AUDIT REPORT

# Manual Flats Processing Operations at the Tucson, AZ, Processing and Distribution Center

March 9, 2020



Report Number 20-163-R20

March 9, 2020

**MEMORANDUM FOR:**     JOHN J. DIPERI
MANAGER, ARIZONA DISTRICT

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

*Matthew B. Hartshorn*

**FROM:**     Matthew B. Hartshorn
Director, Plant Evaluation Team

**SUBJECT:**     Audit Report – Manual Flats Processing Operations at the
Tucson, AZ, Processing and Distribution Center
(Report Number 20-163-R20)

This report presents the results of our audit of Manual Flats Processing Operations at the Tucson, AZ, Processing and Distribution Center.

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

Attachment

cc:  Postmaster General
Chief Operating Officer and Executive Vice President
Acting Vice President, Processing and Maintenance Operations
Vice President, Western Area Operations
Corporate Audit and Response Management

## Background

This report presents the results of our self-initiated audit of manual flats processing operations at the Tucson Processing and Distribution Center (P&DC) in Tucson, AZ (Project Number 20-163). We conducted this audit to provide U.S. Postal Service management with timely information on operational risks at the Tucson P&DC.

The Tucson P&DC is in the Arizona District of the Western Area. During fiscal year (FY) 2019, it manually processed 12.2 million letters, 2.6 million flats, and 6.5 million parcels. Mail is processed manually when its dimensions or address quality prevent it from being processed on mail processing equipment. It is much more cost effective to process mail on mail processing equipment rather than manually. In FY 2019, the national average productivity[1] for flats processed on mail processing equipment was 1,980 mailpieces per hour while national average productivity for manually processed flats was 332 mailpieces per hour.

We selected the Tucson P&DC for review based on our analysis of manual flats productivity as measured by the Management Operating Data System (MODS).[2] The Postal Service uses MODS data to plan workload, forecast workhours and mail volume, track mail processing activities, evaluate the efficiency of facilities, and estimate staffing requirements. In addition to its operational uses, the Postal Service uses MODS workhour data to calculate totals for many of the cost pools[3] within the Clerks and Mail Handlers Cost Segment. Postal Service management and the Postal Regulatory Commission rely on accurate and precise product cost estimates to set postal prices and to reliably determine whether revenue for products and mail classes cover attributable costs. The Tucson P&DC's FY 2019 manual flats productivity of 992 mailpieces per hour[4] was significantly higher than the national average productivity of 332 mailpieces per hour.

## Objective, Scope, and Methodology

Our objective was to assess manual flats processing operations at the Tucson P&DC.

To accomplish our objective, we analyzed manual flats processing productivity metrics for FY 2019. During our January 13-15, 2020, site visit, we interviewed P&DC management, conducted observations of manual flats operations, and analyzed manual flats workhours and volume. We also reviewed the P&DC's operating plan to ensure it included the correct information for manual flats processing operations.

---

[1] The Postal Service calculates productivity by dividing total mail volume by total workhours.

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

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

[4] Manual Flats Volume of 2,587,821 / Manual Flat Workhours of 2,609.

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

We conducted this audit from January through March 2020, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on February 19, 2020, and included their comments where appropriate.

## Finding #1:  Manual Flats Processing Workhours

The Tucson P&DC's manual flat processing workhours were understated, which caused the manual flat productivity to be overstated. During our site visit, we did not identify any instances of employees working in the manual flats operations[6] but clocked into other operations. However, we analyzed workhour data from the MODS and Time and Attendance Collection System[7] (TACS) and identified instances where the facility processed manual flats without associated workhours. During FY 2019, MODS showed there were 149 times that the P&DC manually processed flats in an operation that did not have any associated workhours. For example, on September 27, 2019, MODS showed the incoming sectional center facility and secondary flats operation processed 9,678 flats without any associated workhours. In addition, on January 6, 2020, a week prior to our site visit, MODS showed the incoming sectional center facility and secondary flats operation processed 7,928 flats without any associated workhours.

