



August 6, 2007

FRANK NERI
DISTRICT MANAGER, PHILADELPHIA METROPOLITAN DISTRICT

SUBJECT: Audit Report — Mail Processing at the Southeastern Pennsylvania
Processing and Distribution Center
(Report Number NO-AR-07-007)

This report presents the results of our audit of the Southeastern Pennsylvania Processing and Distribution Center (P&DC), located in the Philadelphia Metropolitan District (Project Number 07XG008NO000). This audit was self-initiated as a result of issues identified while responding to a congressional inquiry¹ concerning the Southeastern P&DC. Our objective was to assess the timeliness of standard flat mail processing at the Southeastern P&DC.

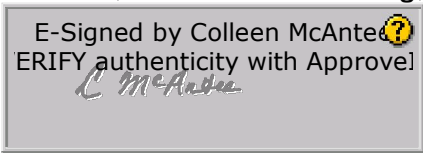
During the period December 2005 to December 2006, the Southeastern P&DC had difficulty with the timely processing of standard flat mail. Specifically, we found the Postal Service: adjusted mail processing procedures, processed standard flat mail without using a first-in first-out method, handled standard flat mail excessively due to poor trailer loading procedures, conducted inefficient opening operations for bulk mail center (BMC) sack mail, and only executed a partial contingency plan when flat volume exceeded sorting capacity. As a result, there were significant increases in delayed standard flat mail at this facility.

We made two recommendations in this report. During our audit, we also provided information to local management concerning our findings related to the loading of trailers and the processing of BMC sack mail. Local management acted on our suggestions and implemented the changes during our audit. Therefore, we are not making any recommendations on these issues.

Management agreed with our findings and recommendations. Management has initiatives completed or planned addressing the issues in this report. Management's comments and our evaluation of these comments are included in the report.

¹ We issued a closeout letter on December 8, 2006.

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 Processing, or me at (703) 248-2100.



Colleen A. McAntee
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Attachments

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EXECUTIVE SUMMARY

Introduction

The U.S. Postal Service Office of Inspector General reviewed the timeliness of standard flat mail operations at the Southeastern Processing and Distribution Center (P&DC). This audit was self-initiated based on issues identified while responding to a congressional inquiry concerning the Southeastern P&DC.

Results In Brief

During the period December 2005 to December 2006, the Southeastern P&DC had difficulty with the timely processing of standard flat mail. Specifically, we found the Postal Service: adjusted mail processing procedures which caused delays, processed standard flat mail without using a first-in first-out (FIFO) method, handled standard flat mail excessively due to poor trailer loading procedures, conducted inefficient opening operations for bulk mail center (BMC) sack mail, and only executed a partial contingency plan when flat volume exceeded sorting capacity.

39 U.S.C. Part 1, Chapter 1, Section 101 (a), states 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.”

Factors contributing to these conditions included: management turnover; poor communication concerning the handling, transportation, and processing of mail; poor supervisory oversight; and insufficient mail processing capacity at the Southeastern P&DC.

As a result, delayed standard flat mail at the Southeastern P&DC increased approximately 77 percent between fiscal year (FY) 2005 and FY 2006.

Summary of Recommendations

During our audit, local management acted on our suggestions and made changes to trailer loading procedures as well as the BMC sack mail processing operations. Therefore, we are not making any recommendations on these issues.

We recommended the District Manager, Philadelphia Metropolitan District, implement procedures for finalizing Southeastern P&DC's working mail at other facilities when volume exceeds capacity and instruct the plant managers to process mail using a FIFO method.

**Summary of
Management's
Comments**

Management agreed with our findings and recommendations. Management developed a plan to move mail to other surrounding plants for processing when volume exceeds capacity at the Southeastern P&DC. Management also instructed managers to use the FIFO method when processing mail. We have included management's comments, in their entirety, in Appendix C.

**Overall Evaluation of
Management's
Comments**

Management's comments are responsive to the findings and recommendations. Management's actions taken or planned should correct the issues identified in the report.

