



February 9, 2007

BILL ALMARAZ
MANAGER, LOS ANGELES CUSTOMER SERVICE DISTRICT

SUBJECT: Audit Report – Timeliness of Mail Processing at the Los Angeles, California, Processing and Distribution Center
(Report Number NO-AR-07-001)

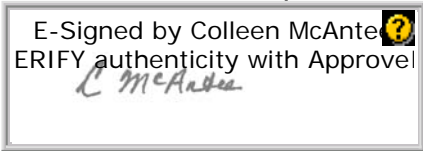
This report presents the results of our audit of the Los Angeles, California, Processing and Distribution Center (P&DC), located in the Pacific Area (Project Number 06XG046NO000). Our objective was to determine whether mail was processed in a timely manner. We conducted this audit in response to a congressional inquiry.

The audit confirmed that during the period July 2005 through May 2006, the Los Angeles P&DC had difficulty with the timely processing of mail, resulting in mail delays and service declines. However, the Los Angeles P&DC has made significant improvements and, as of August 2006, the Los Angeles Customer Service District met or exceeded national service score averages. Specifically, we found that delayed mail has been significantly reduced since May 2006 (the month used as the basis of the inquiry). In addition, the Los Angeles P&DC had less delayed First-Class Mail®, Priority Mail® and Package Services Mail® than similar-sized facilities but more delayed Standard Mail® and Periodicals, indicating that improvements were still necessary in the timely processing of these types of mail.

We made two recommendations in the report. Management agreed with our recommendations and has taken action to address the issues in this report. Management's comments and our evaluation of these comments are included in the report.

The U.S. Postal Service Office of Inspector General (OIG) considers all recommendations significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the follow-up tracking system until the OIG provides written confirmation the recommendations can be closed.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have any questions or need additional information, please contact Robert J. Batta, Director, Network Operations - Processing, or me at (703) 248-2100.



Colleen A. McAntee
Deputy Assistant Inspector General
for Core Operations

Attachments

cc: Patrick R. Donahoe
Anthony M. Pajunas
Michael J. Daley
Drew T. Aliperto
Deborah A. Kendall

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EXECUTIVE SUMMARY

Introduction

The U.S. Postal Service Office of Inspector General reviewed the timeliness of mail processing operations at the Los Angeles Processing and Distribution Center (P&DC) in response to a congressional inquiry. The Los Angeles P&DC is located in the Los Angeles Customer Service District in the Pacific Area. The Los Angeles Customer Service District consists of the P&DC, the Worldway Airport Mail Center, and 137 post offices and stations. Before July 2005, the district also included the Marina P&DC. This facility was closed in July 2005, and the majority of the mail processing volume was transferred to the Los Angeles P&DC.

Results in Brief

During the period July 2005 through May 2006, the Los Angeles P&DC has had difficulty with the timely processing of mail, resulting in mail delays and service declines. However, the Los Angeles P&DC has made significant improvements.

- The Los Angeles P&DC had a 52 percent decrease in the total amount of delayed mail from the month cited in the congressional inquiry¹, May 2006, to the month of our review, August 2006.
- Compared² to similar-sized facilities, the Los Angeles P&DC had less delayed First-Class Mail®, Priority Mail® and Package Services Mail® but more delayed Standard Mail® and Periodicals, indicating that improvements were still necessary in the timely processing of these types of mail.
- During our audit, the Los Angeles P&DC had effective internal controls over identifying and reporting delayed mail.

Title 39, U.S.C. Part 1, Chapter 1, Section 101, states that the Postal Service “. . . shall provide prompt, reliable, and efficient services to patrons in all areas . . .” In addition, the Postal Service Strategic Transformation Plan, dated

¹ The congressional inquiry, dated August 3, 2006, referred to the Mail Condition Report for May 4, 2006

² This comparison was based on the percentage of delayed mail to total first handling piece (FHP) volume.

September 2005, states, "The Postal Service will continue to provide timely, reliable delivery to every address at reasonable rates."

The excessive amount of delayed mail was due to the influx of mail volume as a result of closing the Marina P&DC; the retrofitting of flat sorting machines,³ which caused a temporary increase in machine downtime; and deficiencies in processing Periodicals and Standard Mail.

As a result, the Los Angeles P&DC had experienced substantial service declines but as of August 2006, the Los Angeles Customer Service District had met or exceeded national averages for service standards.

Summary of Recommendations	To improve the timely processing of mail, we recommend the Manager, Los Angeles Customer Service District, correct deficiencies in the processing of Periodicals and Standard Mail and continue monitoring and adjusting mail processing operations to ensure that all mail is processed in a timely manner.
Summary of Management's Comments	Management agreed with our findings and recommendations. They agreed to correct deficiencies in the processing of Periodicals and Standard Mail. They also agreed to continue monitoring and adjusting mail processing operations to ensure that all mail is processed in a timely manner. Management's comments, in their entirety, are included in Appendix D of this report.
Overall Evaluation of Management's Comments	Management's comments are responsive to our recommendations. Management's actions taken should correct the issues identified in the report.

