sup> Some Priority Mail Express revenue is included in accounts with other products and could not be specifically identified. To determine the revenue, we did not include accounts that combined the revenue of Priority Mail Express with that of other products; therefore, this dollar value may understate total Priority Express Mail revenue for the Caribbean District. However, this was the best estimate we could calculate based on available Postal Service data.

According to the Postal Service's *Domestic Mail Manual* (DMM), it must deliver a Priority Mail Express item within one or two days of accepting it from the customer. Specifically, it must deliver Priority Mail Express items on the next day when received at a post office on or before the designated local acceptance time. When received after the designated local acceptance time, the Postal Service must deliver the items by the second day. The DMM requires the Postal Service to deliver Priority Mail Express by 12:00 p.m. or 3:00 p.m. on the scheduled delivery day.<sup>7</sup>

## Ground Transportation

The Postal Service has developed ground transportation schedules to transport Priority Mail Express between facilities according to key operating times. Operating times represent the latest time Priority Mail Express must be accepted at a post office (cut-off time), received in a processing operation (critical entry time), and finalized in the processing operation (clearance time) to stay on schedule for timely dispatch and final delivery. Management used the schedules and operating times to determine when mailpieces need to arrive at and depart from postal facilities to ensure service performance is met. However, we found the Caribbean District schedules and operating times may not accurately reflect the traffic congestion in the district.

During site visits, management explained that current conditions in the Caribbean District created challenges for timely transportation of Priority Mail Express. Managers at district and local levels stated that it could take about three hours to transport mail from the West side of the island to the San Juan Processing & Distribution Center (P&DC). This was due, in part, to traffic congestion in Puerto Rico.

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***“During site visits, management explained that current conditions in the Caribbean District created challenges for timely transportation of Priority Mail Express.”***

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With many offices on the West side of the island having a cut-off time of 3:45 p.m. for accepting Priority Mail Express, the pieces may not arrive at the P&DC until about 6:45 p.m. However, the mailpieces must be processed at the San Juan P&DC and transported to the airport by 6:50 p.m. to ensure air transport to the continental U.S. on the same day. Without traffic factored into the schedule, this timeline does not provide sufficient time for Priority Mail Express to be processed and dispatched to meet the outbound daily flight schedule. While there is a morning and an evening departure time from post offices to the P&DC, facility personnel stated that many of the evening trucks do not make it to the P&DC on time due to the evening traffic. Since the Postal Service transports all pieces mailed in the Caribbean District to the San Juan P&DC for processing, traffic delays also affect Priority Mail Express originating and destinating in the district.

The district transportation manager stated that he conducts periodic reviews of HCRs to determine how much time each route takes and whether the routes are safe. However, multiple facility managers expressed concern that current operating times do not reflect actual travel time on the HCRs. When we discussed this issue with Northeast Area managers, they stated that facility managers are responsible for identifying when current operating times may not be feasible. If facility managers believe they need to adjust operating times for their facility, they must gather the necessary information to support a change and submit a proposal to district management. Headquarters management approval is required for any proposal to downgrade service (for example, making cut-off times earlier). In addition, area managers explained that headquarters management prefers to make only temporary adjustments to operating times on a case-by-case basis for specific facilities as opposed to an entire district.

Our analysis of scan data for Priority Mail Express originating in the Caribbean District found that about 16 percent of failed overnight pieces were accepted at post offices after the transportation departure time. In addition, about 61 percent of failed overnight pieces arrived at the San Juan P&DC after the critical entry time, and about 25 percent (included in the 61 percent above) arrived at the

<sup>7</sup> This does not apply to Priority Mail Express items that are endorsed as “Guaranteed by End of Day” per an approved customer agreement. In addition, the Postal Service may deliver items by 10:30 a.m. for an additional fee.

P&DC after the clearance time<sup>8</sup> for timely dispatch.<sup>9</sup> We also found that about 28 percent of failed overnight pieces were accepted at post offices after the cut-off time.

As a result, timely transport out of the district and on-time final delivery was nearly impossible for those pieces. This is because those pieces could not be transported from the district on the same day they were accepted; therefore, by the time they arrived in the continental U.S., the latest processing time required for timely dispatch and delivery would have already passed. This degree of service failures prior to arrival at the P&DC suggests management should re-evaluate the feasibility of current ground transportation schedules.