INTRODUCTION

Background

The Southeastern Processing and Distribution Center (P&DC) is located in the Philadelphia Metropolitan District in the Eastern Area. The district consists of the Southeastern, Lehigh Valley, and Philadelphia P&DCs.

In response to a congressional inquiry, the U.S. Postal Service Office of Inspector General visited the Southeastern P&DC in June 2006. While visiting the plant to resolve concerns related to this inquiry,² we observed significant amounts of delayed standard flat mail.³ In researching this issue, we noted that delayed standard flat mail increased by 77 percent between fiscal year (FY) 2005 and FY 2006. (See Delayed Mail Chart in Appendix A.)

The Southeastern P&DC processed over 1.23 billion first handled pieces in FY 2006 using approximately 1.37 million workhours. The P&DC has experienced significant changes in its workflow since December 2005 due to changes within the performance cluster.

In December 2005, the Southeastern P&DC's standard flat bundle⁴ processing, previously performed on their Small Parcel and Bundle Sorter (SPBS)⁵ machines, was transferred to the Lehigh Valley P&DC for processing on their Automated Package Processing System (APPS)⁶ machine which had been installed in October 2005. For a variety of reasons, district and local management decided to process the standard flat mail at the Lehigh Valley P&DC.

Objective, Scope, and Methodology

Our objective was to assess the timeliness of standard flat mail processing at the Southeastern P&DC. To accomplish

² The congressional inquiry raised three concerns about mail processing operations in the Philadelphia Metropolitan District. We concluded two allegations were substantiated and one was partially substantiated. We issued a closeout letter summarizing our work on December 8, 2006.

³ A class of mail consisting of mailable matter not required to be mailed as First-Class Mail® or as Periodicals. Flat mail exceeds the dimensions for letter-size but does not exceed the maximum dimension for the mail processing category.

⁴ A bundle consists of several pieces of mail tied or bundled together and handled as a single piece.

⁵ The SPBS sorts small parcels, irregular parcel post, bundles of mail, and priority mail. The SPBS is an operator-paced machine that sorts between 650 and 1,000 pieces per induction station per hour. Mail induction begins through input hoppers, which feed induction station conveyors. The conveyors present parcels to the operators who key the mailpieces to 3- or 5-digit ZIP code destinations. The mailpieces are then mechanically transported to the associated distribution bin.

⁶ The APPS machine sorts parcels and bundles of mail. The APPS machine was intended to replace the older, labor-intensive SPBS machine in larger offices.

the objective, we reviewed selected processing operations; conducted interviews and observations; and analyzed mail volume, workhours, productivity, service scores, and delayed mail trends. We also visited the Lehigh Valley P&DC to observe operations and interview personnel as it related to the processing of the Southeastern P&DC's standard flat mail.

We used computer-processed data from the Web Enterprise Information System, Web Mail Condition Reporting System, and the Enterprise Data Warehouse. We did not test controls over these systems. However, we checked the reasonableness of results by confirming our analyses and results with Postal Service managers and multiple data sources.

We conducted this audit from October 2006 through July 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 officials on December 20, 2006, and included their comments where appropriate.

Prior Audit Coverage

We have issued seven 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. For more details, see Appendix B.

AUDIT RESULTS

Assessment of the Timeliness of Standard Flat Mail Processing at the Southeastern Pennsylvania Processing and Distribution Center

During the period December 2005 to December 2006, the Southeastern P&DC had difficulty with the timely processing of standard flat mail. Specifically, we found the Postal Service:

- Adjusted mail processing procedures which caused delays.
- Processed standard flat mail without using a FIFO method.
- Handled standard flat mail excessively due to poor trailer loading procedures.
- Conducted inefficient opening operations for BMC sack mail.
- Executed only a partial contingency plan when flat volume exceeded sorting capacity.

39 U.S.C., Part 1, Chapter 1, Section 101 (a), states 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.”

While there were many contributing factors to the mail processing conditions, the primary cause occurred when the Postal Service moved standard flat bundle processing from the Southeastern P&DC to the Lehigh Valley P&DC.