³ A flat sorting machine sorts flat mail by ZIP Code. "Flat" is the general term for flat mail, so called because the large mail is sorted without bending it so that the mail remains flat.

INTRODUCTION

Background

The Los Angeles Processing and Distribution Center (P&DC) is located in the Los Angeles Customer Service District in the Pacific Area. The Los Angeles Customer Service District consists of the P&DC, the Worldway Airport Mail Center, and 137 post offices and stations. See Appendix A for a map of the Pacific Area.

Before July 2005, the district also included the Marina P&DC. This facility was closed in July 2005, and the majority of mail processing volume was transferred to the Los Angeles P&DC. In fiscal year (FY) 2005, the Los Angeles P&DC processed 2.3 billion first handled pieces (FHP) using 3.9 million workhours, making it the fifth largest processing facility in the Postal Service network.

The Postal Service considers mail delayed when it is not processed or dispatched to meet its programmed delivery day. The Postal Service recognizes that some delayed mail is expected, although no specific targets have been established for large plants.⁴

The Postal Service defines service standards as "A stated goal for service achievement for each mail class. A Service Standard represents the level of service that the United States Postal Service strives to provide to customers. . ."⁵

Objective, Scope, and Methodology

The objective of the audit was to determine whether the Los Angeles P&DC processed mail in a timely manner. To accomplish the objective, we reviewed selected processing operations, conducted interviews and observations, and analyzed mail volume, workhours, productivity, service scores, and delayed mail trends.

We used computer-processed data from the National Work Hour Reporting System, Web Enterprise Information System, Web End of Run System, Web Mail Condition Reporting System, Management Operating Data System, Origin-Destination Information System, and the Enterprise Data Warehouse. We did not test controls over these systems. However, we checked the reasonableness of

⁴ Handbook PO-420, *Small Plant Best Practices Guidelines*, November 1999 rated the most successful small plants as those with "an average daily delayed volume of 4,000 or less." We could find no specific targets for large plants.

⁵ The standards allow for ranges by mail class as follows: Priority Mail: 1-3 Days; First-Class Mail: 1-3 Days; Periodicals: 1-7 Days; Package Services: 2-9 Days; and Standard Mail: 3-10 Days.

results by confirming our analyses and results with Postal Service managers and multiple data sources.

We conducted this audit from August 2006 through February 2007 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. We discussed our observations and conclusions with management and included their comments where appropriate.

Prior Audit Coverage

We have issued six reports on delayed mail. These reports assessed the extent of delayed mail at various facilities that processed mail and examined internal controls over the reporting of delayed mail. (See Appendix B.)

AUDIT RESULTS

Assessment of the Timeliness of Mail Processing at the Los Angeles Processing and Distribution Center

During the period July 2005 through May 2006, the Los Angeles P&DC had difficulty with the timely processing of mail, resulting in mail delays and service declines. However, the Los Angeles P&DC has made significant improvements and met or exceeded published national service score averages⁶ as of August 2006. Specifically:

- Delayed mail had been significantly reduced since May 2006 (the month used as the basis of the inquiry).
- The Los Angeles P&DC had less delayed First-Class, Priority, and Package Services Mail than similar-sized facilities but had more delayed Standard Mail and Periodicals, indicating that improvements were still necessary in the timely processing of these types of mail.
- Internal controls over identifying and reporting delayed mail were in place and effective.

Title 39, U.S.C. Part 1, Chapter 1, Section 101, states that the Postal Service “. . . shall provide prompt, reliable, and efficient services to patrons in all areas . . .” In addition, the Postal Service Strategic Transformation Plan, dated September 2005, states, “The Postal Service will continue to provide timely, reliable delivery to every address at reasonable rates.”

Delayed Mail Trends

At the time of our review, the Los Angeles P&DC had significantly reduced the amount of delayed mail. From May⁷ through August 2006, there was a 52 percent (7.4 million pieces) decrease in the total amount of delayed mail.

Table 1 shows the amount of delayed mail by class from May through August 2006. This table also shows the full decrease in delayed mail during the period.

⁶ As of FY 2006, the Los Angeles Customer Service District exceeded two of the four national service score averages and almost achieved national service averages for the other two categories. (See the section on Delayed Mail Impact in this report.)

⁷ May 2006 was the month used for the basis of the inquiry. The congressional inquiry referred to the Mail Condition Report for May 4, 2006.

**Table 1. Los Angeles P&DC:
Total Delayed Mail by Class, May through August 2006⁸**

Month/Class	Priority Mail	First-Class Mail	Package Services	Periodicals	Standard Mail	Total for All Classes
May 2006	590	551,627	180	5,292,992	8,257,975	14,103,364
June 2006	0	300,021	0	1,202,335	2,818,600	4,320,956
July 2006	0	86,400	0	1,043,260	9,226,333	10,355,993
August 2006	0	80,603	0	1,194,929	5,433,823	6,709,355
Percentage Change, May to August 2006	-100%	-85%	-100%	-77%	-34%	-52%

Our observations also showed significant declines in delayed mail. The workroom floor was generally clear of delayed mail, as Illustration 1 shows.

