August 6, 2009

ABELARDO P. MUNOZ, JR.
SENIOR PLANT MANAGER, SANTA CLARITA
  PROCESSING AND DISTRIBUTION CENTER

SUBJECT: Audit Report – Color-Coding of Standard Mail® and Mail Condition
                Reporting at the Santa Clarita Processing and Distribution Center
                (Report Number NO-AR-09-008)

This report focuses on color-coding[1] of Standard Mail and mail condition reporting at the Santa Clarita Processing and Distribution Center (P&DC), Santa Clarita, CA (Project Number 09XG024NO000). The objectives of the audit were to determine whether the Santa Clarita P&DC had an adequate mail color-coding process and properly counted mail. This is the second in a series of reviews addressing the new color-coding policy for Standard Mail. This audit, which U.S. Postal Service Headquarters Processing Operations Management requested, addresses operational risks. See Appendix A for additional information about this audit.

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[1] The Postal Service uses a system of color-coding to facilitate timely movement of Standard Mail. The color-code process assigns a color to each day of the week.

Conclusion

The Santa Clarita P&DC generally color-coded the mail to reflect color-coding requirements as of August 29, 2008. However, employees did not properly color-code some mail or did not use the standardized color-code tag. In addition, we found not all delayed mail was reported. For example, employees counted over 48,000 mailpieces but did not record them as delayed. Management took immediate corrective actions and reported the delayed mail.[2]

Color-Coding of Standard Mail

Of the 240 staged Standard Mail containers reviewed, 226 (about 94 percent) were properly color-coded and the remaining 14 were not color-coded in accordance with policy. Specifically:

- Eight (about 3 percent) were missing color-code tags.
- Two (less than 1 percent) were missing the time and/or date from the tag.
- Four (about 1.7 percent) were tagged with multiple color tags.

We also found that when mail bearing different color-codes was processed together; it was not always properly re-color-coded. Additionally, the color-code tag the Santa Clarita P&DC used was a modified version of the national standardized tag.

These conditions occurred due to:

- Confusion as to the application of the new color-code policy.
- No local procedures for maintaining the mail color-code after processing.

Without accurate color-coding, the Postal Service cannot ensure timely processing, dispatch, and delivery of Standard Mail. Without a date and time on the tag, the Postal Service cannot determine whether employees processed Standard Mail using the first-in first-out (FIFO) method.[3] Additionally, the Postal Service cannot readily track service standards and accurately report mail conditions in the web-based Mail Condition Reporting System (MCRS). Failure to accurately color-code and date the mail could also confuse delivery units about when the mail needs to be delivered. See Appendix B for our detailed analysis of this topic.

We recommend the Senior Plant Manager, Santa Clarita Processing and Distribution Center:

1. Provide training to ensure proper color-coding of Standard Mail according to Postal Service policy.

2. Establish local procedures to maintain the correct color-code throughout processing.

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[2] Management took immediate corrective action to label all containers with the standardized tag.
[3] Mail is staged and processed based on order of receipt.

Management's Comments

Management agreed with the findings and recommendations and corrected the deficiencies. In addition, all applicable employees completed training and supervisors initiated daily reviews of reports. All Distribution Supervisors will receive semiannual color-code tests to ensure compliance with color-code policy. See Appendix D for management's comments in their entirety.

Mail Condition Reporting

The Santa Clarita P&DC was not accurately reporting delayed mail. For example, on June 2, 2009, the mail counter in the Santa Clarita P&DC recorded 48,044 mailpieces scheduled for delivery on June 3 as on-hand, but did not report the volume as delayed.[4] Bringing this to the attention of plant management resulted in reporting the volume as delayed.

These conditions occurred because:

- Management did not oversee the employee performing the mail count.
- The counter misinterpreted the policy, believing they had until the delivery day to process the mail before reporting it as delayed.
- Employees did not review count sheets prior to input in MCRS.

