Office of Inspector General | United States Postal Service

Audit Report

U.S. Postal Service's Processing Network Optimization and Service Impacts

Report Number 19XG013NO000-R20 | June 16, 2020

Table of Contents

Highlights

Objective

Our objective was to determine if the U.S. Postal Service's processing network is operating at optimal efficiency and meeting service standards.

Our fieldwork was completed before the President of the United States issued the national emergency declaration concerning the novel Coronavirus disease outbreak (COVID-19) on March 13, 2020. The results of this audit do not reflect process and/or operational changes that may have occurred as a result of the pandemic.

> *"Our objective was to determine if the U.S. Postal Service's processing network is operating at optimal efficiency and meeting service standards."*

The Postal Service estimates significant revenue declines due to the COVID-19 pandemic and the resulting economic fallout. Therefore, it is vital that the Postal Service focus on its financial health and address causes for costs increasing at a time when mail volumes decreased.

The Postal Service needs effective and productive operations to fulfill its mission of providing prompt, reliable, and affordable mail service to the American public. The Postal Service also has service standards that specify timeliness targets for delivering mail. As part of its five-year strategic plan, the Postal Service's Optimize Network Platform initiative is responsible for evaluating, right-sizing, and equipping the mail processing infrastructure and transportation networks to increase operating efficiency, reduce costs, and improve reliability.

This is a follow-up audit to the *U.S. Postal Service Processing Network Optimization* (Report Number NO-AR-19-006, dated September 9, 2019) audit and the *Assessment of the U.S. Postal Service's Service Performance and Costs* (Report Number NO-AR-19-008, dated September 17, 2019).

In the prior projects, we found the Postal Service has not decreased processing costs at a rate consistent with the decline in mail volume. As a result, the Postal Service is processing mail with lower productivity for letter, flat, and manual operations. Additionally, even though infrastructure costs have been increasing and volumes are declining, the Postal Service has not met the majority of its service performance targets over the past five years.

This audit was designed to further determine the causes of these operational and service challenges. To do so, we conducted 18 site visits at Processing and Distribution Centers (P&DC) nationwide, with 10 focusing on processing efficiency and eight focusing on service impacts. We observed well performing facilities and those which had performance challenges, and we selected each by analyzing efficiency and service performance metrics for mail processing and transportation operations. In addition, we conducted 24 site visits to delivery units associated with the P&DCs to observe mail processing impacts on delivery and how delays in obtaining collection mail impact mail processing.

Finding

Although we found certain locations with best practices in place to improve efficiency and performance, generally, the Postal Service's processing network is not operating at optimal efficiency. Additionally, the Postal Service's drive to meet service performance targets has increased costs and inefficiency due to issues with integrating mail processing, transportation, and delivery operations.

Best Practices

Certain best practices were employed at various locations to increase efficiency and management oversight:

- Senior management communicated processing goals and held daily discussions with front-line managers who were not meeting goals.
- Daily communication and coordination between mail processing and transportation managers that ensured mail was processed and transported timely.
- Front-line managers urgently implemented actions to complete processing operations early and transport mail on a trip prior to the last scheduled transportation trip.

- Employees took sorted packages to the dock, while the processing operations were still ongoing, in order to have as many mailpieces as possible on the last scheduled transportation trip rather than having them go later on extra trips.
- Signage and documentation posted at each letter processing machine that displayed the Run Plan Generator (RPG), a tool to help manage mail processing operations; identified transportation; and communicated the mail flow to ensure that everyone clearly understood daily plans and goals.

Processing Productivity

As stated in our prior audit, overall the Postal Service has been less efficient at processing mail each year since fiscal year (FY) 2014, as mail processing workhours have not decreased at a rate consistent with decreased mail volume, while productivity for packages has increased. Meeting service targets has been the overriding goal.

Service Performance

Generally, management prioritized high-quality service above the financial health of the Postal Service and is making decisions daily to attempt to meet service performance goals that are significantly increasing costs.

During our site visits, we observed that mail processing operations were not completed on time and mail missed its last scheduled transportation trip. In response, management used overtime to finish processing the mail and either delayed the scheduled transportation trip or called for an extra trip, incurring additional costs. Intermediate trips had very little mail, resulting in additional mail (including unsorted mail) going on the last trip. This inundated the delivery units, required expensive manual sorting before routes began, and shortened time to prepare mail for delivery since it came later than planned.

We reviewed FY 2019 nationwide performance metrics and determined that:

- About 17 percent of mail volume was not processed on time to meet its target delivery date;
- The Postal Service did not meet, on average, any of its target goals for completing mail processing operations on time. Of the 11 total indicators, only four were within 5 percentage points of their targets;
- About 20 percent of total transportation trips (or four million trips) left mail processing facilities late;
- About 4 percent of total transportation trips (or 801,000 trips) were extra trips that originated from mail processing facilities;
- About 7 percent of total letter volume was sent to delivery units for manual sorting; and
- Carriers returned after 6:00 p.m. over 7.7 million times (or 18 percent of the time) indicating that they were on the street delivering mail later than planned.

The Postal Service spent $1.1 billion in mail processing overtime and penalty overtime, $280 million in late and extra transportation, and $2.9 billion in delivery overtime and penalty overtime costs in FY 2019. Even with these significant additional costs, the Postal Service only met service performance targets for five (or 15 percent) of the 33 mail products in FY 2019.

Transportation and delivery operations can also impact the timely completion of mail processing operations when mail arrives late to the processing facility from other facilities or delivery units. We reviewed nationwide performance metrics in FY 2019 and determined that about 594,000 containers arrived late, about six million transportation trips (or 32 percent of total trips) arrived late into mail processing facilities, and about 704,000 extra transportation trips to mail processing facilities occurred.

We evaluated the causes of these decreases in operational efficiency and service performance and can attribute them, at least in part, to management oversight issues and lack of employee availability.

Management Oversight Issues

Management oversight was an issue for front-line and senior managers. Front-line managers were short-staffed by 219 positions (or about 4.9 percent). Further, during FY 2019, about 4,600 employees acted in supervisory roles and were not required to have the same training as full-time supervisors. Additionally, in FY 2019, the average tenure of more senior managers, including plant managers and managers, in-plant support, was about three years. Of those managers, almost 23 percent had been in their positions for a year or less.

Lastly, during our site visits, we observed management not using all available tools to properly manage operations. For example, front-line managers were not using the RPG and actual start and/or completion times of mail processing operations typically varied from the plan by two hours or more at the sites visited.

Additionally, since FY 2014, the Postal Service has increased its total operating expense (TOE) budget by $7 billion (or 11 percent) despite decreasing mail volume. However, even with these increases, 135 mail processing facilities (or about 51 percent) were over their planned TOE.

Further, individualization of mail processing facilities (lack of standardization) makes it very challenging to analyze performance of the Postal Service network. Mail processing facilities vary in the type and amount of mail processed, facility square footage, and the number of processing machines used. Additionally, there are different processing end times and last transportation times for each delivery unit that the processing facility serves, depending on how far away the delivery units are. The Postal Service does not have an automated system to evaluate how well processing and transportation are meeting those times or to ensure the planned times are appropriate and updated as needed.

Employee Availability

In FY 2019, mail processing operations were short-staffed by about 1,250 career employees (or 1.6 percent), according to the Postal Service's staffing tool. An additional 1,050 mail processing employees (or 1.4 percent) went an entire year without working due to various reasons such as sick leave, leave without pay (LWOP), or workers' compensation.

Furthermore, over 80 percent of mail processing managers did not meet the employee availability target rate of 94.82 percent for FY 2019. On average 5,500 career employees (or 7 percent) were unavailable each day due to the use of sick leave, LWOP, or absence without leave.

"In total, we estimate that addressing the issues identified in this report would allow the Postal Service an opportunity to increase efficiency by reducing about 9.2 million workhours, or $385.6 million."

Correcting the causes of low productivity will help reduce costs, increase operational efficiency, and better support the Postal Service's strategic plan to optimize its network platform. In total, we estimate that addressing the issues identified in this report would allow the Postal Service an opportunity to increase efficiency by reducing about 9.2 million workhours, or $385.6 million.

Recommendations

We recommended management:

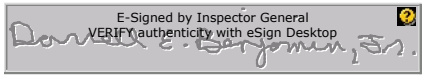
- Implement best practices identified during site visits to increase operational efficiency and management oversight nationwide.
- Create a program to develop emerging leaders into potential front-line managers and require all acting managers to participate.
- Ensure front-line managers use the RPG to manage mail processing operations.
- When the impacts of COVID-19 begin to subside, develop a plan, with milestones and measurable goals, to increase staff availability, including applying standard operating procedures to address employees out for significant periods of time.
- Develop an automated system to monitor performance of the integration among processing, transportation, and delivery operations.

Transmittal Letter

OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

June 16, 2020

MEMORANDUM FOR: DR. JOSHUA D. COLIN
ACTING VICE PRESIDENT PROCESSING AND
MAINTENANCE OPERATIONS



FROM: Darrell E. Benjamin, Jr.
Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Audit Report – U.S. Postal Service's Processing Network Optimization and Service Impacts (Report Number 19XG013NO000-R20)

This report presents the results of our audit of the U.S. Postal Service's Processing Network Optimization and Service Impacts.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Todd J. Watson, Director, Network Processing, 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 the U.S. Postal Service's Processing Network Optimization and Service Impacts (Project Number 19XG013NO000). Our objective was to determine if the Postal Service's processing network is operating at optimal efficiency and meeting service standards.