⁸ Delayed mail shown in the chart is based on first handling pieces we estimated by using National Revenue Pieces and Weight percentages for each non guaranteed class of mail. Express Mail® was not included as it is a guaranteed service. Source: Web-Enabled Enterprise Information System and Web Mail Condition Reporting System.

Illustration 1. Los Angeles P&DC's Workroom Floor Was Generally Clear of Delayed Mail, August 28 through September 1, 2006



Comparison to Similar-Sized Facilities

As a percentage of total mail volume, delayed mail for the Los Angeles P&DC was lower than the average for similar-sized (Group 1) facilities⁹ for First-Class, Priority, and Package Services Mail. For example, the average amount of delayed First-Class and Priority Mail from October 2004 through August 2006 for the Los Angeles P&DC was [REDACTED] respectively, compared to the Group 1 averages of [REDACTED]. (See Appendix C.)

However, the Los Angeles P&DC had a higher average for delayed Standard Mail and Periodicals. The average delayed Standard Mail from October 2004 through August 2006 for the Los Angeles P&DC was 7 percent, compared to

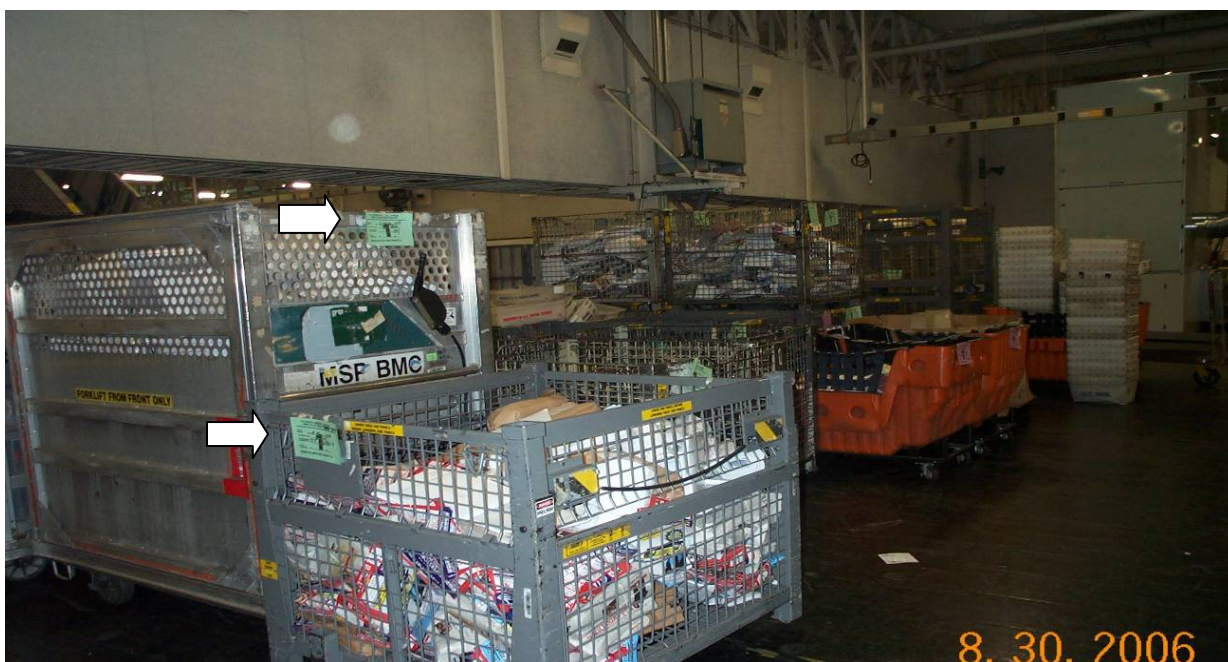
⁹ The Los Angeles P&DC is a Group 1 processing facility. A Group 1 facility processes the largest volume when compared to other processing and distribution facilities. In August 2006, there were 35 other Group 1 processing facilities.

the Group 1 average of 5 percent. The amount of delayed Periodicals was substantially higher, averaging almost 22 percent compared to the Group 1 average of almost 8 percent. This comparison indicates that the timely processing of Standard Mail and Periodicals needs improvement. (See Appendix C.)

Internal Controls

The Los Angeles P&DC generally had effective internal controls over identifying and reporting delayed mail. We found that during our observations mail was properly color-coded.¹⁰ We examined 144 mail containers and found no color-coding deficiencies. Each container had the correct color-code tag showing the date and time of arrival. Illustration 2 shows mail bearing the proper color code during our observations.

Illustration 2. Los Angeles P&DC Mail Was Properly Color-Coded During Our Field Visit, August 28 through September 1, 2006



¹⁰ The Postal Service uses color-coding to facilitate the timely processing, dispatch, and delivery of Standard Mail to meet established service standards. Color-coding allows the mail to be put in sequence to ensure first-in, first-out processing. Mail is properly color-coded when it bears a color-code tag showing the date and time the mail arrived at the facility. In Illustration 2, the color-code tags, marked with arrows, are displayed on the front of the containers. The green tag indicates that the mail must be processed by Wednesday.