Not properly reporting delayed and on-hand mail volumes may prevent management from making effective operational decisions. This could also impact customer service without management's knowledge. See Appendix B for our detailed analysis of this topic.

We recommend the Senior Plant Manager, Santa Clarita Processing and Distribution Center:

3. Oversee employees to ensure the accurate counting and reporting of Standard Mail volume according to Postal Service policy.

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[4] On June 2, 2009, the Santa Clarita P&DC had 480,596 pieces of Standard Mail on hand. The 48,044 pieces of delayed mail represent 10 percent of this volume.

Color-Coding of Standard Mail and Mail Condition Reporting at the
  Santa Clarita Processing and Distribution Center

NO-AR-09-008

Management's Comments

Management agreed with the finding and recommendation. The Lead Manager, Distribution Operations, and plant support staff are verifying mail condition reports on a daily basis.

Evaluation of Management's Comments

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

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact James L. Ballard, Director, Network Processing, or me at (703) 248-2100.

E-Signed by Robert Batta
VERIFY authenticity with ApproveIt
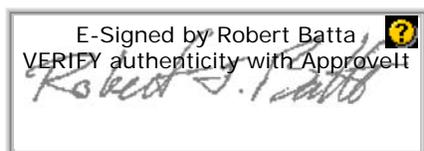