Background

The Postal Service needs effective and productive operations to fulfill its mission of providing prompt, reliable, and affordable mail service to the American public. As part of its five-year strategic plan, the Postal Service's Optimize Network Platform initiative is responsible for evaluating, right-sizing, and equipping the mail processing infrastructure and transportation networks to increase operating efficiency, reduce costs, and improve reliability.

With electronic diversion and a decline in First-Class Mail — its most profitable product — the Postal Service is processing, transporting, and delivering more packages as part of its mail mix, which typically costs more than letters or flats to process, transport, and deliver. This changing mail mix is helpful to understanding the Postal Service's costs.

The Postal Service generally processes mail in five interdependent phases which have timelines for moving mail from one phase to the next (see Figure 1). These timelines (outlined below) help the Postal Service prepare for each phase and process, transport, and deliver mail to meet service standards.

1. Collections/Acceptance – collecting mail from all induction points which include blue collection boxes, retail units, businesses, and residences. Customers who mail in bulk can also induct their mail at various locations.
2. Originating Mail Processing – sorting of mail originating within a facility's boundary. Mail destined within the same boundary will be sent to delivery after processing and mail not destined within the same boundary is sent to another Postal Service facility for additional processing.

"The Postal Service generally processes mail in five interdependent phases which have timelines for moving mail from one phase to the next."

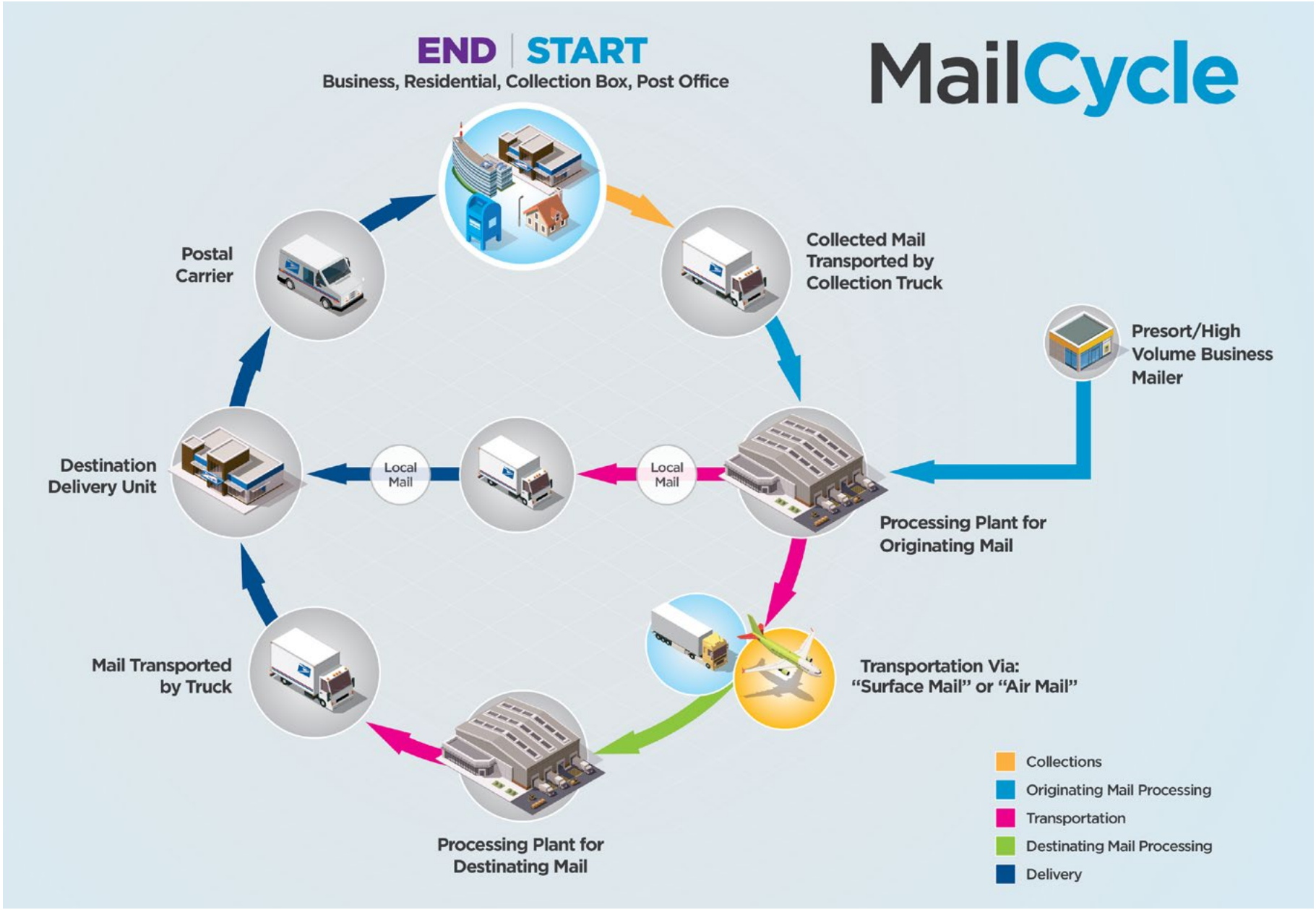
3. Transportation – moving mail between facilities. The Postal Service transports mail primarily by contract air and truck using both Postal Service and contracted transportation.
4. Destinating Mail Processing – sorting of mail destinating within a facility's boundary for delivery.
5. Delivery – delivering mail to the final address.

The Postal Service is subject to a universal service obligation to ensure all customers receive a minimum level of service at a reasonable price. Service standards specify timeliness targets for delivering mail after receiving it from a customer and service performance targets for each mail product measure achievement based on how much mail met service standards.

This is a follow-up audit to the *U.S. Postal Service Processing Network Optimization* (Report Number NO-AR-19-006, dated September 9, 2019) audit and the *Assessment of the U.S. Postal Service's Service Performance and Costs* (Report Number NO-AR-19-008, dated September 17, 2019). In the *U.S. Postal Service Processing Network Optimization* audit, we found the Postal Service had not achieved planned cost savings nor decreased processing costs at a rate consistent with the decline in mail volume. As a result, the Postal Service is processing mail with lower productivity for letter, flat, and manual operations.

In the *Assessment of the U.S. Postal Service's Service Performance and Costs* audit, we found even though infrastructure costs have been increasing and volumes are declining, the Postal Service has not met the majority of its service performance targets over the past five years. Specifically, over the last five years,

Figure 1. Postal Service Mail Cycle



Source: U.S. Postal Service Office of Inspector General (OIG) analysis based on fiscal year (FY) 2018 *Annual Compliance Determination Report.*

the Postal Service only met annual service performance targets more than once for four (or 13 percent) of the 31 mail products. In addition, we surveyed about 1,500 plant managers[1], in-plant support managers[2], transportation managers, and postmasters to determine, based on their experience, the causes of Postal Service not meeting service standards.

The 744 managers who responded to the survey identified the main causes of service failure as:

- Missent Mail
- Late Trucks to Delivery Units
- Employee Availability
- Untrained Employees/Managers
- Mail Processing Operations Not Completed On Time

"We conducted 18 site visits at 16 P&DCs nationwide, 10 focusing on processing efficiency and eight focusing on service impacts."

This audit was designed to further determine the causes of these operational and service challenges. To do so, we determined causes of late trucks, employee availability, untrained employees/managers, and mail processing operations not being completed on time.[3] We conducted 18 site visits at 16 Processing and Distribution Centers (P&DC) nationwide, 10 focusing on processing efficiency and eight focusing on service impacts. This included lower performing facilities and better performing facilities to determine potential best practices (see Table 1).

Table 1. Facilities Selected for Review

Area	Facility (P&DC)	Scope of Review	Better/Lower Performer[4]
Capital Metro	Atlanta, GA	Service Impacts	Lower
	Northern VA	Efficiency	Lower
	Richmond, VA	Efficiency	Lower
Eastern	Cincinnati, OH	Service Impacts	Lower
	Cleveland, OH	Efficiency	Lower
	Pittsburgh, PA	Efficiency	Better
Great Lakes	Chicago, IL	Service Impacts	Lower
	Detroit, MI	Efficiency	Lower
Northeast	Hartford, CT	Service Impacts	Better
	NY Morgan, NY	Efficiency	Lower
Pacific	Los Angeles, CA	Efficiency and Service Impacts[5]	Lower
Southern	North Texas, TX	Efficiency and Service Impacts[5]	Lower
	West Palm Beach, FL	Efficiency	Better
Western	Des Moines, IA	Efficiency	Lower
	Las Vegas, NV	Service Impacts	Better
	Salt Lake City, UT	Service Impacts	Better

Source: OIG analysis.