The amount of delayed mail on-hand was accurately reported in the Web Mail Condition Reporting System¹¹ during our observations. We observed the count of mail at the Los Angeles P&DC on August 30, 2006. The count was accurate and reflected conditions on the workroom floor. We interviewed the employees responsible for counting the mail each morning. Both employees clearly understood the definition of delayed mail. We also noted that there was a system of controls in place for two levels of management (the Manager, Distribution Operations, and the Manager, In-Plant Support) to review inventories on the workroom floor and concur that counts of mail were accurate before data was entered into the Mail Condition Reporting System. We interviewed the Operations Support Specialist who was responsible for consolidating the count sheets, and we observed data entry into the system. We confirmed that the data entered matched the amounts recorded in the Web Mail Condition Reporting System.¹²

Causes of Delayed
Mail

We identified three major factors that adversely affected the Los Angeles P&DC's ability to process mail timely. Specifically:

- The July 2005 closure of the Marina P&DC caused a significant increase in workload at the Los Angeles P&DC.
- The February 2006 retrofitting of the flat sorting machines caused a temporary increase in machine downtime.
- There were deficiencies in the processing of Periodicals and Standard Mail.

Marina P&DC Closure

The closure of the Marina P&DC had a substantial impact on the Los Angeles P&DC mail processing operations because of the influx of mail volume and displaced employees.

¹¹ The Web Mail Condition Reporting System is a repository of information about the facility's mail conditions. These conditions are related to inventories of delayed mail and on-hand mail. A virtual daily snapshot of mail conditions at facilities nationwide is taken at the end of the processing day. Mail is considered delayed if it is not processed in time to meet its critical transportation dispatch. This information is entered in the Web Mail Condition Reporting System and is available to Postal Service officials at all levels for analysis, forecasting, and planning.

¹² Management also began taking corrective action based on the information recorded in the Web Mail Condition Reporting System. (See the section on Postal Service Action in this report.)

For example, delayed mail increased from 7.98 million pieces in June 2005, the month before the Marina P&DC closed, to over 21 million in July 2005, the month after the facility was closed. This was a 165 percent increase in delayed mail.

Table 2 shows the impact of the Marina P&DC closure by comparing volume, employee complement, and overtime 1 year before the closure and in the year immediately following the closure. As shown in Table 2, FHP volume increased by 30 percent, the employee complement increased by 19 percent, and overtime increased by 69 percent.

Table 2. Comparison of Los Angeles P&DC’s Volume, Employee Complement, and Overtime Before and After the Marina P&DC Closure

	Before Marina P&DC Closure (June 2004 to June 2005)	After Marina P&DC Closure (July 2005 to July 2006)	Percentage Increase
FHP Volume	2,306,410,371	3,005,677,678	30%
Average Complement	1,949	2,323	19%
Overtime Hours	434,104	735,056	69%

The impact of the Marina P&DC closure became even more apparent when volume, workhours, complement, productivity, and overtime were compared to the national average for all facilities that process mail. Table 3 shows that while the national average growth in volume from FYs 2003 to 2005 was almost 4 percent, volume at the Los Angeles P&DC increased almost 24 percent because of the Marina P&DC closure. In addition, the Los Angeles P&DC processed this 24 percent growth in mail volume with only a

5 percent increase in workhours. In comparison, national volume grew nearly 4 percent with an approximate 5 percent increase in workhours.

Productivity for the Los Angeles P&DC improved 17.5 percent, while national productivity declined by 1 percent. The comparison with the national average shown in Table 3 highlights the impact of the Marina P&DC closure on mail processing at the Los Angeles P&DC.

Table 3. Comparison of Los Angeles P&DC’s Volume, Employee Complement, and Overtime to the National Average,* FYs 2003 to 2005¹³

	National Percentage Change	Los Angeles P&DC Percentage Change	Percentage Difference
FHP Volume	3.7%	23.7%	20.01%
Workhours	4.8%	5.27%	.51%
Productivity (FHP/Workhours)	-1.0*%	17.5%	18.53%
Employee Complement	-12.6*%	12.5%	25.11%
Overtime	59.2%	128.1%	68.92%

*Negative numbers indicate a decrease in productivity and employee complement.