### HCR Transportation

During site visits, a postmaster stated that district management sometimes directed P&DC personnel to hold HCR trucks until they were filled to capacity with mail. HCR trucks transport mail between the P&DC and main post offices. Holding trucks at the P&DC causes the trucks to arrive late to pick up outbound mail at the main post offices for transport back to the P&DC for processing. The district transportation manager confirmed that he instructed the P&DC to hold HCR drivers until the trucks were filled as he believed this improved efficiency. However, this may have negatively impacted timeliness of Priority Mail Express transportation, processing, and final delivery.

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*“Holding trucks at the P&DC causes the trucks to arrive late to pick up outbound mail at the main post offices for transport back to the P&DC for processing.”*

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When we discussed this issue with area management, they explained that local management has the discretion to adjust local transportation schedules and routes to improve the timeliness of Priority Mail Express in transit. While the adjustment of operating times requires the approval of higher-level management, changes to local transportation arrival and departure times do not.

As previously mentioned, we found that about 61 percent of originating failed pieces arrived at the P&DC after the critical entry time. While some of these delays may have occurred due to other ground transportation issues, others may have been the result of the facility holding HCR trucks. Since the Postal Service does not collect operational scan data for the departure times of individual Priority Mail Express mailpieces on HCR trucks, we were unable to definitively determine the proportion of Priority Mail Express failures caused by delayed HCR transportation. District management should conduct a more in-depth analysis of this issue to determine whether personnel-directed HCR transportation delays have significantly contributed to Priority Mail Express service failures.

### Contracted Air Transportation

The Postal Service contracts with [REDACTED] to fly Priority Mail Express and other types of mail in and out of the Caribbean District,<sup>10</sup> and they have agreed on performance requirements. These requirements are evaluated using transmitted scan data from [REDACTED]. The on-time delivery performance standard for [REDACTED] night-turn operations,<sup>11</sup> when the company transports Priority Mail Express out of the district, is [REDACTED] percent.<sup>12</sup> According to the agreement, if [REDACTED] depending on how late the handling units were. Data provided by management indicated that between FY 2014 and FY 2018, [REDACTED]

<sup>8</sup> All pieces that arrived at the P&DC after the clearance time would have also arrived after the critical entry time and, thus, would be counted in both categories.

<sup>9</sup> Due to limited availability of historical scan data, we evaluated the scans of Priority Mail Express originating in the Caribbean District from April 1 to June 30, 2019.

<sup>10</sup> [REDACTED] has flights that transport mail into and out of the Caribbean District on each day of the week except for Saturday. Customers are informed that Priority Mail Express mailings brought in on a Saturday are not guaranteed delivery on Monday. However, Monday is the only day without guaranteed delivery.

<sup>11</sup> [REDACTED] operations that occur Monday night through Friday night.

<sup>12</sup> During peak operating periods, the on-time delivery performance requirement is 93 percent.

<sup>13</sup> A handling unit is defined as a container, mail bag, tub, mail tray, or individual package that is individually processed by [REDACTED].

<sup>14</sup> FYs 2014 and 2016 data only included the months of July through September. Also, calendar year 2015 data was missing. [REDACTED]

The data we analyzed did not include details regarding the cause for air transportation delays. However, our evaluation of [REDACTED] service performance data for operating periods that started between March 2018 and February 2019 found that, on average, about [REDACTED] percent of Priority Mail Express handling units were transported by [REDACTED] on time. In addition, [REDACTED] service performance of Priority Mail Express handling units was about [REDACTED] percent for all originating pieces during the past five fiscal years, as shown in Table 4. This data indicates that [REDACTED].

**Table 4. FYs 2014 – 2018 [REDACTED] Service Performance of Priority Mail Express Originating in the Caribbean District (Compared to the [REDACTED] Percent Performance Target)**

Fiscal Year	Delayed Handling Units	On-Time Handling Units	Total Handling Units	Percent Delayed	Percent On-Time
2014	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2015	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2016	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2017	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2018	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Total</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: [REDACTED] service performance data obtained from the Postal Service Air Transportation Office.