1 Plant managers are responsible for managing implementation of programs to improve productivity and reduce costs including systems to collect, track, and measure operational and equipment performance data.
2 Managers, in-plant support, are responsible for managing the review and evaluation of local operations, ensuring that service and quality goals are met, and working with local managers to improve operations and procedures.
3 While missent mail is not discussed in this audit, during site observations we saw packages being sorted into the incorrect bin and letter trays with incorrect tray labels. We plan to conduct additional work on missent mail in the future.
4 We determined lower performing and better performing facilities by analyzing efficiency and service performance metrics for both mail processing and transportation operations (e.g., delayed mail; 24-Hour Clock Indicators; late, extra, and cancelled trips; productivity; staffing; employee availability; service scores; and overtime) compared to nationwide averages.
5 We performed efficiency and service impact reviews for the Los Angeles and North Texas P&DCs during two separate site visits.

In addition, we conducted 24[6] site visits to delivery units to observe mail processing impacts on delivery and how delays in obtaining collection mail impact mail processing.

Our audit focused on efficiencies and service performance in the following mail processing operations: automated letters, flats, packages, and bundles; and manual processing (see Table 2). See Appendix A for additional details.

Table 2. Labor Distribution Code (LDC)[7] Descriptions and Definitions

LDC	Description	Definition
11	Automated Distribution Letters	All non-supervisory workhours used in the automated processing of letters on equipment.
12	Automated/Mechanized Flats	All non-supervisory workhours used in the automated/mechanized processing of flats on equipment.
13	Package Processing	All non-supervisory workhours used in the mechanized processing of packages, non-machinable outsides, small parcels, bundles, and sacks on mechanized equipment.
14	Manual Distribution	All non-supervisory workhours used in the manual distribution of letters, flats, and packages.

Source: Handbook M-32, *Management Operating Data System* (MODS), dated September 2018; and Handbook F-2, *Functional Management*, dated September 2019.

Our fieldwork was completed before the President of the United States issued the national emergency declaration concerning the novel Coronavirus disease outbreak (COVID-19) on March 13, 2020. The results of this audit do not reflect process and/or operational changes that may have occurred as a result of the pandemic.

The Postal Service estimates significant revenue declines due to the COVID-19 pandemic and the resulting economic fallout. Therefore, it is vital for the Postal Service to focus on its financial health and address causes for costs increasing at a time when mail volumes decreased.

Finding #1: Optimization of Efficiency and Service Performance

Although we found certain locations with best practices in place to improve efficiency and performance, generally, the Postal Service's processing network is not operating at optimal efficiency. Additionally, the Postal Service's drive to meet service performance targets has resulted in increased costs and inefficiency due to issues with the integration of mail processing, transportation, and delivery operations.

> *"The Postal Service's drive to meet service performance targets has resulted in increased costs and inefficiency due to issues with the integration of mail processing, transportation, and delivery operations."*

Best Practices

Certain best practices were employed at various locations to increase efficiency and management oversight:

- Senior management communicated processing goals and held daily discussions with front-line managers who were not meeting goals. At the West Palm Beach P&DC, plant management stated the facility has been pushing efficiency and will discuss performance with supervisors every two hours.
- Daily communication and coordination between mail processing and transportation managers that ensure mail was processed and transported timely. At the Las Vegas P&DC, we observed an informal meeting between mail processing managers and transportation managers, saw mail processing managers walking the dock and transportation managers walking near the

6 We selected three delivery units for each of the eight facilities visited as part of the service impact review.
7 The Postal Service compiles workhour, workload, and other reports for management's use by functional category or LDC. An LDC is a 2-digit code that identifies major work assignments of employees.

processing machines to verify that mail was being transported timely, and heard many announcements over the public address system calling for mail to be brought to the docks. This led to mail being processed and transported timely to meet scheduled transportation.

- Front-line managers urgently implemented actions to complete processing operations early and transport mail on a trip prior to the last scheduled transportation trip. At the Salt Lake P&DC, we observed front-line managers proactively splitting volume between machines when necessary to meet the last scheduled transportation trip. This led to mail being processed and transported timely to meet scheduled transportation.
- Employees took sorted packages from manual operations prior to completing mail operations to meet the last scheduled transportation trip and avoid later extra trips. At the Atlanta P&DC, we observed facility employees clearing the manual package sorting operation prior to completion to ensure mail departed on the last scheduled transportation trip. This also ensured that the delivery units were not flooded with packages on later extra trips.
- Signage and documentation posted at each letter processing machine that displayed the Run Plan Generator (RPG), a tool to help manage mail processing operations; identified transportation; and communicated the mail flow to ensure that everyone clearly understood daily plans and goals. At the West Palm Beach P&DC, we observed signage hanging from the ceiling at the letter processing machines that contained the planned mail processed, both the earliest and latest dispatch times, and the various bin numbers where the mail to be run on the machines were located (see Figure 6). This ensured everyone clearly understood what the plans and goals were for each day.

Figure 6. West Palm Beach P&DC Letter Machine Signage

Source: OIG photographs taken October 8, 2019 at 7:31 p.m., 7:43 p.m., and 9:34 a.m., respectively.

Processing Productivity

As stated in our prior audit[8], overall the Postal Service has been less efficient at processing mail each year since fiscal year (FY) 2014, as mail processing workhours have not decreased at a rate consistent with decreased mail volume. From FY 2014 to FY 2019, Postal Service mail processing productivity[9] has decreased in letters, flats, and manual processing. Specifically:

- Letter processing productivity decreased by 6 percent – letter mail volume declined by about 12 percent, while processing workhours only decreased by about 6 percent and overtime workhours increased by 42 percent.
- Flats processing productivity decreased by about 18 percent – flat mail volume declined by about 22 percent, while workhours only decreased by about 5 percent and overtime workhours increased by 46 percent.
- Manual processing, or pieces processed manually[10], productivity decreased by 21 percent – mail processed manually declined by about 24 percent while workhours only decreased by about 3 percent and overtime workhours increased by 49 percent.

8 *U.S. Postal Service Processing Network Optimization* (Report Number NO-AR-19-006, dated September 9, 2019).
9 Total pieces processed per hour. Productivity is calculated by dividing volume by workhours.
10 Includes letter, flat, and package mail.

Conversely, package productivity increased by about 67 percent. Package volume increased by about 56 percent, while workhours decreased by about 7 percent and overtime workhours increased by about 27 percent (see Table 3).

Table 3. Volume, Workhours, Overtime, and Productivity from FY 2014 to FY 2019 by Mail Product

Mail Product		Volume (Billions)	Workhours (Millions)	Overtime (Thousands)	Productivity
Letters	FY 2014	296.7	38.1	3,832	7,788
	FY 2019	261.8	35.8	5,460	7,304
	Percentage Difference	**-11.78%**	**-5.93%**	**42.48%**	**-6.22%**
Flats	FY 2014	19.4	8.1	684.6	2,404
	FY 2019	15.2	7.7	997	1,980
	Percentage Difference	**-21.67%**	**-4.89%**	**45.64%**	**-17.64%**
Manual	FY 2014	11.2	20.3	2,043.3	550
	FY 2019	8.5	19.7	3,054.1	433
	Percentage Difference	**-23.60%**	**-2.96%**	**49.47%**	**-21.27%**
Packages	FY 2014	4.3	30.4	3,248.4	143
	FY 2019	6.8	28.5	4,115.1	238
	Percentage Difference	**55.93%**	**-6.55%**	**26.68%**	**66.86%**

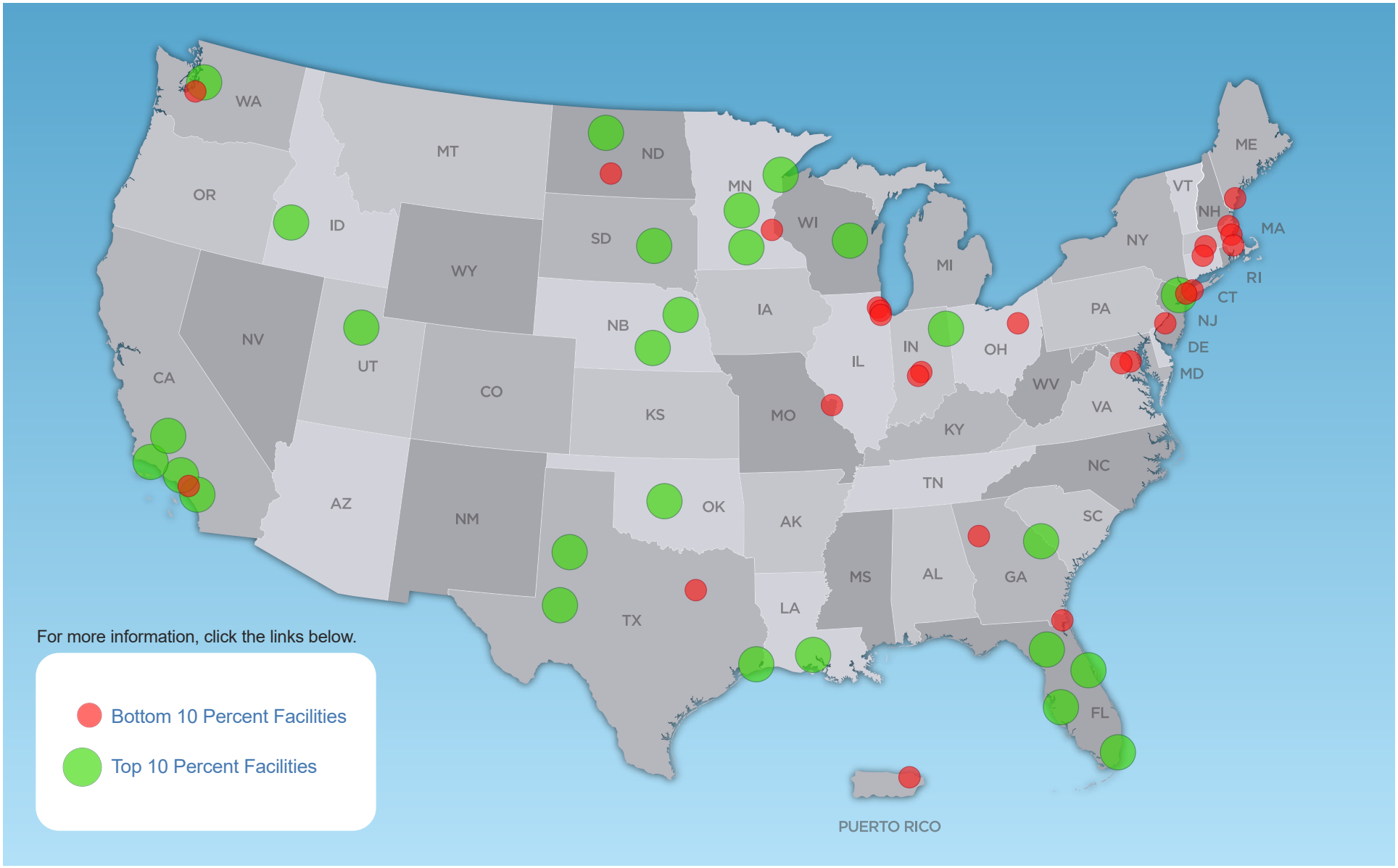
Source: MODS and OIG analysis.