Robert J. Batta
Deputy Assistant Inspector General
  for Mission Operations

Attachments

cc: Patrick R. Donahoe
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APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

Standard Mail is essential to the growth of the Postal Service and is a major factor in its economic health.[5] Standard Mail accounts for approximately 49 percent of all mail volume and 27 percent of the revenue of the U.S. Postal Service per year.[6] Delivering Standard Mail timely is important for operational efficiency and customer satisfaction.
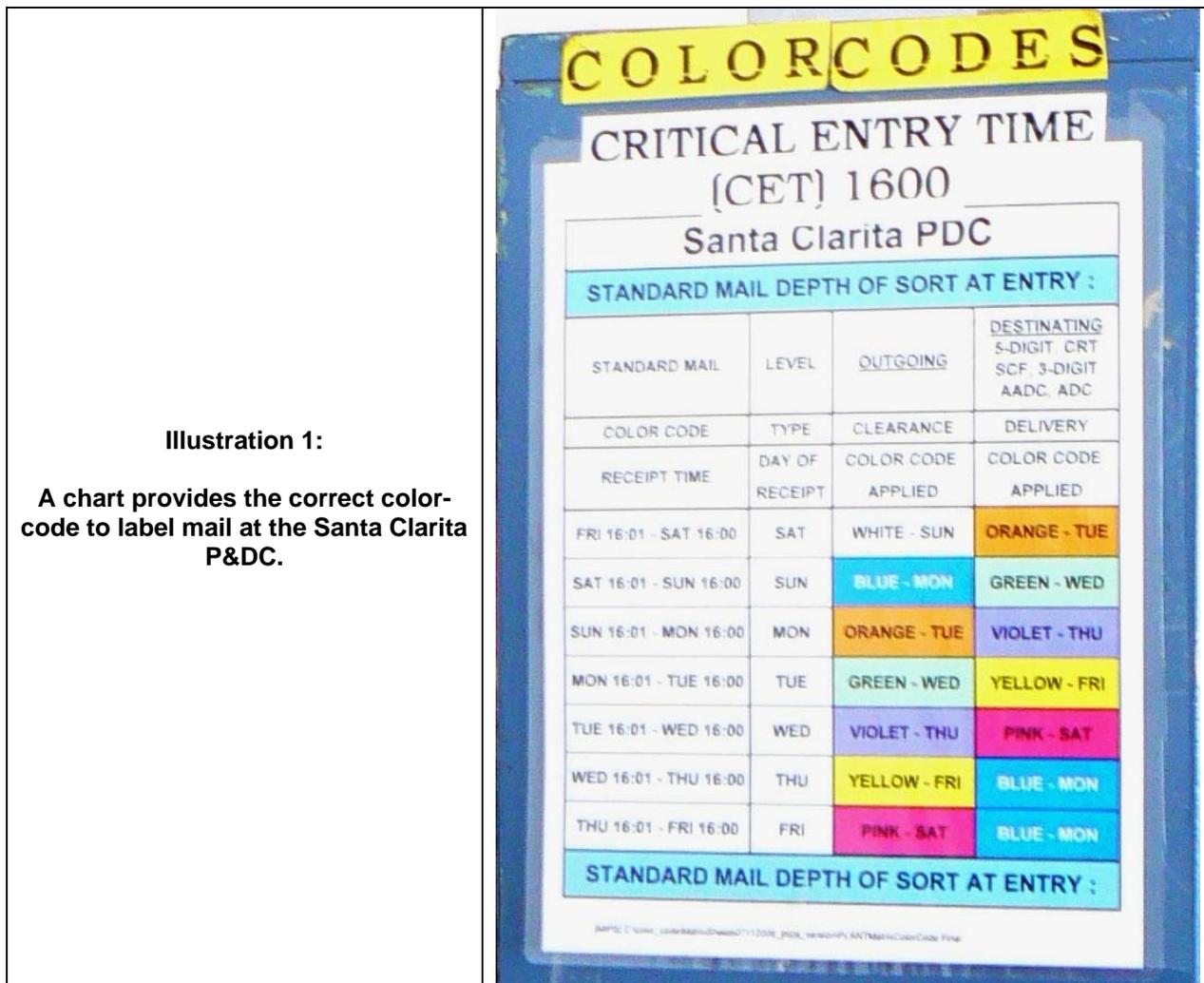
The Postal Service uses a system of color-coding to facilitate timely movement of Standard Mail. The color-code process assigns a color to each day of the week. This enables easy processing of mail using the FIFO method. Management updated the color-coding policy on June 17, 2008, with an effective date of August 29, 2008. In December 2008, management made an additional update to the policy clarifying reporting requirements. The Postal Accountability and Enhancement Act of 2006 requires delivery standards for all classes of mail. While standards have not changed, the policy maintains the integrity of the color-code from processing to delivery. The service standard for Standard Mail is 3–10 calendar days.