District, area, and headquarters managers attributed much of the Priority Mail Express service performance issues in the Caribbean District to lingering impacts of Hurricane Maria, which occurred from mid-September to early October 2017. However, our analysis of service performance data found that other issues likely

contribute to the service failures more than residual Hurricane Maria impacts. We compared service performance for the first six months of our review period, which was closer to the time of Hurricane Maria, to the last six months. We found that service performance for the period closest to the time of the hurricane was about 5 percent greater, as shown in Table 5. In addition, while Priority Mail Express sales in the Caribbean District have decreased by about 48 percent between FYs 2014 and 2018, refunds for the product have increased by about 5 percent during that time. These statistics demonstrate that Priority Mail Express service issues in the Caribbean District occurred before Hurricane Maria and likely are not driven primarily by continued impacts of the storm.

**Table 5. Service Performance of Priority Mail Express Originating in the Caribbean District**

Time Period	Failed Pieces	On-Time Pieces	Total Pieces	Service Performance
March 2018 – August 2018	11,068	75,001	86,069	87.14%
September 2018 – February 2019	14,563	67,727	82,290	82.30%
<b>Total</b>	<b>25,631</b>	<b>142,728</b>	<b>168,359</b>	<b>84.78%</b>

Source: Priority Mail Express service performance data provided by the Postal Service Enterprise Analytics Office.

The transportation issues may have contributed to a significant decrease in the Caribbean District’s profits for the product. When considering only the accounts that exclusively reflect Priority Mail Express revenue,<sup>15</sup> we found that the refunds issued due to service failures reduced the district’s

***“The transportation issues may have contributed to a significant decrease in the Caribbean District’s profits for the product.”***

<sup>15</sup> Some Priority Mail Express revenue is included in accounts with other products and could not be specifically identified. To determine the revenue, we did not include accounts that combined the revenue of Priority Mail Express with that of other products; therefore, these figures may understate total Priority Express Mail revenue. However, we calculated the best estimate we could based on available data.

profit<sup>16</sup> for the product by an average of about 30 percent each year over the past five fiscal years. This demonstrates there will [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Although we did not evaluate how these transportation issues impact Priority Mail Express pieces destinating to the Caribbean District, similar operational and logistical challenges that exist for originating mailpieces may be resulting in greater refunds issued in other districts for mailpieces sent to the Caribbean

District. While addressing these recommendations, the Postal Service may want to consider destinating Priority Mail Express in its evaluations.

Issues related to timely transportation of originating Priority Mail Express products have resulted in the Postal Service issuing \$506,874<sup>17</sup> in refunds to customers in the Caribbean District during FYs 2017 and 2018. We estimated the Postal Service would issue another \$1,483,284<sup>18</sup> in Priority Mail Express refunds over the next five fiscal years if these transportation challenges are not addressed.

### Recommendation #1

We recommend the **Vice President, Logistics**, coordinate with Northeast Area and Caribbean District management to evaluate the feasibility of current ground transportation schedules and, as necessary, adjust current Priority Mail Express schedules, operating times, or service commitments to reduce service failures and refunds.

### Recommendation #2

We recommend the **District Manager, Caribbean District**, evaluate the impact that delaying highway contract route (HCR) trucks to fill to capacity before dispatch has on Priority Mail Express service performance and, based on the results, develop a plan to balance HCR truck efficiency with timely dispatch of Priority Mail Express.

### Recommendation #3

We recommend the **Vice President, Logistics**, assess [REDACTED] capabilities to meet outbound service standards for Priority Mail Express originating in the Caribbean District. Based on that assessment, [REDACTED] for Priority Mail Express originating in the district.

<sup>16</sup> We calculated profit as Priority Mail Express revenue less attributable costs. We calculated attributable costs by multiplying the Caribbean District's Priority Mail Express volume by the product's attributable cost per piece reported in the FY 2018 *Non-Public Cost and Revenue Analysis Report*.

<sup>17</sup> This amount represents Revenue Loss, which is the amount the Postal Service was entitled to receive but was underpaid or not realized because policies, procedures, agreements, requirements, or good business practices were lacking or not followed. May be recoverable or unrecoverable.