Further, in FY 2019, only two facilities, or about 1 percent of all mail processing facilities, met their Mail Processing Variance (MPV)[11] productivity targets. On average, mail processing facilities were 34 percent below their productivity targets. The top 10 percent most efficient facilities were below targets by about 14 percent, while the bottom 10 percent least efficient facilities were about 52 percent below targets. See Figure 2 for the most and least efficient mail processing facilities. See Appendix B for additional details.

"Further, in FY 2019, only two facilities, or about 1 percent of all mail processing facilities, met their MPV productivity targets."

11 The Postal Service established its MPV model to measure annual mail processing operational performance and efficiency for all facilities. The MPV model provides workhour, workload, and productivity analysis and calculates performance using target productivities.

Figure 2. Most and Least Efficient Mail Processing Facilities



Source: MPV.
Note: This map displays the most and least efficient mail processing facilities compared to their FY 2019 targets. The larger the circle shown, the more efficient the facility compared to its targets.

Service Performance

Generally, management prioritized high-quality service above the financial health of the Postal Service[12] and are making decisions daily to meet service performance goals that are significantly increasing costs.

At five of the eight facilities we visited, we observed that mail processing operations were not completed on time to meet established clearance times[13] and mail missed the last scheduled transportation trip. In response, management used overtime to finish processing the mail and either delayed the scheduled transportation trip or called for an extra trip, incurring additional costs. Intermediate trips, used to transport mail from the processing facility to the delivery unit as it is processed, had very little mail. This resulted in additional mail (including mail that requires additional sorting at delivery units) going out on the last trip from the facility. This inundated the delivery units, required expensive manual sorting before routes began, and shortened the time the units had to prepare mail for delivery since it came later than planned. Furthermore, we observed mail that could have been sorted by delivery point sequence[14] (DPS) being sent to the delivery units not sequenced because it did not get processed on time. This required delivery personnel to manually sort the mail at an additional expense (see Table 4).

Table 4. Summary of Mail Processing's Impact on Downstream Operations During Site Observations

Facility (P&DC)	Mail Processing Completed by Clearance Time[15]	Mail Met Last Scheduled Transportation	Percentage of Outbound Late or Extra Trips[16]	Average Length of Time Mail Arrived Late to Delivery Units Observed	Percentage of Letter Mail that Required Additional Sortation at Delivery Units Observed[17]
Lower Performing Sites					
Atlanta	No	No	38%	1 hour 30 minutes	12%
Chicago	No	No	23%	1 hour 09 minutes	11%
Cincinnati	No	No	12%	1 minute	8%
Los Angeles	No	No	19%	37 minutes	5%
North Texas	No	No	39%	3 hours 55 minutes	13%
Better Performing Sites					
Las Vegas	Yes	Yes	4%	0 minutes	7%
Hartford	Yes	Yes	6%	36 minutes	6%
Salt Lake City	Yes	Yes	14%	0 minutes	6%

Source: OIG site observations conducted from January 6 through February 6, 2020; Surface Visibility, and Enterprise Data Warehouse (EDW).

12 According to our survey of about 1,500 plant managers, in-plant support managers, transportation managers, and postmasters, in the *Assessment of the U.S. Postal Service's Service Performance and Costs* report (Report Number NO-AR-19-008, dated September 17, 2019).
13 The latest time that mail can pass through an operation to make proper dispatch.
14 An automated process of sorting mail by carrier routes into delivery order, eliminating the need for carriers to sort mail manually in the delivery unit prior to their departure to routes.
15 During the observations, the audit team saw letters, flats, and/or package operations. Clearance times and last scheduled transportation trips were identified as met if the facilities completed operations and departed timely to delivery units.
16 This includes all outbound late and extra transportation.
17 The amount of mail is self-reported and only includes city routes.

The following are examples of the inefficiencies and integration issues observed during our site visits and the impact they had on transportation and delivery operations:

- During our site visits at the North Texas P&DC, from January 7-9, 2020, we observed mail processing not being completed until one to two hours after established clearance times and last scheduled transportation trips, despite the use of over 3,400 overtime workhours. This resulted in scheduled transportation trips departing with almost no mail (see Figure 3) and 264 extra transportation trips. Expeditors stated this occurs daily because mail processing does not clear the mail on time. We observed an extra trip arrive at a delivery unit two hours after carriers departed to the street. This resulted in carriers losing about 40 minutes per route returning to the delivery unit to retrieve the mail for delivery.

Figure 3. North Texas P&DC Last Scheduled Transportation Trip to a Delivery Unit

Source: OIG photograph taken January 9, 2020 at 5:23 a.m. of the last scheduled transportation trip sent to a delivery unit with only three containers of mail. An additional 22 containers of mail were transported to the delivery unit on an extra trip once mail processing was completed about five hours later.

- During our site visits at the Atlanta P&DC, from January 28-30, 2020, we observed mail processing not being completed by established clearance times and last scheduled transportation trips. The facility's manual package processing operation was not completed until several hours after the last scheduled transportation trips. In response, management used about 3,000 overtime workhours to finish processing the mail, delayed 46 scheduled transportation trips, and called 49 extra trips, incurring additional costs. Furthermore, we observed over 30,000 mailpieces that could have been sorted by DPS being sent to two delivery units not sequenced because it did not get processed on time. See Figure 4 for examples of mail that required additional sortation at delivery units. As a result, at a delivery unit we observed, management stated that they received six grievances from rural carriers because they were sorting more mail daily than expected for that route.

Figure 4. Atlanta P&DC Letter Mail That Required Additional Sortation at Delivery Units

Source: OIG photographs taken on January 30, 2020, at 4:12 a.m., 4:14 a.m., and 12:48 a.m., respectively.

We also reviewed FY 2019 nationwide performance metrics and determined that Postal Service operations were routinely not completed as designed:

- Over 48.5 billion mailpieces (or about 17 percent of all mail processed) were not processed on time[18] in FY 2019.

18 The Postal Service reports mail processing delays when mail is not processed on time to meet its established delivery or when mail is processed but not on the dock on time for scheduled transportation to delivery units.

- According to the Postal Service's 24-Hour Clock Indicators[19], it did not meet, on average, any of its target goals for completing mail processing operations on time. Of the 11 total indicators, only four were within 5 percentage points of their targets (see Table 5).

Table 5. Comparison of FY 2019 24-Hour Clock Indicators to Target

Mail Class	24-Hour Clock Indicator	Target	Average Percentage Achieved	Number of Days Target Met	Total Number of Days
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
First-Class	Managed Mail Program[23] Cleared by 3:00 p.m.	95%	88%	0	365
First-Class	Cancelled[24] by 8:00 p.m.	80%	44%	9	342
First-Class	Outgoing Primary[25] Cleared by 12:00 a.m.	95%	91%	60	365
First-Class	Outgoing Secondary[26] Cleared by 12:30 a.m.	95%	77%	1	365
First-Class	Mail Assigned Commercial/FedEx by 2:30 a.m.	95%	91%	34	365
First-Class	DPS 2nd Pass Cleared by 5:00 a.m.	95%	94%	233	365

Source: Service and Field Operations Performance Measurements, 24-Hour Clock & Key Operational Indicators, and OIG calculations.