Retrofitting of Flat Sorting Machines

In February 2006, the Los Angeles P&DC began the process of retrofitting the flat sorting machines, which created a temporary challenge to the timely processing of mail. Retrofitting required the machines to be withdrawn from service, which increased machine downtime and adversely affected the Los Angeles P&DC’s ability to process flat mail timely.¹⁴

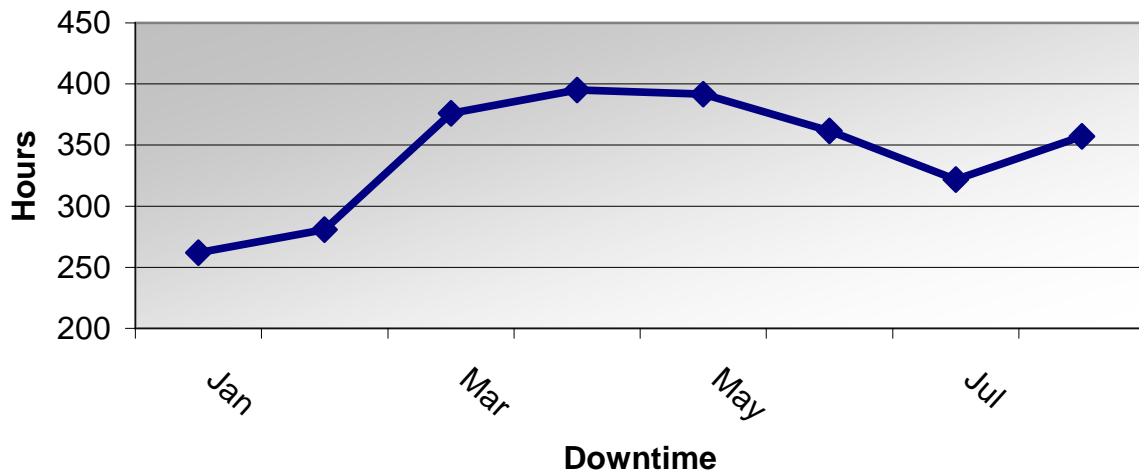
From January to February 2006, delayed mail increased 44 percent – from 16 million to 23 million pieces. However, once the retrofitting was completed, flat sorting machine operations improved. Chart 1 shows trends in machine

¹³ FY 2005 was the last completed fiscal year during our audit period.

¹⁴ Flat mail may include Priority, First-Class, Periodicals, and Standard Mail.

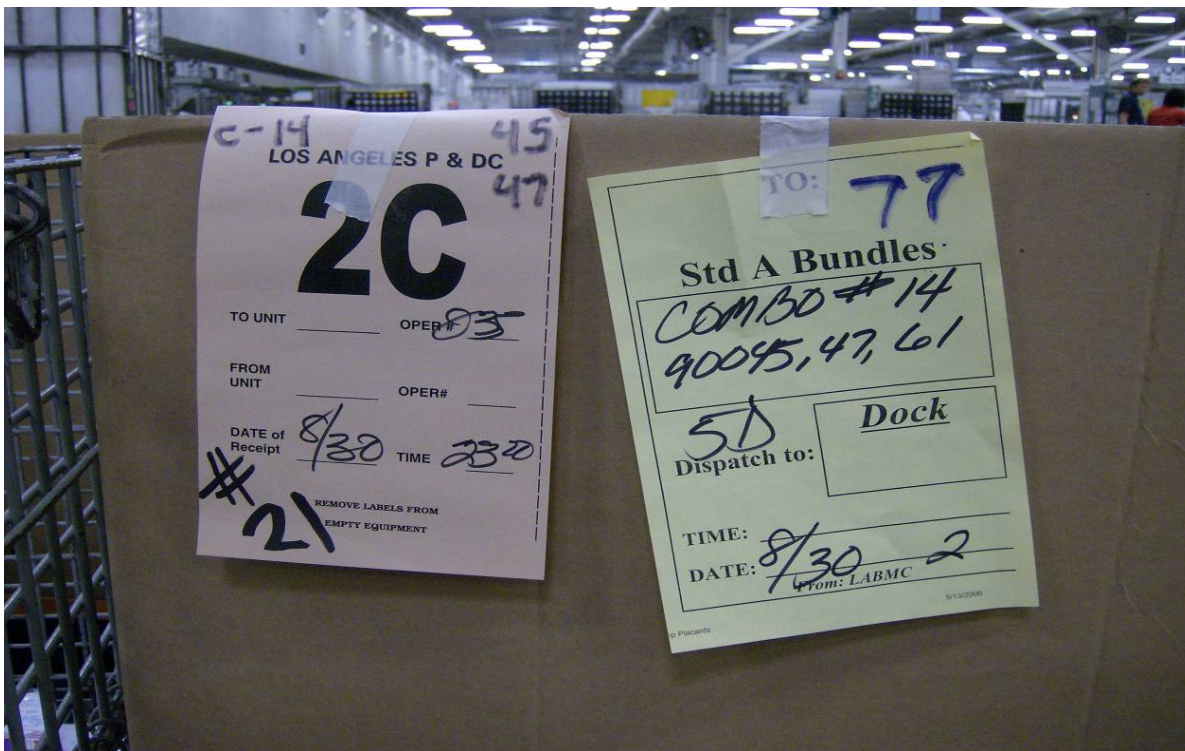
downtime. The chart shows that downtime increased after February 2006.