Other factors which affected mail processing operations and led to delayed mail included:

- Ineffective communications concerning the handling, transportation, and processing of mail between the plants and the BMC.
- Inadequate supervisory oversight to ensure the oldest mail was processed first.

- Insufficient flat mail processing capacity at the Southeastern P&DC.

As a result of these changes, delayed standard flat mail at the Southeastern P&DC increased approximately 77 percent between FY 2005 and FY 2006.⁷ (See Illustration 1 below.)



Illustration 1 – Delayed Standard Flat Mail at the facility on Monday, September 11, 2006.⁸

Adjustments in Mail Processing Procedures Caused Delays in Standard Flat Mail Processing

In December 2005, the Postal Service moved the Southeastern P&DC standard flat bundle processing previously performed on the SPBS to the Lehigh Valley P&DC APPS machine. Management made this decision to accommodate:

- Removing an SPBS machine from the Southeastern P&DC, thus freeing up additional floor space.
- Closing an annex operation and moving several delivery barcode sorters back into the P&DC in the area formerly occupied by the SPBS.

⁷ District management was aware of some of the issues in this report; however, resources within the district have been directed towards successful implementation of the new Philadelphia P&DC.

⁸ We took this photograph on our second visit to the Southeastern P&DC while conducting work on the congressional inquiry.

- Providing additional mail volume to justify installation of the more productive APPS machine at the Lehigh Valley P&DC.

The adjustment in mail processing operations caused the Postal Service to incur excessive handlings while processing standard flat mail at the Southeastern P&DC. Furthermore, delayed standard flat mail at the Southeastern P&DC increased by 4.4 million pieces — or 77 percent — between FY 2005 and FY 2006. (See Illustration 2 below.)



Illustration 2 – Standard Flat Bundles waiting to be processed on the APPS machine at the Lehigh Valley P&DC, September 12, 2006.⁹

Audit Comment

While the adjustments in mail processing procedures were major factors in the amount of delayed standard flat mail, reverting back to the original processes and re-installing an SPBS machine was not a viable option. However, the recommendations in this report and actions taken by management on issues which occurred after moving bundle processing to the Lehigh Valley P&DC APPS machine should reduce the amount of delayed mail. For example, as we suggested during our review, the Postal Service changed trailer loading procedures and redirected 5-digit BMC flat bundles to the Lehigh Valley P&DC for more efficient processing. Thus, we did not make a specific recommendation on this finding.

⁹ See footnote 8.

First-In First-Out
Approach to
Processing Standard
Flat Mail Not Followed

The Southeastern and Lehigh Valley P&DCs did not always process standard flat mail as required in a FIFO manner For example:

- On Thursday, November 9, 2006, we identified four trailers of mail at the Southeastern P&DC that were received at the plant on November 4 and 5, 2006, and were waiting to be processed. We also observed trailers which had arrived several days later (November 7, 2006) that were already unloaded for processing.
- On Wednesday, November 8, 2006, at the Lehigh Valley P&DC, we observed mail color-coded¹⁰ violet (for Thursday clearance) being loaded on a trailer before some mail color-coded green (for Wednesday clearance). In fact, after the last trailer was filled with mail for dispatch back to the Southeastern P&DC, auditors observed several wire containers of green mail left on the dock. (See Illustration 3 below.)



Illustration 3 – Containers of mail with a green color-code (Wednesday) against the wall with violet mail (Thursday) staged in front of it, November 8, 2006.

¹⁰ All Standard Mail must be coded with the color that represents the day the mail is scheduled to be cleared through processing operations. A color code of green indicates a Wednesday clearance and a color code of violet indicates a Thursday clearance.

This occurred because supervisors did not always provide the necessary oversight to ensure processing of the oldest mail first. As a result, the Postal Service experienced delays in standard flat mail processing.

Excessive Handling of
Mail Due to Poor
Trailer Loading
Procedures

Standard flat mail returning to the Southeastern P&DC from the Lehigh Valley P&DC received excessive handling. The trailers contained 5-digit direct mail¹¹ intended for dispatch to the associate offices served by the Southeastern P&DC. We found the 5-digit mail commingled with working mail¹² (see Illustration 4 on next page); however, this direct mail needed no additional processing; it only needed unloading, cross-docking, and transporting to the associate offices.