<sup>18</sup> This amount is categorized as Funds Put to Better Use as it represents funds that could be used more efficiently by implementing recommended actions. This equates to an average annual amount of about \$300,000 over the next five years.

## Finding #2: Standard Time Impacts

Processes and procedures were not effective to minimize the costs of service failures for Priority Mail Express destinating to the district. Transportation delays occur when daylight savings time is over and standard time begins in the continental U.S. When standard time is in effect, the time in most states falls back one hour. However, this change does not apply to the U.S. territories in the Caribbean District. During U.S. standard time, Priority Mail Express destined for the Caribbean District from the [REDACTED], arrives in the district one hour behind schedule. This means they lose an hour in the transport,

processing, and delivery of mail from the continental U.S. and are already behind schedule once the mail arrives to the district. U.S. standard time applies starting in early November to about mid-March each year.

We found service performance for Priority Mail Express pieces destined to the Caribbean District when standard time was in effect during FYs 2018 and 2019 was only 72.55 percent. This was about a 12-percentage point decline from the service performance of similar mailpieces when daylight savings was in effect for the same period, as shown in Table 6.

**Table 6. Daylight Savings Time vs. Standard Time Service Performance of Priority Mail Express Destinating to the Caribbean District**

Time Period	Failed Pieces	On-Time Pieces	Total Pieces	Service Performance
Daylight Savings Time: March 11 – November 3, 2018	6,185	35,049	41,234	85.00%
Standard Time: November 4, 2018 – March 9, 2019	5,421	14,331	19,752	72.55%
<b>Total</b>	<b>11,606</b>	<b>49,380</b>	<b>60,986</b>	<b>80.97%</b>

Source: Priority Mail Express service performance scores provided by the Postal Service Enterprise Analytics Office.

This occurred because the Postal Service generally does not adjust Caribbean District operating times and service commitments during standard time. During site visits, post office operations managers explained that when destinating Priority Mail Express arrives at the P&DC from the San Juan airport during standard time, it is already after the critical entry time to process and dispatch the mailpieces for timely delivery to many of the outlying ZIP Codes.

Area management stated that, in 2014, the Postal Service developed a dynamic next-day commitment for Priority Mail Express destined to 38 Caribbean District ZIP Codes most impacted by standard time changes. For those ZIP Codes, the Postal Service does not guarantee a next-day commitment. Another 30 ZIP Codes maintain a static next-day commitment, whereby the Postal Service continues to guarantee customers a 3:00 p.m. next-day delivery during standard

time for Priority Mail Express destined to those locales. While the dynamic commitment was designed to improve service performance issues during standard time, it does not currently mitigate service failures effectively because the district's performance during standard time was still significantly lower than its performance during daylight savings time.

This issue increases the risk of the Postal Service issuing greater refunds of Priority Mail Express revenue in districts the mail originated. While standard time was in effect in FY 2019,<sup>19</sup> 2,360 Priority Mail Express pieces destinating in the Caribbean District failed to meet service standards. Of those failed pieces, the Postal Service considered 1,957 (about 83 percent) to have failed by the time they arrived at the DDU, as shown in Table 7.

<sup>19</sup> From November 4, 2018, to March 9, 2019.

**Table 7. Service Failures for Priority Mail Express Destinating in the Caribbean District by Root Cause Category**

Failure Category	Piece Count	Percentage
Failed by Arrival at DDU	1,957	83%
Delivery Failure	348	15%
Missent	55	2%
<b>Total</b>	<b>2,360</b>	<b>100%</b>

Source: FY 2019 Priority Mail Express Root Cause Weekly Reports data for November 4, 2018 – March 8, 2019.

Current service-related information provides data such as mail originating and destinating dates and locations, acceptance and delivery scans, and the general type of failure (for example, mailpiece arrived at a specific facility after the scheduled delivery date or time). The data does not provide details as specific as failures caused by standard time impacts; therefore, we could not assess the exact impact of the standard time change. While some of the destinating pieces that failed before arriving at the DDU may have been the result of other issues beyond the standard time change, we believe it is likely that the standard time change was a key factor. We estimated that logistical issues during standard time put \$67,937 of revenue for those destinating failed pieces at risk of being refunded to Postal Service customers in the origin districts. If the Postal Service does not adjust Caribbean District Priority Mail Express processing, transportation, and delivery procedures or service commitments to accommodate the time change, service failures and refunds will likely continue to occur.