Chart 1: Downtime on Flat Sorting Machines at Los Angeles P&DC, January through August 2006



Periodicals Processing The Los Angeles P&DC also needed to improve the processing of Periodicals. Periodicals were delayed because they were commingled with Standard Mail, and the Los Angeles P&DC could not readily identify and expedite Periodicals to meet the higher service standards required. (See Illustration 3.)

Illustration 3. Periodicals Were Commingled with Standard Mail at Los Angeles P&DC, August 30, 2006¹⁵



When the Automated Package Processing System was installed at the Los Angeles Bulk Mail Center (BMC) in May 2006, Periodicals and Standard Mail received at the Los Angeles P&DC were dispatched to the BMC for processing. At the BMC, Periodicals and Standard Mail were commingled because BMC supervisors were unfamiliar with processing Periodicals. Illustration 4 shows delayed Periodicals we found during our observations.

¹⁵ The container shown in Illustration 3 includes Periodicals labeled as “2C” (Second Class Mail) and Standard Mail labeled as “Std A.”

Illustration 4. Delayed Periodicals at Los Angeles P&DC, August 30, 2006



Delayed Mail Impact

As a result of the delays, service performance at the Los Angeles Customer Service District declined significantly from FY 2004 levels. For example, in FY 2004, Los Angeles was above the national average service scores in all service categories.¹⁶ In comparison, 1 year later, the Los Angeles Customer Service District was below national average scores in all categories except for the Two-Day category. However, since that time service scores have substantially improved. As of August 2006, the Los Angeles Customer Service District exceeded two of the national service average scores and almost met national service averages for the other two service categories, Overnight and Three-Day.

¹⁶ Service categories include Overnight, Two-Day, Three-Day, and Two- and Three-Day categories.

The service rankings for the Los Angeles Customer Service District showed a similar trend. For example, in FY 2004, Los Angeles ranked 8th or lower in three of the four service categories and 27th in one of the categories.

In FY 2005, 1 year later, the Los Angeles Customer Service District was ranked as one of the lowest service performers in three of the four service categories. However, by August 2006, the Los Angeles Customer Service District showed a substantial improvement in its overall ranking and ranked no lower than 56th in any service category. (See Table 4.)

Table 4. Los Angeles Customer Service District’s Service Performance and Comparison to National Average Service Trends, October 2004 to August 2006

Service Category	Postal Quarter	Fiscal Year	Los Angeles Ranking Compared to National Ranking	[REDACTED]**	[REDACTED]
Overnight	QTD* August	2006	56 of 79	[REDACTED]	[REDACTED]
	Quarter 4	2005	77 of 79	[REDACTED]	[REDACTED]
	Quarter 4	2004	27 of 79	[REDACTED]	[REDACTED]
Two- and Three-Day	QTD* August	2006	21 of 80	[REDACTED]	[REDACTED]
	Quarter 4	2005	70 of 80	[REDACTED]	[REDACTED]
	Quarter 4	2004	2 of 80	[REDACTED]	[REDACTED]
Two-Day	QTD* August	2006	6 of 78	[REDACTED]	[REDACTED]
	Quarter 4	2005	18 of 78	[REDACTED]	[REDACTED]
	Quarter 4	2004	8 of 78	[REDACTED]	[REDACTED]
Three-Day	QTD* August	2006	53 of 80	[REDACTED]	[REDACTED]
	Quarter 4	2005	75 of 80	[REDACTED]	[REDACTED]
	Quarter 4	2004	3 of 80	[REDACTED]	[REDACTED]

*Quarter to Date (QTD) 8/31/2006

**Bolted scores show that the Los Angeles P&DC score exceeded the national average.

Postal Service Actions Los Angeles P&DC management has taken action to improve the timely processing of mail. A new plant manager started in April 2006, after a series of four plant managers over the past 3 years. In April 2006, management instituted a system to immediately report potential mail delays to the plant manager to determine what corrective action should be taken. When the retrofitting of the flat sorting machine was completed in July 2006, flat sorting machine operations also improved.

In addition, an area-level task force was formed in August 2006 to assess mail flows and operations and make

recommendations to improve the timeliness of mail processing. In August 2006, the Los Angeles BMC began processing Periodicals and Standard Mail separately and developed an operating plan to segregate this mail. Separating these two mail classes and processing them separately should reduce delayed mail at the Los Angeles P&DC.

Recommendations

To improve the timely processing of mail, we recommend the Manager, Los Angeles Customer Service District:

1. Correct deficiencies in the processing of Periodicals and Standard Mail.
2. Continue to monitor and adjust mail processing operations impacted by the influx in mail volume caused by the closure of the Marina Processing and Distribution Center to ensure that all mail is processed timely.

