



AUDIT REPORT

Manual Flats Processing Operations at the Birmingham, AL, Processing and Distribution Center

February 12, 2020




Report Number 20-161-R20



February 12, 2020

MEMORANDUM FOR: SAMUEL E. JAUDON
MANAGER, ALABAMA 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
Birmingham, AL, Processing and Distribution Center
(Report Number 20-161)

This report presents the results of our audit of Manual Flats Processing Operations at the Birmingham, AL, 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
Acting Vice President, Processing and Maintenance Operations
Vice President, Southern 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 Birmingham Processing and Distribution Center (P&DC) in Birmingham, AL (Project Number 20-161). We conducted this audit to provide U.S. Postal Service management with timely information on operational risks at the Birmingham P&DC.

The Birmingham P&DC is in the Alabama District of the Southern Area. During fiscal year (FY) 2019, it manually processed 50.8 million letters, 5 million flats, and 855,000 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 productivity¹ 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 Birmingham 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 pools³ within the Clerks and Mail Handlers Cost Segment. Postal Service management and the Postal Regulatory Commission rely on accurate and precise product cost estimates to set postal prices and to reliably determine whether revenue for products and mail classes covers attributable costs. The Birmingham P&DC's FY 2019 manual flats productivity of 100 mailpieces per hour⁴ was significantly lower 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 Birmingham P&DC.

To accomplish our objective, we analyzed manual flats processing productivity metrics for FY 2019. During our January 6-8, 2020, site visit, we interviewed P&DC management, conducted observations of manual flats operations, and analyzed manual

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 5,061,255/Manual Flats Workhours of 50,429.

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.

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 February 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 3, 2020, and included their comments where appropriate.

Finding #1: Manual Flats Processing Volume and Workhours

The Birmingham P&DC's manual flats processing volume recorded in MODS⁶ did not correspond with the volume of manual flats processed during our observations. Specifically, on Monday January 6, we observed 65,400 manual flats processed at the Birmingham P&DC while the average manual flats volume recorded in MODS for Mondays during 2019 was only 15,462.⁷ We also observed employees manually processing flats they should have been processing on mail automation equipment. Birmingham P&DC management said a significant amount of flat mail is processed in the manual flats operation but not credited to the P&DC's manual flats volume. Management said this mail is sent to the P&DC from delivery units because it is either missent mail⁸ or mail dropped at the delivery unit by mailers. However, the P&DC has not established a process to ensure machinable mail received from delivery units is processed on mail processing equipment.

Additionally, during our review we observed employees who were clocked into the manual flats processing operation but were working in other operations. Specifically, on January 7, we observed three employees working in the manual flats processing operation, while five employees were clocked into the operation. The time clock errors occurred because the P&DC's supervisor did not always review time charges to ensure

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 volume recorded in MODS is calculated based on a percentage of the total flats volume processed on the P&DCs mail processing machines.

⁷ At the time of our audit, the MODS volume of manual flats processed for January 6 was not available due to the delayed implementation of reporting changes for the Birmingham P&DC and its annex.

⁸ Mail that was sorted to the wrong delivery unit, station, or branch and has a barcode or ZIP code for another office.

employees charged their workhours to the operation that corresponded to the work they performed.

According to Postal Service policy,⁹ field office and mail processing facility managers are responsible for ensuring data integrity, including accurate recording of mail volume and workhours in the proper operation number. Additionally, management is responsible for correcting data reporting errors. The Birmingham P&DC's FY 2019 manual flat productivity of 100 mailpieces per hour¹⁰ was significantly lower than the national average productivity of 332 flat mailpieces per hour. Additionally, when employees do not attribute workhours to the correct work function, 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. Further, automated processing equipment should be used to process mail when feasible as this is much more efficient for the Postal Service.

Recommendation #1: We recommend the **District Manager, Alabama District**, instruct Birmingham Processing and Distribution Center (P&DC) management to develop procedures to ensure machinable flats sent to the P&DC by delivery units are processed on mail processing equipment.

Recommendation #2: We recommend the **District Manager, Alabama District**, instruct Birmingham Processing and Distribution Center management to ensure supervisors monitor mail processing productivity and correct employee operation number time changes on a regular basis.

Finding #2: Operating Plan

We found that the Birmingham P&DC's operating plan did not reflect current mail processing operations. Specifically, the operating plan dated October 2016 did not match clearance times¹¹ for the manual flats processing operation as shown in the End of Run Report¹² and the Run Plan Generator (RPG).¹³ P&DC management said they were aware the operating plan was not current and will begin the process of updating their operating plan. Postal Service policy requires accurate operating plans to assist management in the scheduling, processing, and delivery of mail. Operating plans are

⁹ Handbook M-32, *Management Operating Data Systems*, dated September 2018.