MAJOR CHANGES TO THE NATIONAL COLOR-CODE POLICY FOR STANDARD MAIL	
Old Policy	**New Policy** — **Updated August 29, 2008**
Each unit establishes their Critical Entry Time (CET)	National CET 1600 standardized at all facilities nationwide
Bulk Mail Center (BMC) not required to color-code	BMC required to color-code
New color-code at each entry point and level of distribution	Once delivery color-code is applied, maintain through to delivery unit
MCRS reports delayed mail, plan failure, and delayed dispatch	MCRS reports delayed mail flow
No standardized placarding	National standardized placarding
Each unit had own color-code method	Standardized tags to identify the facility applying the color-code
Color-coded for last mailer "In-Home" date	Color-coded based on time and date of receipt

Policies and procedures pertaining to the color-coding system are set forth in Section 458 of the *Postal Operations Manual* (POM). The Postal Service is revising the POM to reflect changes in the new color-code policy.

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[5] Standard Mail weighs less than 16 ounces and includes circulars, pamphlets, catalogs, newsletters, direct mail, and merchandise.
[6] *U.S. Postal Service Annual Report, 2008.*

Illustration 1:

A chart provides the correct color-code to label mail at the Santa Clarita P&DC.

COLORCODES

CRITICAL ENTRY TIME (CET) 1600

Santa Clarita PDC

STANDARD MAIL DEPTH OF SORT AT ENTRY :

STANDARD MAIL	LEVEL	OUTGOING	DESTINATING 5-DIGIT CRT SCF, 3-DIGIT AADC, ADC
COLOR CODE RECEIPT TIME	TYPE DAY OF RECEIPT	CLEARANCE COLOR CODE APPLIED	DELIVERY COLOR CODE APPLIED
FRI 16:01 - SAT 16:00	SAT	WHITE - SUN	ORANGE - TUE
SAT 16:01 - SUN 16:00	SUN	BLUE - MON	GREEN - WED
SUN 16:01 - MON 16:00	MON	ORANGE - TUE	VIOLET - THU
MON 16:01 - TUE 16:00	TUE	GREEN - WED	YELLOW - FRI
TUE 16:01 - WED 16:00	WED	VIOLET - THU	PINK - SAT
WED 16:01 - THU 16:00	THU	YELLOW - FRI	BLUE - MON
THU 16:01 - FRI 16:00	FRI	PINK - SAT	BLUE - MON

STANDARD MAIL DEPTH OF SORT AT ENTRY :

In support of the changes to the National Color-Code Policy, management also made changes to the MCRS. Categories in the MCRS such as Plan Failure, Delayed Processing, and Delayed Dispatch are no longer reported for Standard Mail. The term "Delayed Mail Flow for Standard Mail" is a new MCRS definition and occurs when mail is not processed, finalized, or dispatched from a specific operation or facility to ensure delivery by the programmed delivery day.

Management updated the national color-coding policies to include changes recommended in prior U.S. Postal Service OIG reports. This is the second report reviewing implementation of the updated policies**.**

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to determine whether the Santa Clarita P&DC had an adequate mail color-coding process and properly counted mail.

This is the second in a series of audits addressing color-coding and mail reporting at P&DCs nationwide. We selected the Santa Clarita P&DC based on the recommendation of Postal Service Headquarters.

To determine whether color-coding procedures conformed to the National Color-Code Policy, we observed color-coding of Standard Mail at the Santa Clarita P&DC during the week of June 1, 2009. Additionally, we verified the mail count and reviewed count data put into the MCRS. We interviewed Postal Service officials and employees and photographed operations and observed conditions.

We used computer-processed data from the following systems:

- Web Enterprise Information System
- MCRS
- Enterprise Data Warehouse

We did not test controls over these systems. However, we checked the reasonableness of results by confirming our analysis and results with Postal Service managers.

We conducted this performance audit from May through August 2009 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management officials on June 4, 2009, and included their comments where appropriate.

PRIOR AUDIT COVERAGE

Report Title	Report Number	Final Report Date	Report Results
Color-Code Capping Report[7]	NO-MA-07-003	September 28, 2007	Opportunities were identified to improve the color-coding process nationwide. Management agreed with the report recommendations.
Mail Condition Reporting at International Service Centers Capping Report[8]	NO-AR-08-005	August 5, 2008	There were opportunities to improve mail condition reporting. While reports were timely, they were often incomplete and inaccurate. Management agreed with the report recommendations.
Color-Coding of Standard Mail and Mail Condition Reporting at the West Palm Beach Processing and Distribution Center	NO-AR-09-006	June 9, 2009	Opportunities exist for the West Palm Beach P&DC to improve color-coding and reporting of delayed mail to reflect the color-coding and delayed mail reporting requirements as of August 29, 2008. Management agreed with the report recommendations.

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[7] This capping report summarized the results of four audits on color-coding.
[8] This capping report summarized the results of four audits on mail condition reporting.