Additional handlings are outlined as follows.

- Step 1: Mail handlers at the Southeastern P&DC back dock manually unloaded the entire contents of trailers coming from the Lehigh Valley P&DC. The working mail required further processing within the Southeastern P&DC. The Postal Service placed the mail in the plant or stored it in another trailer on the pad until floor space became available.
- Step 2: Mail handlers reloaded the 5-digit direct mail they just removed onto a second trailer for transporting to the front dock of the building.
- Step 3: The Postal Service again unloaded the 5-digit direct mail from the second trailer, cross-docked it into outbound trailers, and dispatched it to the associate offices.

¹¹ "Direct" mail refers to a sack or other container with each piece addressed to the same address, postal unit, or company.

¹² "Working" mail refers to mail brought into the Southeastern P&DC for additional processing on their mail processing equipment.

This occurred because of inadequate communication between the two plants on the logistics of loading the trailers.¹³ Because of the excessive mail handling, the potential existed for mail to be delayed.



Illustration 4 – A trailer of mixed 5-digit direct and working mail at the Southeastern P&DC's back dock, June 7, 2006.¹⁴

Corrective Actions
Implemented

During the audit, management took steps to minimize the commingling of mail on the trailers. They implemented our suggestion to separate the 5-digit direct and working mail into different trailers before it arrived at the Southeastern P&DC. Because management took proactive steps to address the situation, we did not make a recommendation on this issue.

Bulk Mail Center Sack
Operations Were
Inefficient

Sack mail operations were inefficient. We found the opening operations for BMC sack mail were not being performed at the appropriate facility to ensure efficient mail handling or the timely processing of standard mail flats. We observed the following process:

¹³ There have been six acting plant managers at the Southeastern P&DC since January 2006, which contributed to the communication issues. Because of the frequent turnover, management found it difficult to identify or correct the issues at the facility.

¹⁴ We took this photograph during our initial visit to the Southeastern P&DC while conducting work on the congressional inquiry.

- Step 1: 5- and 3-digit sack mail was commingled at the Philadelphia BMC prior to arriving at the Southeastern P&DC.
- Step 2: When the mail arrived at the Southeastern P&DC, the mail handlers brought it into the plant, opened all the sacks, and dumped the mail into wire containers for transport to Lehigh Valley P&DC.
- Step 3: Upon arriving at the Lehigh Valley P&DC, both the 5- and 3-digit bundles were inducted onto the APPS machine. Most of the 5-digit bundles were finalized on the APPS machine. However, processing the 3-digit bundles on the APPS machine reduced throughput capacity without finalizing any of this mail. All 3-digit bundles and those 5-digit bundles not finalized on the APPS machine were eventually returned to the Southeastern P&DC for processing.

Consequently, the Postal Service unnecessarily incurred handling and transportation costs for the 3-digit bundles.

These inefficiencies occurred because there was poor communication between the two plants and the BMC. This resulted in additional costs and the potential for delayed mail.

Corrective Actions Implemented	During the audit, management changed the procedures for sending the 5-digit bundles from the Philadelphia BMC directly to the Lehigh Valley P&DC. The 3-digit bundles were sent directly to the Southeastern P&DC and prepared for processing.
	These actions increased the efficiency of the opening operations and reduced the additional handlings and unnecessary transportation. Thus, we did not make a recommendation on this issue.

Flat Mail Volume Exceeded Sorting Capacity	While the Southeastern P&DC took steps to maximize machine throughputs, it did not fully execute a contingency plan when volume exceeded capacity during the 2006 fall mailing season.
--	--

- The Southeastern P&DC had the top performing AFSM – AI/ATHS¹⁵ operation in the country for October 2006, reaching 78.8 percent of targeted throughput. Operations continued to become more efficient and, during the week of November 4 through 10, 2006, reached an overall throughput efficiency of 83.5 percent.¹⁶
- Also, during the week of November 4 through 10, 2006, we noted the three AFSMs at the Southeastern P&DC operated in excess of 21 hours a day. The target operating time for this machine during the fall mailing season was 20 hours per day.