During site visits, district and plant managers stated they made attempts to submit a business case to adjust the Priority Mail Express service commitment in light of this issue. However, at the time, they had not heard back from area management. On July 10, 2019, area management stated that they recently became aware of a pending request to downgrade service in the Caribbean District via an inquiry about the operating time change packet. However, area management

stated they had not yet received the official request from the district and did not know the details.

#### Recommendation #4

We recommend the **Vice President, Logistics**, coordinate with Northeast Area and Caribbean District management to reevaluate the dynamic and static next-day commitment for Priority Mail Express destinating to the Caribbean District when standard time is in effect in the continental U.S., and implement a solution for service failures caused by the time change.

### Management's Comments

Management agreed with recommendations 1 and 2 and the monetary impact; however, they disagreed with recommendations 3 and 4.

Regarding recommendation 1, management stated they completed a review of Caribbean District cut-off times for Priority Mail Express for all retail acceptance units on September 16, 2019. They found that the transportation for four retail acceptance units did not align with the cut-off times. In subsequent communications, management stated that their review included validating whether transportation schedules aligned with San Juan P&DC critical entry times for Priority Mail Express. District personnel are submitting transportation adjustments to correct these issues so that transportation is aligned to support service commitments. Management expected to submit the route adjustments by October 4, 2019.

Regarding recommendation 2, management stated the Caribbean District has a policy for all trips to depart on time. Management has reissued the policy to all employees at the San Juan P&DC and Catanto Annex and plan to reissue the policy to all customer service employees. Management also plans to reissue the policy on dispatching Priority Mail Express on the appropriate transportation that supports each retail unit's cut-off times. The target implementation date is October 15, 2019.

Regarding recommendation 3, management stated they assessed [REDACTED] capabilities and found that the company can meet the outbound service standards. They explained that the outbound [REDACTED] flight departs at 9:00 p.m.

and arrives at the [REDACTED] at 12:34 a.m., which is before the [REDACTED]. In subsequent communications, management clarified that they disagreed with this recommendation because there are contractual guidelines to address [REDACTED] performance, which is addressed in the reconciliation process.

Regarding recommendation 4, management stated they performed an evaluation and determined that the [REDACTED] required delivery time is static, regardless of the time change, and contractually set at 10:30 a.m. for destinating Priority Mail Express. Management also stated that they found no examples of service failures due to the time change. In subsequent communications, management clarified that they disagreed that the time change has an adverse impact on Priority Mail Express service performance in the Caribbean District as it relates to air transportation. However, management stated they would take the time change issue into consideration when finalizing the corrective actions for recommendations 1 and 2.

Management also expressed concerns with the lack of specificity in the report, to include not providing personnel titles or names, and with the use of ground transportation terminology in the report. They stated that our use of terminology such as “ground transportation models” was not a term used by the Postal Service. In addition, they stated that terminology changes we made in the report after our exit conference were still unclear.

In subsequent communications, management also stated that they agreed with the monetary impact in the report.

See [Appendix B](#) for management’s comments in their entirety.

### Evaluation of Management’s Comments

We consider management’s comments responsive to recommendations 1 and 2. The corrective actions should resolve the issues identified in the report. However, we consider management’s comments unresponsive to recommendation 3 and partially responsive to recommendation 4.

Regarding recommendation 3, while management identified that the [REDACTED] flight schedule from the Caribbean District is in line with the [REDACTED] this does not address [REDACTED] service performance issues. To resolve the contracted air transportation issue identified in the report, management should also evaluate the root cause of [REDACTED] flight delays that impact service performance and make appropriate adjustments to [REDACTED]. In addition, although management stated that the contractual reconciliation process addresses [REDACTED] performance issues, data provided by management during the audit indicated that [REDACTED], as shown in Table 8.

**Table 8. FYs 2014-2018 [REDACTED] for Priority Mail Express Originating in the Caribbean District as Compared to Total Contract Costs**

Metric	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: OIG Analysis.