- About 20 percent of total transportation trips (or four million trips) left mail processing facilities late.
- About 4 percent of total transportation trips (or 801,000 trips) were extra trips that originated from mail processing facilities.
- About 7 percent of total letter volume was sent to delivery units for manual sorting.
- Carriers returned after 6:00 p.m. over 7.7 million times (or about 18 percent of the time), indicating that they were on the street delivering mail later than planned.

19 The Postal Service developed 24-Hour Clock indicators to help manage mail flow to achieve optimal service and efficiency while ensuring national consistency in processes. Generally, the indicators measure how much mail is processed in each operation by the desired clearance times.
20 Mail products that require no advanced preparation, sortation, or barcoding.
21 Local mail, called turn-around mail, is processed in the incoming operations for delivery.
22 Incoming mail arriving to a processing facility for delivery.
23 A distribution system where First-Class Mail for a specific ZIP Code span is massed at a facility for distribution and dispatch.
24 To make a live postage stamp (except a precanceled stamp) unusable, usually at the point of original entry into the mailstream.
25 A sort plan in which outgoing mail (collection and business mail entry unit mail) is sorted to facilities, states, large cities, or foreign countries.
26 A sort plan in which mail is sorted in an outgoing primary operation but needs further sortation.

In FY 2019, the Postal Service spent $1.1 billion in mail processing overtime and penalty overtime, $280 million in late and extra transportation, and $2.9 billion in delivery overtime and penalty overtime costs. Even with these significant additional costs, the Postal Service did not meet the majority of its service performance targets. Specifically, it met targets for only five (or 15 percent) of the 33 mail products (see Appendix C for additional details). In FY 2018, the Postal Service met three (or about 10 percent) of the 31 mail products' service performance targets.

> *"In FY 2019, the Postal Service spent $1.1 billion in mail processing overtime and penalty overtime, $280 million in late and extra transportation, and $2.9 billion in delivery overtime and penalty overtime costs."*

In addition, transportation and delivery operations can impact mail processing's ability to complete operations timely. Specifically, when collection mail from delivery units arrives late, or when the transportation of mail from another processing facility arrives late, it can impact mail processing's ability to meet established clearance times. We reviewed nationwide performance metrics in FY 2019 and determined that:

- 594,158 containers of mail arrived late into mail processing facilities.
- About six million transportation trips (or 32 percent of total trips) arrived late to mail processing facilities.
- An additional 704,000 extra transportation trips were sent to mail processing facilities.

We evaluated the causes of decreased operational efficiency and service performance and found that these issues can be attributed, at least in part, to management oversight issues and employee availability.

Management Oversight Issues

Postal Service management identified untrained managers and inadequate oversight as main causes of decreased operational efficiency and service performance. During our site visits, we identified 12 facilities with inadequate oversight causing decreased operational efficiency.

> *"During our site visits, we identified 12 facilities with inadequate oversight causing decreased operational efficiency."*

Management oversight was an issue, in part, due to front-line managers being short-staffed by 219 positions (or about 4.9 percent). During FY 2019, about 4,600 employees acted in supervisory roles and were not required to have the same training as full-time supervisors. Of those employees, 982 (21 percent of acting managers) had been acting six months or longer. During a site visit at one facility, senior management stated that service performance was being impacted due to being short-staffed by eight front-line managers and not having potential candidates to fill the positions.

Turnover and Tenure

Inadequate management oversight was also an issue due to turnover and instability at the senior management level. In FY 2019, the average tenure of plant managers and managers, in-plant support, was about three years. Of those managers, almost 23 percent had been in their positions for a year or less. One example of where this issue was evident was at the Cincinnati P&DC in the Ohio Valley District. The Plant Manager was recently made permanent in November 2019 and the Transportation Manager and Manager, in-plant support, were acting in their positions. In addition, the District Manager was in the process of being made permanent and the Senior Plant Manager was also in an acting role.

Available Tools

During our site visits, management did not make use of all available tools to properly manage operations. Specifically, front-line managers were not using

the RPG. However, senior management communicated that they and the front-line managers use the RPG to properly manage mail processing activities.[27] The RPG helps manage mail processing operations by combining site-specific mail processing machines, sort programs, maintenance requirements, mail volume, and the rate at which machines process mail to project daily machine run plans. Beginning mail processing operations too early may not allow for an adequate amount of mail to arrive at the facility potentially impacting efficiency. Completing mail processing operations too late may lead to missed clearance times potentially impacting service. Based on our analysis, actual start and/or completion times of mail processing operations typically varied from the plan by two hours or more at the sites visited (see Table 6).

Table 6. Mail Processing Machine Operations Compared to Plan

Facility (P&DC)	Number Of Processing Machines	Percentage[28] Of Machines That Varied From Plan By Less Than 30 Minutes	Percentage[28] Of Machines That Varied From Plan Between 30 Minutes to 2 Hours	Percentage[28] Of Machines That Varied From Plan By Over 2 Hours
Cleveland	57	28%	37%	35%
Des Moines	22	14%	27%	59%
Detroit	36	6%	25%	69%
Los Angeles	76	28%	16%	57%
North Texas	50	6%	30%	64%
Northern Virginia	29	0%	7%	93%
NY Morgan	61	5%	10%	85%
Pittsburgh	53	26%	15%	59%
Richmond	45	31%	20%	49%
West Palm Beach	35	9%	29%	63%

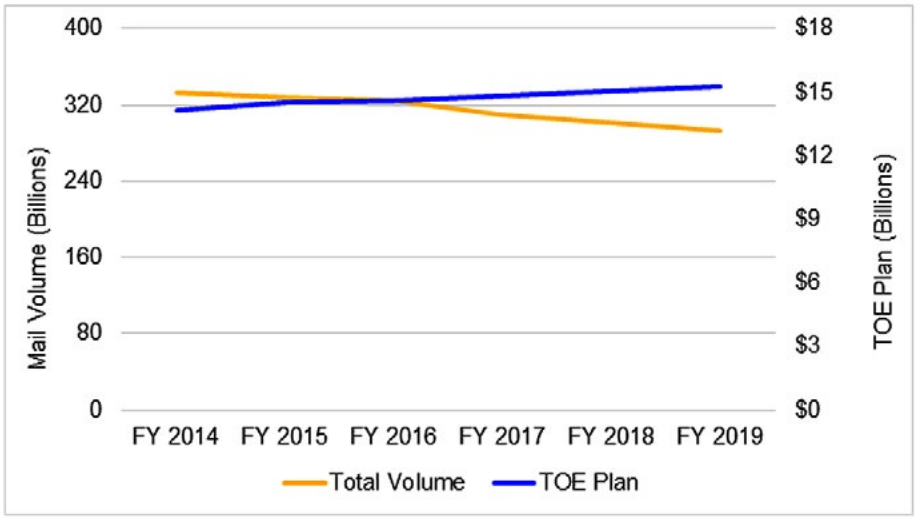
Source: Web End-of-Run (WebEOR).

Budgets

In addition, area vice presidents, district managers, and plant managers are responsible for planning, budgeting, and monitoring performance against their operating expense budgets.[29] Since FY 2014, the Postal Service has increased national total operating expense (TOE) budgets by $7 billion (or 11 percent) including increasing planned mail processing TOE by about $1.2 billion (or 8 percent) despite decreasing mail volume (see Figure 5). However, even with these increases, 135 mail processing facilities (or about 51 percent) were over their planned TOE.

27 In January 2020, the Postal Service implemented an RPG scorecard to monitor RPG compliance nationwide. As this was recently implemented and still in development, we did not review it as part of our ongoing audit.
28 Percentages may not total 100 due to rounding.
29 Handbook F-2, Section 2-3, Postal Service Field: Area, District, and Plant Managers, dated July 2014.

Figure 5. Volume to Planned TOE



Source: EDW and MODS.

Standardization

Further, individualization of mail processing facilities (lack of standardization) makes it very challenging to analyze Postal Service network performance. Mail processing facilities vary in the type and amount of mail processed, facility square footage, and the number of processing machines used. Specifically, 58 facilities process only letters, flats, or packages; 82 facilities process two mail types; and 130 facilities process all mail types. In addition, mail processing facilities' square footage ranged from about 39,600 to 1.4 million square feet and the number of mail processing machines at facilities ranged between 1 and 98 (see Table 7).

Table 7. Mail Processing Facilities by Mail Process, Number of Machines, and Square Footage

Mail Type	Number of Facilities That Process Mail	Number of Processing Machines	Amount of Mail Processed	Mail Processing Facility Square Footage
Letters Only	19	1–61	120 million–4.1 billion	45K–473K
Flats Only	1	4	113 million	237K
Packages Only	38	1–8	250K–178 million	44K–720K
Two Mail Types Only	82	2–70	675K–4.4 billion	41K–1.4 million
All Mail Types	130	5–98	98 million–5.6 billion	40K–1.3 million

Source: Mail Processing Equipment Watch, EDW, and OIG analysis.
Note: For the ranges within the table, "K" represents thousands.

Additionally, there are different processing end times and last transportation times for each delivery unit the processing facility serves, depending on how far away the delivery units are. The Postal Service does not have an automated system to evaluate how well processing and transportation are meeting those times or to ensure the planned times are appropriate and updated as needed.

Employee Availability

Postal Service management identified staffing and employee availability as main causes of decreased operational efficiency and service performance. During site observations, 15 facilities identified these same main causes.