Despite optimizing machine performance, the Southeastern P&DC did not have a comprehensive contingency plan when volume exceeded capacity during the fall mailing season.

As a result, a significant volume of mail was delayed. During the week of November 4 through 10, 2006, the plant reported 233,371 pieces of delayed standard flat mail, along with 14 vans of delayed standard flat mail. The contents of the 14 vans equate to as much as 924,000 additional pieces of delayed standard flat mail.¹⁷ Management could have minimized this condition if Southeastern P&DC used the Lehigh Valley P&DC or other facilities to augment operations during peak volume periods.

Recommendations

We recommend the District Manager, Philadelphia Metropolitan District:

1. Implement a procedure for finalizing as much of the Southeastern Processing and Distribution Center's "working" mail as possible at other facilities within the immediate area when volume exceeds capacity.

¹⁵ Automated Flat Sorting Machine (AFSM) with the Automatic Induction (AI) and Automatic Tray Handling System (ATHS) enhancements. The AFSM sorts flat mail into zip code destination trays.

¹⁶ Targeted throughput was 2,040,000 total pieces fed per machine per week during the fall mailing season and 1,830,000 pieces during the summer mailing season.

¹⁷ Per the Manager of Distribution Operations (MDO) for Tour II, each van can contain up to 22 wire containers with approximately 3,000 pieces per container.

2. Instruct plant managers at the Southeastern and Lehigh Valley Processing and Distribution Centers to process mail using the first-in first-out method.

**Management's
Comments**

Management agreed with our findings and recommendations. They developed a plan to move mail to other surrounding plants for processing when volume exceeds capacity at the Southeastern P&DC, and instructed plant managers to use the FIFO method when processing mail. In addition, to expedite mail processing, management also indicated they would increase focus on throughputs at the Southeastern, Lehigh Valley, and Philadelphia P&DCs.

**Evaluation of
Management's
Comments**

Management's comments are responsive to the findings and recommendations. Management's actions taken or planned should correct the issues identified in the report.

APPENDIX A.

Delayed Standard Flat Mail at the Southeastern P&DC

Time Period	Delayed Standard Flats	Delayed Vans (Converted to Standard Flat Mail Pieces)¹⁸	Total Pieces of Delayed Standard Flat Mail
FY 2006	7,473,738	2,640,000 ¹⁹	10,113,738
FY 2005	5,644,876	66,000 ²⁰	5,710,876
Difference	1,828,862	2,574,000	4,402,862
Increase	+32.4%	+3900%	+77.1%

¹⁸ Per the MDO, at least 95 percent of the time the delayed vans contained standard flats and the remaining 5 percent contained standard letters.

¹⁹ The Southeastern P&DC reported 40 vans at approximately 66,000 pieces per van.

²⁰ The Southeastern P&DC reported one van with approximately 66,000 pieces.

APPENDIX B.
PRIOR AUDIT COVERAGE

Audit	Report Number	Issued Date	Audit Findings
<i>Timeliness of Mail Processing at the Los Angeles, California Processing and Distribution Center</i>	NO-AR-07-001	February 9, 2007	We advised management to correct deficiencies in the processing of Periodicals and Standard Mail.
<i>Management Advisory – Las Cruces, New Mexico Delayed Mail</i>	DR-MA-06-001	June 5, 2006	Delayed mail existed and management had not taken timely action to correct the problem.
<i>Letter Carrier Delays in the Baltimore District</i>	TD-AR-03-011	July 28, 2003	Letter carriers were delayed because the mail they were scheduled to deliver – mail that came from the P&DC – was not available to them.
<i>Management Advisory – Delayed Mail – Bridgecreek Station, Wichita Falls, Texas</i>	TD-MA-03-002	March 19, 2003	We advised management to take corrective action on delayed mail noted at Bridgecreek Station.
<i>Management Advisory – Certified Mail Processing Operations at the Sacramento Processing and Distribution Center</i>	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.
<i>Management Advisory – Delayed Letter Carrier Operations in the Capital Metro Area</i>	TD-MA-02-005	August 29, 2002	Missent mail was rerouted to the central post office “hub operations”, which delayed carrier operations.
<i>Mail Processing Operations at New Haven Metropolitan Area Post Offices</i>	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. MANAGEMENT'S COMMENTS