APPENDIX B: DETAILED ANALYSIS

Color Coding of Standard Mail

During the week of June 1, 2009, we examined 240 staged containers of Standard Mail for compliance with the National Color-Code Policy. We found that 226 (about 94 percent) containers were properly color-coded. Of the 14 containers not properly color-coded, we found:

- Eight (about 3 percent) were missing color-code tags.
- Two (less than 1 percent) were missing the time and/or date from the tag.
- Four (about 1.7 percent) were tagged with multiple color tags.
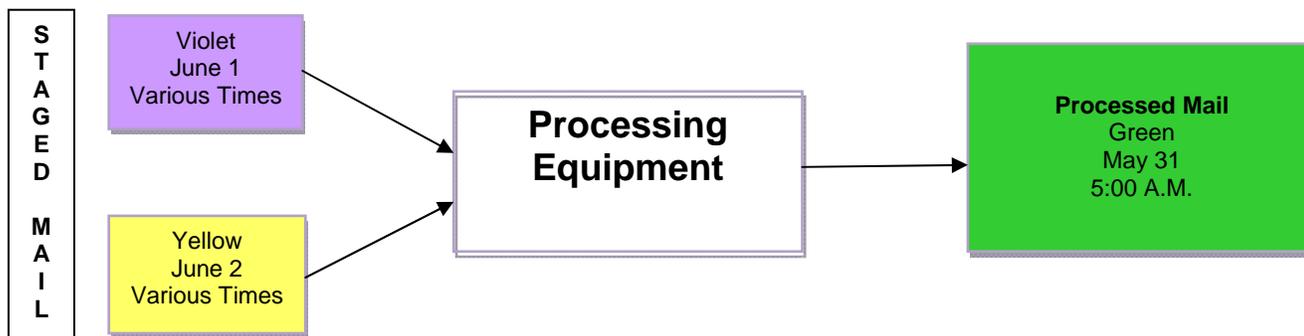
See Appendix C for a chart of the observations.

Illustration 2:

A container of Standard Mail with multiple color-code tags. This container was color-coded blue for Monday delivery by the Los Angeles BMC and has an additional tag the Santa Clarita BMC added indicating Saturday delivery.
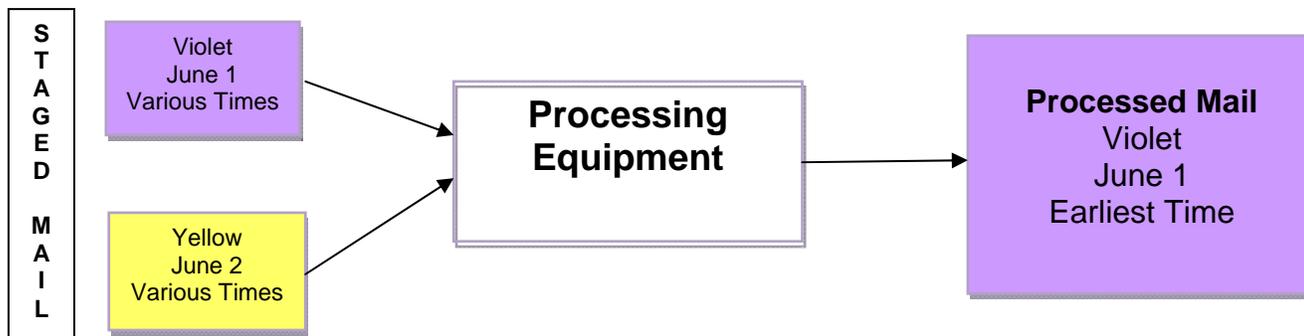
In addition, we found that color-coding could be improved at the Automated Package Processing System machine. Chart 1 shows two groupings of mail before processing – the older mail represented by a violet color tag, dated June 1 and more recent mail represented by the yellow color tag, dated June 2. After the mail was processed we observed employees incorrectly attach a green tag to all the mail and date it May 31, with a 5 a.m. processing time. This process actually incorrectly inflates their delayed mail volumes.