In FY 2019, mail processing operations were short-staffed by about 1,250 career employees (or 1.6 percent) according to the Function 1 Scheduler[30]. An additional 1,050 mail processing employees (or 1.4 percent) went an entire year[31] without

30 A modeling tool the Postal Service uses at mail processing facilities nationwide to create job assignments for mail processing operations by employee labor code. The tool considers mail volume, the number and type of mail processing machines, transportation schedules, and productivity.
31 This includes employees who started an entire year of not working prior to the beginning of FY 2019 but extended into FY 2019.

working due to various reasons such as sick leave, leave without pay (LWOP), or workers' compensation.

Furthermore, over 80 percent of mail processing managers did not meet the employee availability target rate of 94.82 percent for FY 2019[32]. On average 5,500 career employees, or 7 percent, were unavailable each day due to the use of sick leave, LWOP, or absence without leave. At the Cleveland P&DC, plant management stated that they have an extreme call-in issue and a correlation between call-ins and sporting events. For example, when the Cleveland Browns had a Sunday night football game on September 22, 2019, the facility had 193 employees on leave (or about 25 percent), with 103 call-ins, of all employees scheduled to work.

"Furthermore, over 80 percent of mail processing managers did not meet the employee availability target rate of 94.82 percent for FY 2019."

In addition, during FY 2019, mail processing facilities had a turnover rate of about 8 percent for career employees and about 3 percent for non-career employees. With each employee who leaves, management needs to hire and train a new employee. Each new onboarding potentially impacts productivity and service due to fewer trained employees being available for mail processing operations.

Correcting the causes of low productivity will help reduce costs, increase operational efficiency, and better support the Postal Service's strategic plan to optimize its network platform. For all processing facilities with LDCs 11, 12, and 14, we compared mail processing facilities' MPV productivity to the national average MPV productivity. If a mail processing facility was below national average MPV productivity, there was an opportunity for the facility to increase its efficiency in these LDCs. In total, we estimate that addressing the issues identified in this report would allow the Postal Service an opportunity to increase efficiency by reducing about 9.2 million workhours, or $385.6 million (see Table 8).

Table 8. Reduced Workhours and Costs Associated with Improved Efficiency

LDC	Description	Workhours Reductions	Workhour Rate	Savings
11	Automated Distribution - Letters	3,220,394	$41.54	$133,776,690
12	Automated/ Mechanized - Flats	1,164,343	$44.89	52,271,609
14	Manual Distribution	4,811,001	$41.48	199,549,201
Total		**9,195,739**	**--**	**$385,597,500**

Source: MPV, Labor Utilization Report, and OIG analysis.

Recommendation #1
We recommend the **Acting Vice President, Processing and Maintenance Operations**, implement best practices identified during site visits to increase operational efficiency and management oversight nationwide.

Recommendation #2
We recommend the **Acting Vice President, Processing and Maintenance Operations**, create a program to develop emerging leaders into potential front-line managers and require the participation of all acting managers.

Recommendation #3
We recommend the **Acting Vice President, Processing and Maintenance Operations**, ensure front-line managers use the Run Plan Generator to manage mail processing operations.

32 Our fieldwork was completed before the President of the United States issued the national emergency declaration concerning COVID-19 on March 13, 2020. The results of this audit do not reflect process and/or operational changes that may have occurred as a result of the pandemic.

Recommendation #4

We recommend the **Acting Vice President, Processing and Maintenance Operations**, when the impacts of COVID-19 begin to subside, develop a plan, with milestones and measurable goals, to increase staff availability, including applying standard operating procedures to address employees out for significant periods of time.

Recommendation #5

We recommend the **Acting Vice President, Processing and Maintenance Operations**, develop an automated system to monitor performance of the integration among processing, transportation, and delivery operations.

Management's Comments

Management generally agreed with the finding and calculations used to determine the monetary impact; agreed with recommendations 1, 3, 4, and 5; and partially agreed with recommendation 2. See Appendix D for management's comments in their entirety.

Regarding recommendation 1, management stated they will ensure compliance with the use of RPG by operational floor managers and supervisors and will replicate projects to directly affect messaging of information to the craft level, including posting RPG planned volumes and start and end times at machine work areas. The target implementation date is July 31, 2020.

Regarding recommendation 2, management stated they do not believe it is feasible or reasonable that all acting managers obtain training, as some are only used to cover for infrequent and often unforeseen situations. However, management agreed to require training for long-term acting managers and has developed two additional secondary development programs for acting, new, and existing managers to improve their knowledge skills and abilities in workroom floor planning and management. The target implementation date is September 30, 2020.

Regarding recommendation 3, management stated they are overseeing the development of three distinct compliance tracking tools for headquarters, area, district, and plant use that provide detailed performance analysis of RPG actual to plan performance. The target implementation date is July 31, 2020.

Regarding recommendation 4, management stated they will develop a standard operating procedure with Standard Work Instructions to assist the field in addressing employee availability performance. The target implementation date is September 30, 2020.

Regarding recommendation 5, management stated they have partnered with the Vice President, Delivery Operations, to jointly create a Voice of the Process (VOP)/Volume Arrival Profile (VAP) tool to review performance of integration between plant, delivery, and transportation operations. These tools provide a daily recap of operational clearance, carrier returns, and transportation between plant and delivery operations, and will be used to improve overall operations. The target implementation date was June 8, 2020.

Regarding the monetary impact, while management agreed with the general calculation used to determine the potential workhour savings for the bottom performing sites compared to national averages, they stated the calculation should also account for the top performing sites that performed above the national average and many sites have local constraints that prevent them from reaching the national averages.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in the report.

Regarding recommendation 2, the Postal Service's proposed corrective action requires long-term acting managers to obtain training, but not those who are on short-term assignment. The OIG considers this alternative action to be responsive to the recommendation.

Regarding the monetary impact, our calculation focused on the opportunities available for each facility below the national average to increase its efficiency. We consider our approach conservative as we excluded any facilities that we determined to be outliers (any facility that was two or more standard deviations[33] from the average) from the national average calculation.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendations 1 through 4 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 5 closed with the issuance of this report.

33 Standard deviation is a number used to tell how measurements for a data set are spread out from the mean, or average. A low standard deviation means that most of the numbers are close to the average. A high standard deviation means that the numbers are more spread out.

Appendices

Click on the appendix title below to navigate to the section content.

Appendix A: Additional Information

Scope and Methodology

The scope of this audit was nationwide efficiency and service performance impacts in the Postal Service during FY 2019. In addition, for comparison, we trended data from FY 2014.

To accomplish our objective, we:

- Performed site observations to determine efficiency measures used, causes of inefficiencies, and best practices.
- Determined if there are areas in the processing network the Postal Service has standardized.
- Performed site observations to determine where the most frequent failures occur in mail processing and identify best practices.
- Observed how delays in mail processing impact transportation and delivery operations.
- Identified costs associated with mail processing management interventions to meet service.
- Analyzed 24-Hour Clock Indicators, mail processing delays, and late and extra transportation for FY 2019.
- Analyzed mail processing complement, employee availability, productivity, and service performance for FY 2019.

We conducted this performance audit from August 2019 through June 2020 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective. We discussed our observations and conclusions with management on March 26, 2020, and included their comments where appropriate.

We assessed the reliability of EDW, MODS, Surface Visibility, Informed Visibility, MPV, Mail Processing Equipment Watch, WebEOR, and Workforce by interviewing agency officials knowledgeable about the data and reviewing related documentation. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