DISTRICT MANAGER
PHILADELPHIA METROPOLITAN PERFORMANCE CLUSTER



June 20, 2007

MEMORANDUM FOR KIM H. STROUD, DIRECTOR, AUDIT REPORTING

**SUBJECT: OIG Report Number NO-AR-07-DRAFT
Mail Processing at the Southeastern P&DC**

This is in response to your report, dated May 23, 2007 regarding the timeliness of standard flat mail processing at the Southeastern P&DC.

As stated in the draft audit, local management immediately implemented changes to correct many of the auditor's observations. Those changes included the following:

- Redirecting the 5-digit BMC sacks directly from the Philadelphia BMC to the Lehigh Valley P&DC.
- Redirecting the 3-digit BMC sacks directly to the Southeastern P&DC.
- Redirecting 5-digit flat bundles directly to Lehigh from the BMC.
- Organizing the trailers dispatched from Lehigh into "working" and "directs."

These changes have been standard operating procedures since the audit and have significantly improved daily operations.

The audit listed two recommendations; our action plans are as follows:

Recommendation #1

Implement a procedure for finalizing as much of the Southeastern P&DC "working" mail, as possible, at other facilities within the immediate area when volume exceeds capacity.

Response

The surrounding plant managers and in-plant managers met and have developed the following plan for this fall mailing season and for other time frames when volume exceeds capacity.

2970 MARKET STREET
PHILADELPHIA, PA 19104-9997
TELEPHONE #: (215) 895-8800
FAX #: (215) 895-8611

- 2 -

- 3-digit sacks normally sent to SEPA from the BMC will be diverted to the AMC for opening and processing on their AFSM 1000s. Approximate volume offload 54,000 per day.
- 3-digit pallets and APPS 3-digit volume from Lehigh Valley will be diverted to the Philadelphia P&DC for processing on their AFSM 100s. Approximate volume offload 80,000 per day.
- On Saturday nights, two trailers of pallets from SEPA will be diverted to the Philadelphia P&DC APPS for processing. This will help Lehigh APPS operations.
- The Lancaster P&DC will process 70,000 carrier route flats per day on their AFSM 100s.
- Manual bull pen operations will be established in the Southeastern, Lehigh, and Philadelphia P&DCs to assist with APPS/SPBS overflow volumes. If warranted, the Southeastern manual sack operation will be set up and worked in the Paoli facility.

Recommendation #2

Instruct plant managers at the Southeastern and Lehigh Valley P&DCs to process mail using the first-in first-out method.

Response

The plant managers have been instructed to use the first-in / first-out method. To assist in controlling the organized flow of the mail, the following items will be implemented:


- TANS managers at Lehigh, SEPA, and Philadelphia will coordinate their efforts to ensure an adequate supply of empty hampers and wiretainers is available at all times.
- Placards will be developed for the redirected mail volumes.
- TANS managers at the three P&DCs will serve as the control point for van content. Daily emails and tour turnover telecom discussions will take place concerning the content of each van on hand.

In addition to implementing the items listed in our responses to the recommendations, there will be a significantly increased focus on throughputs. While Southeastern was a top performing AFSM site in the country during the audit, increased focus on their SPBS throughputs will help reduce the on hand volumes.

- 3 -

In addition, there will be daily focus on the APPS and AFSM 100 throughputs in the Lehigh and Philadelphia P&DCs.

We appreciate your team's audit findings and recommendations. If you have any questions concerning our responses, please contact Plant Manager Thomas Kelley at 610-964-6401.



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District Manager/Lead Executive

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