Chart 1: Process Observed at the Santa Clarita P&DC

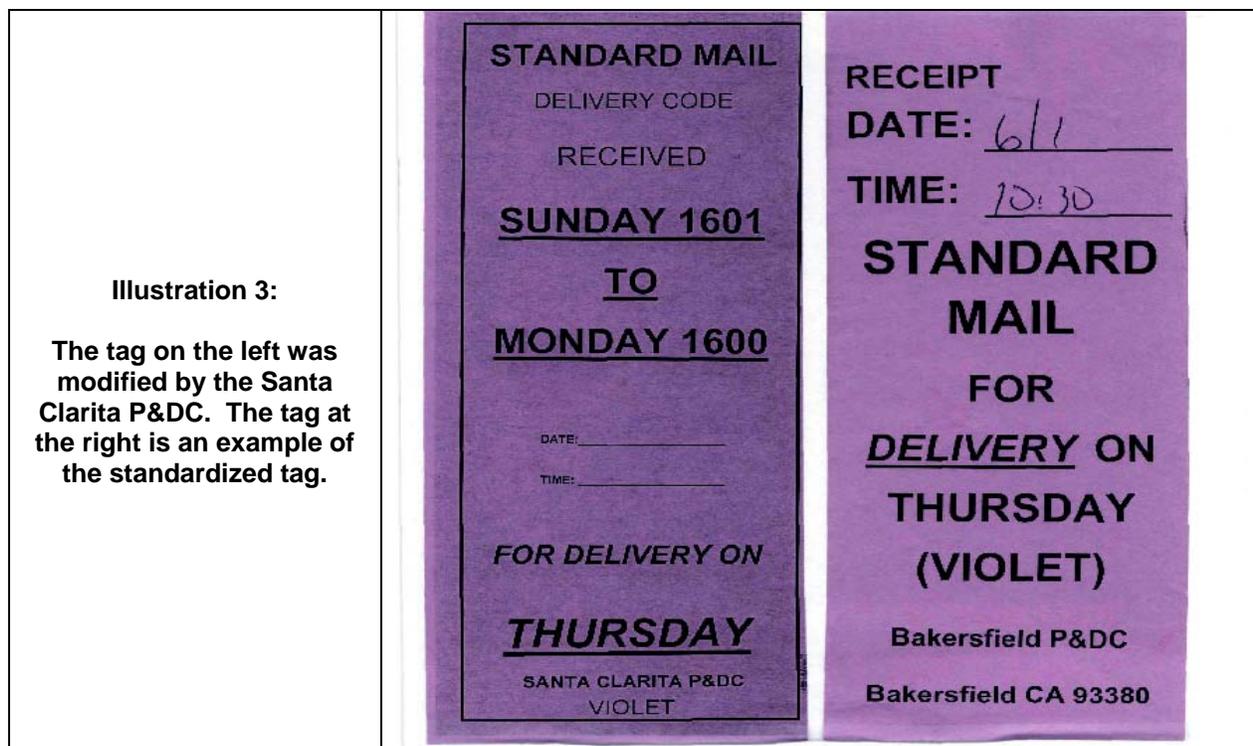| **S T A G E D M A I L**	Violet June 1 Various Times	→	**Processing Equipment**	→	**Processed Mail** Green May 31 5:00 A.M.
	Yellow June 2 Various Times				

Rather, the proper procedure as depicted in Chart 2 was to tag all the mail with the oldest date of June 1 represented by the violet color tag. After the mail was processed, all the new violet color-code tags should have received the earliest time of the June 1 mail.

Chart 2: The Correct Procedure for Color-Coding the Mail

S T A G E D M A I L	Violet June 1 Various Times	→	**Processing Equipment**	→	**Processed Mail** Violet June 1 Earliest Time
	Yellow June 2 Various Times				

We also found the Santa Clarita P&DC created their own version of the National Color-Code tag. In an attempt to assist their employees, they added information related to receipt of the mail. While this may be helpful in certain situations, headquarters has not approved the tag modification, which can cause confusion. Management took immediate corrective action to label all containers with the standardized tag.

| Illustration 3:

The tag on the left was modified by the Santa Clarita P&DC. The tag at the right is an example of the standardized tag. | STANDARD MAIL
DELIVERY CODE
RECEIVED

SUNDAY 1601
TO
MONDAY 1600

DATE:_____
TIME:_____

FOR DELIVERY ON

THURSDAY
SANTA CLARITA P&DC
VIOLET | RECEIPT
DATE: 6/1
TIME: 10:30
STANDARD MAIL
FOR
DELIVERY ON
THURSDAY
(VIOLET)
Bakersfield P&DC
Bakersfield CA 93380 |

Causes

These conditions occurred due to:

- Confusion as to application of the new color-code policy.
- No local procedures for maintaining the mail color-code after processing.