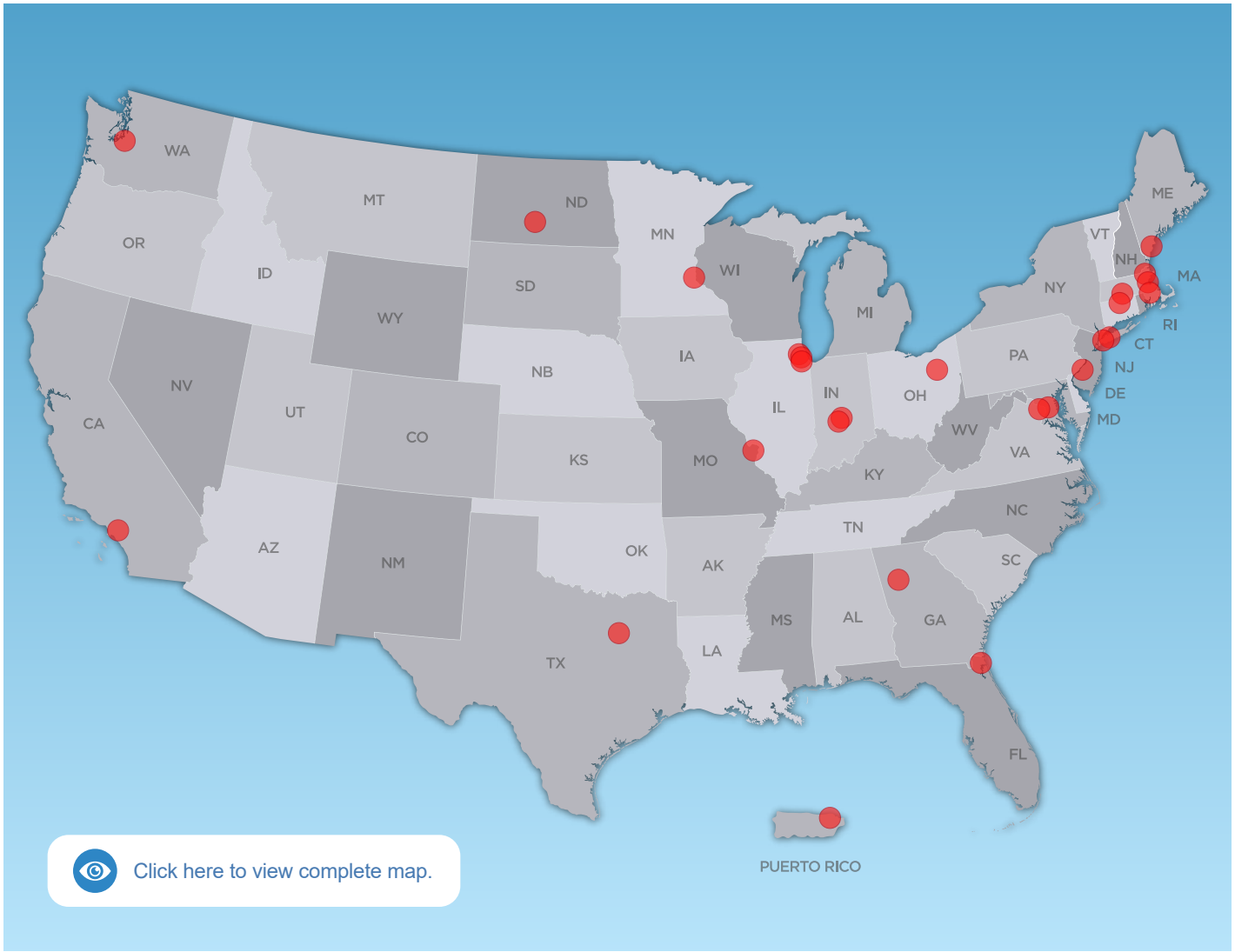
Report Title	Objective	Report Number	Final Report Date	Monetary Impact (in millions)
Assessment of the U.S. Postal Service's Service Performance and Costs	Analyze service performance and cost trends of the Postal Service over the last five years.	NO-AR-19-008	9/17/2019	None
U.S. Postal Service Processing Network Optimization	Evaluate trends and practices the U.S. Postal Service uses to optimize its processing network.	NO-AR-19-006	9/9/2019	None
Mail Processing Overtime	Assess the Postal Service's management of mail processing overtime during FY 2018.	NO-AR-19-005	6/13/2019	$358
Operational Window Change Savings	Determine if the Postal Service achieved its projected savings for the OWC.	NO-AR-19-001	10/15/2018	None

Report Title	Objective	Report Number	Final Report Date	Monetary Impact (in millions)
First-Class Mail Service Performance Measurement in the Northeast Area	Evaluate the Postal Service's strategy to improve First-Class Mail service performance scores in the Northeast Area.	NO-AR-18-006	5/22/2018	None
Continuous Improvement of Mail Processing Operations	Evaluate the efficiency of the Postal Service's FY 2015 mail processing operations.	NO-AR-16-012	9/29/2016	$465
Mail Processing and Transportation Operational Changes	Determine the timeliness of mail processing and transportation since the January 5, 2015, service standard revisions.	NO-AR-16-009	9/2/2016	None

Appendix B: Most & Least Efficient Mail Processing Facilities

The top 10 percent most efficient facilities were below targets by about 14 percent, while the bottom 10 percent least efficient facilities were about 52 percent below targets. See Figure 7 and Figure 8 for the most and least efficient mail processing facilities.

Figure 7. Least Efficient Facilities Mail Processing Facilities



California
- Los Angeles NDC

Conneticut
- Bradley AMF

Florida
- Jacksonville NDC

Georgia
- Peachtree P&DC

Illinois
- Busse P&DC
- Chicago ISC
- Chicago NDC

Indiana
- High School RD Mail P&DC
- Indianapolis MPA

Maine
- Southern ME P&DC

Maryland
- Southern MD Capital Beltway P&DC

Massachusetts
- Boston P&DC
- Brockton P&DC
- Middle-Essex MA P&DC
- Springfield NDC

Minnesota
- Twin Cities L&DC

Missouri
- ST Louis Metro Annex

New Jersey
- New Jersey NDC

New York
- NY Morgan P&DC
- Queens P&DC

North Dakota
- Bismarck P&DF

Ohio
- Akron P&DC

Pennsylvania
- Philadelphia NDC

Puerto Rico
- DMDU Cantano Annex

Texas
- Dallas NDC

Virginia
- Northern VA P&DC

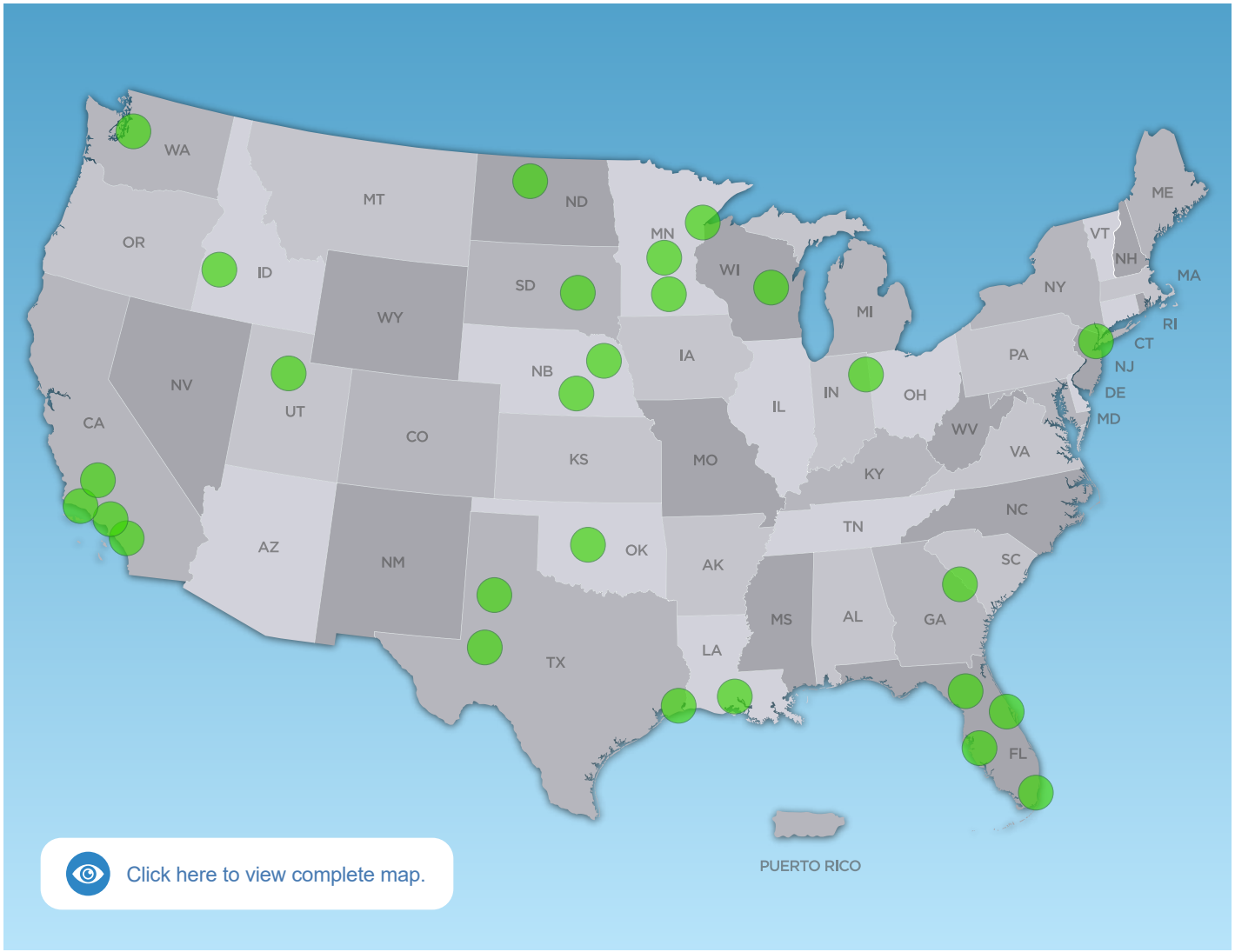
Washington
- Seattle Priority Mail Annex

Legend

AMF–Airport Mail Facility
ASF–Auxiliary Service Facility
DDC–Delivery Distribution Center
ISC–International Service Center
L&DC–Logistics and Distribution Center
MPA–Mail Processing Annex
NDC–Network Distribution Center
P&DF–Processing and Distribution Facility
P&DC–Processing and Distribution Center

Source: MPV.
Note: This map displays the least efficient mail processing facilities compared to their FY 2019 targets.