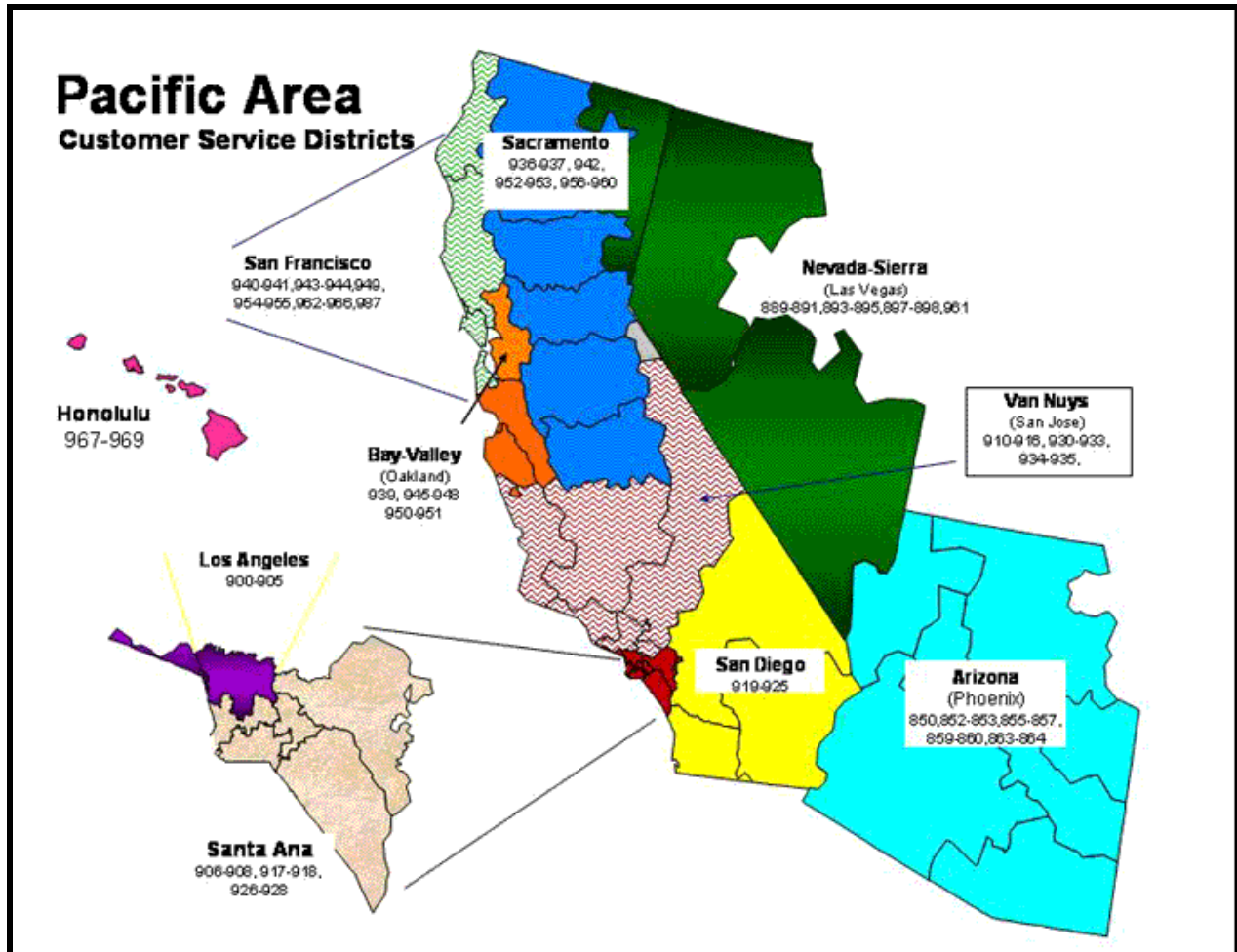
**Management's
Comments**

Management agreed with our findings and recommendations. They agreed to correct deficiencies in the processing of Periodicals and Standard Mail and to continue to monitor and adjust mail processing operations to ensure that all mail is processed timely. Management's comments, in their entirety, are included in Appendix D of this report.

**Evaluation of
Management's
Comments**

Management's comments are responsive to our recommendations. Management's actions taken should correct the issues identified in the report.

APPENDIX A PACIFIC AREA CUSTOMER SERVICE DISTRICTS BY THREE-DIGIT ZIP CODE AREA



PACIFIC AREA MAP

**APPENDIX B
PRIOR AUDIT COVERAGE**

Audit	Report Number	Issued Date	Audit Findings
Management Advisory – Las Cruces, New Mexico Delayed Mail	DR-MA-06-001	June 5, 2006	Delayed mail existed and management had not taken timely action to correct the problem.
Letter Carrier Delays in the Baltimore Customer Service District	TD-AR-03-001	July 28, 2003	Letter carriers were delayed because mail they were scheduled to deliver – mail that came from the processing and distribution center – was not available to them.
Management Advisory – Delayed Mail – Bridgecreek Station, Wichita Falls, Texas	TD-MA-03-002	March 19, 2003	Management was advised to take corrective action on delayed mail noted at Bridgecreek Station.
Management Advisory – Certified Mail Processing Operations at the Sacramento Processing and Distribution Center	AC-MA-02-001	August 30, 2002	Management took steps to improve certified mail processing operations during the 2002 tax season, which may have helped reduce certified mail delays.
Management Advisory – Delayed Letter Carrier Operations in the Capital Metro Area	TD-MA-02-005	August 29, 2002	Missent mail was rerouted to central post office hub operations, which delayed carrier operations.
Mail Processing Operations at New Haven Metropolitan Area Post Offices	AC-AR-02-001	October 17, 2001	Mail processing operations at New Haven Metropolitan Area Post Offices were satisfactory except for delayed Standard Mail. In addition, Standard Mail was not recorded and reported accurately in mail condition reports.