Regarding recommendation 4, we agree that an assessment of ground transportation schedules for destinating Priority Mail Express and enforcement of current policy may help improve service performance during standard time. However, headquarters, area, and district management should conduct an in-depth evaluation to fully understand the impact of the time change to determine whether additional adjustments (for example, service commitment changes) are warranted to improve service performance of Priority Mail Express destinating in the district during standard time.

Regarding management's concerns with the lack of specificity in the report, we provided as much detail as possible given the data available to us. Despite multiple requests, personnel did not provide some of the data and information timely. This hindered our ability to include more details in the report. In addition, the audit team specifically documented the names and titles of all personnel they met with throughout the audit. However, in some cases, we could not recall the names and titles during meetings with management or did not find it appropriate to identify specific personnel. We can certainly provide names and titles upon request.

Regarding the use of ground transportation terminology, we used phrasing that was communicated to us during meetings and email correspondence with Network Operations and Marketing area management as well as Caribbean District management. Based on management's feedback during the exit conference, we proposed to replace "ground transportation models" with "ground transportation schedules", and management agreed with this change. We made this change prior to the issuance of the official draft report to management.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendations 1 and 2 should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed. We consider recommendation 3 closed, not implemented, with issuance of the report, as we are planning future audit work related to [REDACTED] guidelines. We view the disagreement with recommendation 4 as unresolved and plan to pursue it through the formal audit resolution process.

# Appendices

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# Appendix A: Additional Information

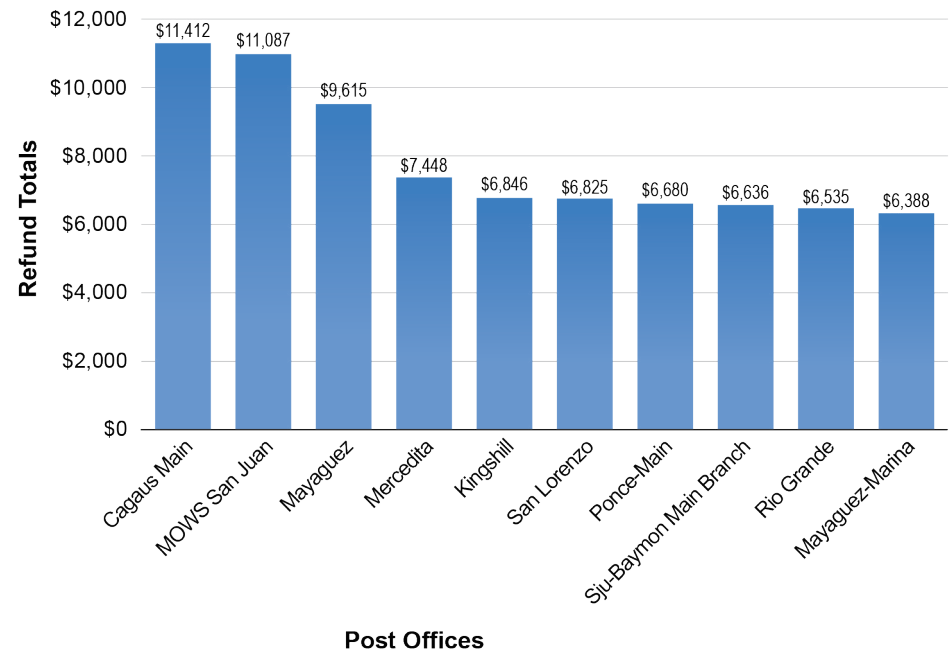
## Scope and Methodology

The scope of this project was Priority Mail Express service failures and refunds issued between March 2018 and February 2019. We analyzed Priority Mail Express service performance and refund data for the Caribbean District because that district paid the highest amount of Priority Mail Express refunds to customers of all Postal Service districts during our review period. For background purposes, we also trended Priority Mail Express service performance, refunds, and revenue data from FY 2014 to FY 2018. Due to limitations on data availability and extraction, we used the following time periods for our root cause analysis of Priority Mail Express service performance in the Caribbean District:

- September 29, 2018, to July 19, 2019 (FY 2019, weeks 1-42) for root cause analysis data.<sup>20</sup>
- April to July 10, 2019 for Postal Service scan data.<sup>21</sup>

We conducted site visits to four post offices in the Caribbean District because they paid out the most (or least) refund dollars from Priority Mail Express service failures between March 2018 and February 2019, as shown in Figure 4. We visited the Caguas Main Post Office, MOWS San Juan Post Office, and Mayaguez Post Office (which issued the most refunds) and the Arecibo Post Office (which issued the fewest refunds). We also visited the San Juan P&DC where all the originating and destinating Priority Mail Express is processed and sorted.