Criteria

According to the National Color-Code Policy for Standard Mail, color-coding procedures provide a guide to help maintain service goals for Standard Mail. All Standard Mail will be color-coded and Standard Mail without a color-code will be coded the same as the oldest mail in the unit at the time of its discovery. Additionally, all color-code tags will comply with a standardized national format which will require employees to enter the date and time of mail entry on each tag. The delivery color-code is based on the original entry date and time of the mail, not the processing date or time. Additionally, the P&DC must develop local procedures to ensure they maintain the correct color-code for all mail based on its arrival, even when such mail is entered into mechanized or automated sorting systems.

Effect

The Postal Service cannot ensure the timely processing, dispatch, and delivery of Standard Mail. Without a date and time on the tag, the Postal Service cannot determine whether employees processed Standard Mail using the FIFO method. Additionally, the

Postal Service cannot readily track service standards and accurately report mail conditions in MCRS. Advancing the color-code of the mail limits the delivery unit's ability to timely process and deliver the mail.

Mail Condition Reporting

During our observations the week of June 1, 2009, the Santa Clarita P&DC was not accurately reporting delayed mail. For example, on June 2, 2009, the mail counter in the Santa Clarita P&DC recorded 48,044 mailpieces scheduled for delivery on June 1 as on-hand, but did not report the volume as delayed. The counter stated they always recorded the next day's mail in this fashion. The Santa Clarita P&DC did not document the volume of mail on-hand by delivery day; therefore, we were not able to enumerate the volume underreported prior to our observations. Bringing this issue to the attention of plant management resulted in reporting the volume as delayed mail flow.

Criteria

According to the National Color-Code Policy and the policy for mail condition reporting, reporting delayed mail flow for Standard Mail is necessary to provide an accurate snapshot of daily facility conditions for Standard Mail. Additionally, destinating 5-digit non–Delivery Point sequencing mail[9] should be reported as delayed 1 day before the scheduled delivery day.

Cause

These conditions occurred because:

- Management did not provide oversight to the employee performing the mail count.
- The counter misinterpreted the policy believing they had until delivery day to process the mail before reporting it as delayed.
- Management did not review count sheets prior to input in MCRS.

Effect

Not properly reporting delayed mail and on-hand volumes may prevent management from making effective operational decisions. Customer service could be impacted without management's knowledge.

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[9] Mail that requires further sorting down to the carrier route.

APPENDIX C: OBSERVATIONS OF COLOR-CODING OF STAGED MAIL AT THE SANTA CLARITA P&DC

Date	Time	Location	Containers Observed	Missing Tags	Incomplete Tags	Wrong Color	Tag Origin	Error Rate Percentage
6/1/2009	2115	Door 50 Dock	6	0	0	0	BMC	0
6/1/2009	2120	Door 43 Dock	3	0	0	0	BMC	0
6/1/2009	2125	Door 42 Dock	21	0	0	0	BMC	0
6/2/2009	1700	Door 43 Dock	25	0	0	0	P&DC	0
6/2/2009	1720	Door 43 Dock	12	0	0	4	BMC/P&DC	33
6/3/2009	500	APPS staging	2	0	2	0	P&DC	100
6/3/2009	930	APPS staging	6	0	0	0	P&DC	0
6/3/2009	1215	Robot area	7	0	0	0	P&DC	0
6/3/2009	1620	AFSM staging	9	0	0	0	P&DC	0
6/3/2009	1640	Automation staging	66	0	0	0	P&DC	0
6/3/2009	2245	Door 47 Dock	35	0	0	0	BMC/P&DC	0
6/5/2009	1000	Door 43 Dock	29	3	0	0	P&DC	10
6/5/2009	1003	Door 49 Dock	11	2	0	0	BMC/P&DC	18
6/5/2009	1005	APPS staging	8	3	0	0	BMC	37
Total			**240**	**8**	**2**	**4**		
Percent								**6**