APPENDIX C

COMPARISON OF LOS ANGELES PROCESSING AND DISTRIBUTION CENTER'S DELAYED MAIL PERCENTAGES TO THE AVERAGE OF OTHER GROUP 1 FACILITIES,¹⁷ OCTOBER 2004 THROUGH AUGUST 2006

Class of Mail¹⁸	Percentage of LA P&DC Delayed Mail Compared to Total Volume October 2004 to August 2006	Average Percentage of Group 1 Sites Delayed* Mail Compared to Total Volume October 2004 to August 2006
Periodicals Mail	21.64	7.83
Standard Mail	7.10	5.41
Package Services	0.01	0.40
Total	4.42	3.16

*The average delayed percentage total for Group 1 sites does not include the Los Angeles P&DC.

¹⁷ The Los Angeles P&DC is a Group 1 processing facility. A Group 1 facility processes the largest volume when compared to other processing and distribution facilities. In August 2006, there were 35 other Group 1 facilities.

¹⁸ To determine the percentage of total volume that delayed mail represented by mail category, we used the piece amounts from the Revenue, Pieces, and Weight System reports. These were the official Postal Service estimates of its revenue, volume, and weight by mail class, subclass, and major special service for postal Quarter III, FY 2006, ending June 30, 2006. The percentages by mail category were as follows: [REDACTED], Periodicals Mail 4.41 percent, Standard Mail 48.20 percent, and Package Services .50 percent. We applied these percentages against FHP volume for each nonguaranteed class of mail for Function 1 for the Los Angeles P&DC and for all Group 1 sites.

APPENDIX D. MANAGEMENT'S COMMENTS



February 5, 2007

Kim H. Stroud
Director, Audit Reporting
Office of Inspector General
1735 N Lynn Street
Arlington VA 22209-2020

**Subject: Los Angeles Processing & Distribution Center
Report Number NO-AR-07Draft project Number 06XG046N000**

We agree with the findings and the recommendations in the report. As indicated in the report, Los Angeles has already made significant improvements concerning the timely processing of mail. Below is our detailed response to the recommendations made in the report.

Recommendation 1

Correct deficiencies in the processing of Periodicals and Standard Mail.

The Los Angeles Performance Cluster has:

1. Separated Periodicals and Standard Mail resulting in improved mail flow and timely processing.
2. Analyzed and prepared a diagram of mail flows in order to train employees and supervisors.
3. Developed an integrated operating plan between the Los Angeles Processing and Distribution Center and the Los Angeles Bulk Mail Center to eliminate unnecessary mail handling and improve processing efficiency.
4. Developed a monitoring system to ensure that Periodicals and Standard Mail are processed timely.

Recommendation 2

Continue to monitor and adjust mail processing operations impacted by the influx in mail volume caused by the closure of the Marina Processing and Distribution Center to ensure that all mail is processed timely.

The Los Angeles Performance Cluster has:

1. Installed an experienced and highly regarded plant manager.
2. Instituted a Mail Delay Alert System that provides prompt information regarding possibly mail delay problems. This system allows the plant manager to take immediate corrective action.

7001 S CENTRAL AVENUE, RM 354
LOS ANGELES, CA 90052-9597
TEL: 323-586-1400
FAX: 323-586-1482

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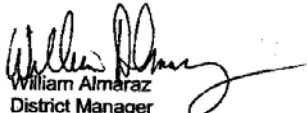
Recommendation 2 (cont)

Continue to monitor and adjust mail processing operations impacted by the influx in mail volume caused by the closure of the Marina Processing and Distribution Center to ensure that all mail is processed timely.

3. Completed the retrofit of multiple flat sorting machines, which has allowed the processing of flat shaped mail to be timely and efficiently processed.
4. Developed clear mail condition expectations and thresholds by category of mail, which has allowed all managers to be knowledgeable of processing expectations.
5. Established cross-functional teams of managers to ensure that service and mail processing improvements are being made.
6. Significantly improved the Automated Parcel Processing System resulting in better readability and reduction in rejects.

These actions have resulted in significant service improvement with regards to performance. The table below compares the Los Angeles Performance Cluster with the national average. These service scores indicate that the Los Angeles P&DC is at or exceeding the national average scores, with the exception of the Overnight category, where the Los Angeles Cluster is slightly below the national average.

Service Category	Postal Quarter	Fiscal Year		
Overnight	Quarter 4	2006		
Two- and Three-Day	Quarter 4	2006		
Two-Day	Quarter 4	2006		
Three-Day	Quarter 4	2006		


William Almaraz
District Manager
Los Angeles Cluster

WA-BP:VT:bl+9998