The time clock errors occurred because the P&DC supervisor did not always review MODS data and time charges to ensure employees charged their workhours to the operation that corresponded to the work performed. According to Postal Service policy,[8] managers at field offices and mail processing facilities are responsible for ensuring data integrity, including accurate recording of workhours and mail volume in the proper operation number. Additionally, management is responsible for correcting data reporting errors. The Tucson P&DC's FY 2019 manual flat productivity of 992 mailpieces per hour[9] was significantly higher than the national average productivity of 332 mailpieces

---

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

[6] Manual flats are processed under two operation numbers at the Tucson P&DC. Operation numbers 060 - Outgoing Primary Flats and 074 - Incoming Sectional Center Facility Flats and Incoming Secondary Flats.

[7] The Postal Service system for storing employee workhours for payroll purposes.

[8] Handbook 32, *Management Operating Data Systems*.

[9] Manual Flats Volume of 2,587,821/Manual Flat Workhours of 2,609.

per hour. When employees do not attribute workhours to the correct operation and supervisors do not correct the errors, the Postal Service cannot accurately track mail processing activities, estimate staffing requirements, and evaluate productivity to identify opportunities to reduce workhours and costs. In addition, persistent errors in MODS data, if significant, would cause the Postal Service to improperly allocate costs to cost pools and postal products.

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

## Finding #2: Operating Plan

We found that the P&DC's operating plan did not reflect current mail processing operations. Specifically, the operating plan, which was dated September 2016, expired in September 2018. Management stated that although operational conditions have changed since the plan's last update, they only update the plan when prompted by the Area office. Postal Service policy requires accurate operating plans to assist management in the scheduling, processing, and delivery of mail. Operating plans are organized collections of operations, mail classes, automation, mechanization, average daily volumes, and target times which, when considered in total, reflect the operational structure, strategy, processing goals, and customer commitments of a postal facility. All network and logistics planning for the facility are based on a facility's critical entry clearance and critical entry times reflected in the operating plan.[10] Failure to maintain an updated operating plan can adversely impact employee and transportation scheduling and overall mail processing efficiency and service.

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

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

---

[10] *Mail Processing Operating Plan System User Guide*, dated May 19, 2009.
[11] For example, see *Delayed Mail Reporting in the Great Lakes Area* (Report Number NO-AR-18-005, dated May 17, 2018), *Timeliness of First-Class Mail Flats* (Report Number NO-AR-17-001, dated October 6, 2016), and *Continuous Improvement of Mail Processing Operations* (Report Number NO-AR-16-012, dated September 29, 2016).

## Management's Comments

Management agreed with the report's findings and recommendations.

Regarding recommendation 1, management stated that P&DC staff instructed the management team to validate employee moves and correct employee operation number time changes on a regular basis.

Regarding recommendation 2, management stated that Tucson P&DC management updated the operating plan on January 30, 2020; however, the change request must go through a higher-level approval process. The target implementation date is October 1, 2020.

See Appendix A for management's comments in their entirety.

## Evaluation of Management's Comments

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

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

# Appendix A. Management's Comments

**UNITED STATES**
**POSTAL SERVICE**

February 27, 2020

LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Manual Flats Processing Operations, Tucson, AZ P&DC
         Project number 20-163

Management agrees with the findings in the referenced audit.

Recommendation [ 1 ]: We recommend **the District Manager, Arizona District,** instruct Tucson Processing and Distribution Center management to ensure supervisors monitor mail processing productivity and correct employee operation number time charges on a regular basis.

Management Response/Action Plan:

We agree with the recommendation, the Tucson P & DC staff has instructed the management team to validate the employee moves and to clear Mods exceptions. This was completed verbally, and by email to review clock rings.

Target Implementation Date:

March 6, 2020.

Responsible Official:

The tour 3 MDO is the responsible person

Recommendation [ 2 ]: We recommend **the District Manager, Arizona District,** instruct Tucson Processing and Distribution Center (P&DC) management to ensure the P&DC's operating plan is updated to reflect current mail processing operations..

Management Response/Action Plan:

We agree with the recommendation, the MPOPS was updated on January 30, 2020 at the Tucson level.

Target Implementation Date:

Page 1 of 2

5

This change request has to go through a higher level approval process, anticipate completion by October 1, 2020.


<u>Responsible Official:</u>

In-plant Support Manager


John J. DiPeri
Manager, Arizona / New Mexico District

cc: Vice President/A, Processing and Maintenance Operations
   Vice President Operations - Western Area
   Manager Operations Support – Western Area
   Controller – Western Area
   Corporate Audit and Response Management