Figure 8. Most Efficient Facilities Mail Processing Facilities



California
- Bakersfield P&DC
- North Grand DDC
- Santa Barbara P&DC
- Van Nuys FSS MPA

Florida
- Gainesville P&DF
- Manasota P&DC
- Miami P&DC
- Mid Florida P&DC

Georgia
- Augusta P&DC

Idaho
- Boise P&DC

Indiana
- Ft Wayne P&DC

Louisiana
- Lafayette P&DC

Minnesota
- Duluth P&DC
- Mankato P&DC
- Saint Cloud P&DC

Nebraska
- Grand Island P&DF
- Norfolk P&DF

New Jersey
- Northern NJ Metro P&DC

North Dakota
- Minot PO

Oklahoma
- Oklahoma City P&DC

South Dakota
- Central Dakota P&DF

Texas
- Beaumont P&DF
- Lubbock P&DC
- Midland P&DC

Utah
- Salt Lake City ASF

Washington
- Seattle DDC-East

Wisconsin
- Wausau P&DF

Legend

AMF–Airport Mail Facility
ASF–Auxiliary Service Facility
DDC–Delivery Distribution Center
ISC–International Service Center
L&DC–Logistics and Distribution Center
MPA–Mail Processing Annex
NDC–Network Distribution Center
P&DF–Processing and Distribution Facility
P&DC–Processing and Distribution Center

Source: MPV.
Note: This map displays the most efficient mail processing facilities compared to their FY 2019 targets.

Appendix C. Service Performance Targets

The Postal Service did not meet the majority of its service performance targets in FY 2019. Specifically, it met targets for only five (or 15 percent) of the 33 mail products: Marketing Mail Destination Entry, Destination Sectional Center Facility (DSCF) Letters, Destination Network Distribution Center (DNDC) Letters, Destination Delivery Unit (DDU) Periodicals, and Parcel Select (see Table 9 and Table 10).

Table 9. FY 2019 Market Dominant[34] Mail Products Service Performance Scores

Mail Class	Product	FY 2019 Service Performance	FY 2019 Targets	Percentage Points to Target
First-Class Mail	Overnight Presort	95.57	96.8	-1.23
	2-Day Presort	94.15	96.5	-2.35
	2-Day Single Piece	91.94	96.5	-4.56
	3-5 Day Presort	92.05	95.25	-3.2
	3-5 Day Single Piece	80.44	95.25	-14.81
	3-5 Day Surface	90.64	95.25	-4.61
	Presort Letters	93.15	96	-2.85
	Presort Flats	80.98	96	-15.02
	Single Piece Letters	89.29	96	-6.71
	Single Piece Flats	77.56	96	-18.44
Marketing Mail	End-to-End	66.59	91.8	-25.21
	Destination Entry	92.61	91.8	0.81
	DDU	81.47	91.8	-10.33
	DSCF Letters	93.26	91.8	1.46
	DSCF Flats	89.57	91.8	-2.23
	DNDC Letters	93.22	91.8	1.42
	DNDC Flats	90.21	91.8	-1.59

34 Products and services for which the Postal Service exercises sufficient market power that it can effectively set prices with limited competition.

Mail Class	Product	FY 2019 Service Performance	FY 2019 Targets	Percentage Points to Target
Periodicals	End-to-End	78.14	91.8	-13.66
	Destination Entry	87.92	91.8	-3.88
	DDU	91.91	91.8	0.11
	DSCF Flats	87.9	91.8	-3.9
	DNDC Flats	88.26	91.8	-3.54
Package Services	Bound Printed Matter Flats	54.84	90	-35.16

Source: Informed Visibility.

Table 10. FY 2019 Competitive[35] Mail Products Service Performance Scores

Mail Class	Product	FY 2019 Service Performance	FY 2019 Targets	Percentage Points to Target
First-Class Packages	2-Day	[redacted]	[redacted]	[redacted]
	3-5 Day	[redacted]	[redacted]	[redacted]
Priority Mail	1-Day Surface	[redacted]	[redacted]	[redacted]
	2-Day Surface	[redacted]	[redacted]	[redacted]
	3-Day Surface	[redacted]	[redacted]	[redacted]
	2-Day Air	[redacted]	[redacted]	[redacted]
	3-Day Air	[redacted]	[redacted]	[redacted]
	Express	[redacted]	[redacted]	[redacted]
Package Services	Retail Ground	[redacted]	[redacted]	[redacted]
	Parcel Select DDU	[redacted]	[redacted]	[redacted]

Source: Informed Visibility.

35 A category of Postal Service products and services for which similar products and services are offered by private sector carriers.

Appendix D: Management's Comments

JOSHUA COLIN, PHD.
VICE PRESIDENT
PROCESSING AND MAINTENANCE OPERATIONS/A

UNITED STATES POSTAL SERVICE

June 8, 2020

LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report Response – US Postal Service Processing Network Optimization and Service Impact (Report Number – 19XG013NO000)

Thank you for providing the Postal Service with the opportunity to review and comment on the subject draft report.

Monetary Impact:
We agree with the general calculations used to determine the potential workhour savings for the bottom performing sites compared with the national average sites in Labor Distribution Code (LDC) 11, 12, and 14. However, this calculation does not account for the top performing sites that performed above the national average in those LDCs. Many of the sites have local constraints that prevent them from reaching the national averages for those LDCs.

Following is the management response to the recommendations.

Recommendation #1:
We recommend the Acting Vice President, Processing and Maintenance Operations, implement best practices identified during site visits to increase operational efficiency and management oversight nationwide.

Management Response/Action Plan:
We agree with this recommendation. Acting Vice President, Processing and Maintenance Operations will ensure compliance with the use of Run Plan Generator (RPG's) by operational floor Managers and Supervisors. The Postal Service will additionally replicate Lean projects to directly affect messaging of information to the craft level (i.e. Posting RPG planned volumes, start and end times at machine work areas).

Target Implementation Date:
July 31st 2020

475 L'ENFANT PLAZA SW
WASHINGTON, DC 20260
202 268-3096

Recommendation #2:
We recommend the Acting Vice President, Processing and Maintenance Operations, create a program to develop emerging leaders into potential front-line managers and require the participation of all acting managers.

Management Response/Action Plan:
We partially agree with this recommendation. We do not believe it is feasible or reasonable that all acting managers should require training. There are many acting supervisors and managers that are only used to cover for infrequent and oftentimes unforeseen situations. We would like to recommend this be changed to only long-term acting managers only. Acting Vice President, Processing and Maintenance Operations has approved the final completion of two additional development programs and they are set for implementation summer of 2020. These programs include a Manager of Distribution Operations training and Manager Inplant Support training. These are secondary development programs for acting, new and existing managers to improve their knowledge skills and abilities in workroom floor planning and management. They are designed to be a bridge between the Supervisor training program and the Management Foundation Leadership program to more advanced training such as Plant Manager Development (PDM) and the Advanced Leadership Program. Due to COVID-19, class is being converted from classroom to virtual learning.

Target Implementation Date:
September 30th 2020

Recommendation #3:
We recommend the Acting Vice President, Processing and Maintenance Operations, ensure front-line managers use the Run Plan Generator to manage mail processing operations.

Management Response/Action Plan:
We agree with recommendation. The Acting Vice President, Processing and Maintenance Operations has overseen the development of three distinct compliance tracking tools for HQ, Area, District and Plant use that provide detailed performance analysis of RPG actual to plan performance. These tools are developed and housed in an easy-to-access location for all supervisory and management staff and can be printed for workroom floor discussions and posting to craft employees.

Target Implementation Date:
July 31st 2020

Recommendation #4:
We recommend the Acting Vice President, Processing and Maintenance Operations, when the impacts of COVID-19 begin to subside, develop a plan, with milestones and measurable goals, to increase staff availability, including

applying standard operating procedures to address employees out for significant periods of time.

Management Response/Action Plan:
We agree with this recommendation. Acting Vice President, Processing and Maintenance Operations will partner with Human Resources and Labor Management to develop a standard Operating Procedure with Standard Work Instructions to assist the field in addressing employee availability performance.

Target Implementation Date:
September 30th 2020

Recommendation #5:
We recommend the Acting Vice President, Processing and Maintenance Operations, develop an automated system to monitor performance of the integration among processing, transportation, and delivery operations.

Management Response/Action Plan:
We agree with this recommendation. Acting Vice President, Processing and Maintenance Operations has partnered with the VP of Delivery Operations to jointly create a VOP/VAP tool to review performance with an integration between plant, delivery, and transportation operations. These tools have been undergoing an upgrade into our Informed Visibility infrastructure for wide use of HQ, Area, District and facility. These tools provide a daily recap of operational clearance, carrier returns, and transportation between plant and delivery operations. These tools are currently being used for Area and District daily operations teleconferences to drive the partnership and improvement in overall operations.

VAP: https://vap.usps.gov/db.cfm
VOP: https://vop.usps.gov/

Target Implementation Date:
June 8, 2020 (These tools have already been developed).

Responsible Official:
Director, Processing Operations

Joshua D. Colin, PhD
Vice President, Processing and Maintenance Operations/A

cc: Corporate Audit and Response Management

OFFICE OF
INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

Contact us via our Hotline and FOIA forms.
Follow us on social networks.
Stay informed.

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

For media inquiries, contact Agapi Doulaveris
Telephone: 703-248-2286
adoulaveris@uspsoig.gov