¹⁰ Manual Flat Volume of 5,061,255/Manual Flat Workhours of 50,429.

¹¹ The latest time committed mail can clear an operation for proper dispatch or delivery.

¹² The End-of-Run Report is a web-based application used in collecting operational data from automated and mechanized mail processing equipment.

¹³ The RPG is an Excel-based application used by mail processing facilities to plan machine utilization based on volume, clearance times, throughputs, and other criteria.

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. From a larger perspective, 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.¹⁴ 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.¹⁵ 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 #3: We recommend the **District Manager, Alabama District**, instruct Birmingham Processing and Distribution Center (P&DC) management to ensure the P&DC's operating plan is updated to reflect current mail processing operations.

Management's Comments

Management agreed with the report's findings and recommendations.

Regarding recommendation 1, management stated that Birmingham P&DC management will develop procedures to ensure machinable flats sent to the P&DC by delivery units are processed on mail processing equipment and identify causes for missent mail. The target implementation date is February 17, 2020.

Regarding recommendation 2, management stated that Birmingham P&DC management will have supervisors pull an employee on the clock report several times a day during their tour to ensure employees are clocked into manual operations while working on those operations and will also ensure employees working in other operations are not clocked into the manual operation. In addition, Birmingham P&DC management will require supervisors and managers to validate and correct manual operations time charges daily. The target implementation date is February 17, 2020.

Regarding recommendation 3, management stated that Birmingham P&DC management will update the P&DC's operating plan to reflect current mail processing operations. The target implementation date is February 17, 2020.

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

¹⁴ *Mail Processing Operating Plan System User Guide*, dated May 19, 2009.

¹⁵ 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).

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.

Recommendations 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.

Appendix A: Management's Comments

DISTRICT MANAGER
ALABAMA DISTRICT



February 5, 2020

LAZERICK C. POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Manual Flats Processing Operations at the Birmingham, AL,
Processing and Distribution Center (Project Number 20-161)

Management at the Processing Operations Center at Birmingham, AL agrees with each OIG Finding and Recommendation. There are no factual inaccuracies in this report.

Recommendation #1:

We recommend the **District Manager, Alabama District**, instruct Birmingham Processing and Distribution Center (P&DC) management to develop procedures to ensure machinable flats sent to the P&DC by delivery units are processed on mail processing equipment.

Management Response/Action Plan:

Management agrees with the OIG recommendation to develop procedures to ensure machinable flats sent to the P&DC by delivery units are processed on mail processing equipment. This causes delays in our First Class, Periodical, and Marketing Mail volumes and processing this volume on automated equipment will expedite the process. All of the flats sent to the P&DC by delivery units will be processed with the machinable incoming destinating flats. The root cause will be identified for the missent volume initially sent to the delivery units from the P&DC.

Target Implementation Date:

February 17, 2020

Responsible Official:

Manager, Inplant Support

Recommendation #2:

We recommend the **District Manager, Alabama District**, instruct Birmingham Processing and Distribution Center management to ensure supervisors monitor mail processing productivity and correct employee operation number time changes on a regular basis.

Management Response/Action Plan:

Management agrees with the OIG recommendation to ensure supervisors monitor mail processing productivity and correct employee operation number time changes on a regular basis in order to accurately reflect workhours in the correct operation which impacts earned workhours.

Supervisors will pull an "employee on the clock" report out of TACS several times during their tour to ensure the employees clocked into manual operation numbers are working in manual operations, while also ensuring the employees working in other operations are not clocked onto a manual operation. Inplant Support will send

a daily report to the supervisors and managers with the employees who clocked onto the manual operations week to date. After validating the rings, supervisors will correct any operation moves that are incorrect.

Target Implementation Date:

February 17, 2020

Responsible Official:

Senior Manager Distribution Operations

Recommendation #3:

We recommend the **District Manager, Alabama District**, instruct Birmingham 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:

Management agrees with the OIG recommendation to ensure the operating plan is updated to reflect current mail processing operations in order to provide an accurate representation of operations at the facility.

A thorough review of the Mail Processing Operating Plan System (MPOPS) will be completed. The Start, End, and Critical Entry times will be updated to the current processing window at the facility.

Target Implementation Date:

February 17, 2020

Responsible Official:

Manager, Inplant Support



Samuel E. Jaudon
Alabama District Manager

cc: CARM