**Figure 4. March 2018 – February 2019 Top 10 Caribbean District Refund Totals by Post Office**



Source: Account Identifier Code (AIC)<sup>22</sup> 41590-676 Report.

<sup>20</sup> These 42 weeks of data from *Priority Mail Express Root Cause Weekly Reports* was all that was available to the audit team at the time of our analysis.

<sup>21</sup> Due to the volume of scan data, the Postal Service does not maintain historical scan data in EDW beyond 120 days.

<sup>22</sup> The AIC consists of three digits and is used to classify financial transactions to the proper general ledger account.

To accomplish our objective, we:

- Analyzed general ledger accounting data to identify areas, districts, and facilities with the greatest and least refunds issued.
- Analyzed Priority Mail Express service performance data to assess the Caribbean District's ability to meet service standards.
- Reviewed policies and procedures related to Priority Mail Express processing, transportation, delivery, and refunds in the Caribbean District.
- Analyzed and trended Priority Mail Express service performance, refund, and revenue data for the Caribbean District for the past five fiscal years.
- Conducted site visits to Caribbean District facilities in Puerto Rico to identify reasons for service failures and to examine internal controls over the refund process.
- Interviewed the following personnel at site visit locations to determine where, why, and how operational breakdowns were occurring:
  - District-level managers and specialists
  - Post office operations managers
  - Distribution operations managers
  - In-plant support managers
  - Distribution operations supervisors
  - Postmasters
  - Retail customer service supervisors
  - Clerks
  - Mail handlers
- Interviewed headquarters and area Network Operations and Delivery and Retail Operations personnel to determine the process for requesting and

approving service downgrades and how oversight is maintained over Priority Mail Express service failures in the field.

- Analyzed Priority Mail Express service failure data from Priority Mail Express Root Cause Weekly Reports to identify causes of service failures.
- Analyzed Postal Service scan data to determine where significant amounts of service failures for originating Priority Mail Express were occurring in the Caribbean District postal system.
- Analyzed [REDACTED] service performance data to determine whether contracted air transportation delays contributed to service failures of Priority Mail Express originating in the Caribbean District.
- Compared Caribbean District service performance for destinating Priority Mail Express during daylight savings time and standard time to assess the impact of the time change on service failures.

We conducted this performance audit from April through October 2019, in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain enough, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on September 13, 2019 and included their comments where appropriate.

We assessed the reliability of Priority Mail Express revenue and refund data from the FPR, service failure data, [REDACTED] service performance data, and Postal Service scan data by performing logical tests of completeness, accuracy, reasonableness, and validity on key fields. We also conducted a comparison of a sample of data values to information in a separate source database. We determined that the data were sufficiently reliable for the purposes of this report.

## Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Express Mail Refunds – Atlanta, GA, Main Post Office</i>	Determine if Express Mail refunds were valid, properly supported, and processed timely at the Atlanta, GA, Main Post Office.	FCS-FM-18-014	4/17/2018	\$1,268
<i>Express Mail Refunds – Chicago, IL, Loop Station</i>	Determine whether Express Mail refunds were properly issued, supported, and processed at the Chicago, IL, Loop Station.	FCS-FM-18-010	3/28/2018	\$1,537

# Appendix B: Management's Comments

ROBERT CINTRON  
VICE PRESIDENT  
LOGISTICS



October 2, 2019

LAZERICK C. POLAND  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Priority Mail Express Service Performance Costs in the Caribbean  
(Report Number CP-AR-19-Draft)

Thank you for providing the Postal Service with an opportunity to review and comment on the recommendations contained in the draft audit report, "Priority Mail Express Service Performance Costs in the Caribbean". In general Management agrees with the finding that the Caribbean District Priority Express service scores are significantly below target. However although we agree with the high level finding we are disappointed in the lack of specificity provided in the audit. For example several times it states that "personnel stated", when we requested to know the title if not the name of the personnel making the claims no one could remember. In addition, terminology was used such as "ground transportation models". This is not a term used by anyone in transportation and even after our meeting on the draft paper we are still unclear as to what this is in reference to.

In closing, the Postal Service will analyze the Priority Express service score deficiencies in the Caribbean and take appropriate action.

**Recommendation #1:**

We recommend the **Vice President, Logistics**, coordinate with Northeast Area and Caribbean District management to evaluate the feasibility of current ground transportation schedules and, as necessary, adjust current Priority Mail Express schedules, operating times, or service commitments to reduce service failures and refunds.

**Management Response/Action Plan:**

The Caribbean District has reviewed cutoff times for Priority Mail Express for all retail acceptance units to validate supporting transportation is aligned to support generated commitments. This review was completed by the Caribbean District

475 L'ENFANT PLAZA SW RM 7011  
WASHINGTON, DC 20260-7607  
202 268-3250

on Monday, September 16, 2019. During four of the retail unit reviews, we discovered that the transportation was not aligned with Priority Mail Express Retail Acceptance Unit cutoff times. The Caribbean District is submitting transportation adjustments to correct these identified issues so transportation is aligned to support service commitments and unit cutoff times. The completion date for the submitted adjustments is Friday, October 4<sup>th</sup>, 2019.

**Target Implementation Date:**

October 4, 2019

**Responsible Official:**

Northeast Area Networks Operations Manager

**Recommendation #2:**

We recommend the **District Manager, Caribbean District**, evaluate the impact that delaying highway contract route (HCR) trucks to fill to capacity before dispatch has on Priority Mail Express service performance and, based on the results, develop a plan to balance HCR truck efficiency with timely dispatch of Priority Mail Express.

**Management Response:**

Caribbean District has a policy in place for all trips to depart on time. This policy has been re-issued to all employees at the San Juan P&DC and Catanto Annex via a service talk. The Caribbean District is re-issuing the "trips on time" policy to all customer service employees. In addition to the policy on timely departure of trips, the District is also re-issuing the policy on dispatching Priority Mail Express collector sacks on the appropriate transportation supporting their Retail Unit Cutoff Time.

**Target Implementation Date:**

October 15, 2019

**Responsible Officials:**

District Manager, Caribbean District  
Senior Plant Manager, Caribbean District

**Recommendation #3:**

We recommend the **Vice President, Logistics**, assess [REDACTED] capabilities to meet outbound service standards for Priority Mail Express originating in the Caribbean District. Based on that assessment, consider adjusting [REDACTED] [REDACTED] for Priority Mail Express originating in the district.

**Management Response/Action Plan:**

Management has assessed and finds that [REDACTED] is capable of meeting the outbound service standards. The outbound flight departs at 9:00 p.m. and arrives in [REDACTED] at 00:34. This is in line with CONUS to [REDACTED] flights.  
[REDACTED]

**Target Implementation Date:**

N/A

**Responsible Official:**

N/A

**Recommendation #4:**

We recommend the **Vice President, Logistics**, coordinate with Northeast Area and Caribbean District Management to reevaluate the dynamic and static next day commitment for Priority Mail Express destinating in the Caribbean District when standard time is in effect in the continental U.S. and implement a solution for service failures caused by the time change.

**Management Response/Action Plan:**

Management has evaluated and determined that the [REDACTED] required delivery time is static regardless of the time change and [REDACTED] is set at 10:30 a.m. for destinating Priority Express Mail. In your analysis, we found no examples of service failures as a result of DST changes.

**Target Implementation Date:**

N/A

**Responsible Official:**

N/A



Robert Cintron  
Vice President, Logistics

cc: Manager, Corporate Audit Response Management  
Director, Surface Transportation  
AVP Northeast Area  
MOS Northeast Area  
Northeast Area Network Operations Manager  
District Manager Caribbean





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

For media inquiries, contact Agapi Doulaveris  
Telephone: 703-248-2286  
[adoulaveris@uspsoig.gov](mailto:adoulaveris@uspsoig.gov)