APPENDIX D. MANAGEMENT'S COMMENTS

SENIOR PLANT MANAGER
SANTA CLARITA PROCESSING & DISTRIBUTION CENTER

UNITED STATES
POSTAL SERVICE

JUL 28 2009

MEMORANDUM FOR: LUCINE WILLIS, DIRECTOR
                             AUDIT OPERATIONS

SUBJECT: TRANSMITTAL OF DRAFT AUDIT REPORT – COLOR CODING OF
                        STANDARD MAIL AND MAIL CONDITION REPORTING AT THE SANTA
                        CLARITA P&DC (REPORT NUMBER NO-AR-090-DRAFT)

Thank you for your assistance and expertise on the subject color-code audit conducted at the Santa Clarita P&DC the week of June 1st, 2009. I have taken the opportunity to address each of the color-code discrepancies with all tour managers and we are confident Santa Clarita PDC is in compliance with the National Color-Code policy.

My staff and I met and agree with the findings and recommendations of this review and have taken necessary steps to rectify discrepancies.

The specific findings and recommendations are as follows:

1 – <u>Employees did not properly color-code 14 of 226 containers.</u> Eight of the 14 containers did not have the color-code tag attached, two had no time and four had multiple tags, all due to inattention. These deficiencies were corrected immediately and the policy was reiterated to all employees including unit supervisors. The Sierra Coastal District color-code Coordinator and Operations Support Specialist, conducted refresher color-code training (course number 51201-62) to 107 mail handlers and clerks, on all three tours in May, 2009. Between March and May, 2009, one on one color-code training was conducted with those dedicated employees performing the daily mail condition reporting. ▮▮▮▮▮▮▮▮▮▮▮▮▮▮
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2 – <u>Not all delayed Standard Mail was reported in MCRS.</u> The individuals performing the mail condition counts have been retrained to ensure accuracy. The Lead MDO and In Plant Support now reviews and signs the report prior to input. There was some confusion as to letters processed for DPS and the actual delivery date in the Post Offices. This has been rectified.

3 – <u>Combined color-coded mail was not always properly color-coded upon completion.</u> Due to the decline in mail volume, at times, it is efficient to process two delivery day's Standard mail together. SDO's monitor the finished product to upgrade the color-code to the oldest delivered date. All employees have been reminded and instructed of the importance of proper color-coding to meet customer service standards. Both the Tour One Lead MDO and IPS review each operation and collaborate daily to ensure 100% accuracy of container color code and mail condition reporting.

4 – <u>Usage of modified version of the National Standardized tag.</u> The SCP&DC modified the existing tag in an effort to further clarify its meaning to all employees. Upon notification, the tags were immediately discarded and replaced with those provided in the National policy.

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TRANSMITTAL OF DRAFT AUDIT REPORT
COLOR CODING OF STANDARD MAIL AND
MAIL CONDITION REPORTING AT THE SANTA CLARITA P&DC
(REPORT NUMBER NO-AR-090-DRAFT)

2

5 – Color-coding could be improved at the Automated Parcel Post Sorter. This mistake was an anomaly by the SDO. It was immediately corrected as the mail was not for Wednesday delivery but for Thursday delivery. Again, the policy was reviewed with this SDO and APPS employees. Upon completion of the formal color-code training, each EAS SDO was required to successfully pass a color-code test prepared by the instructor. This test is given on a semi-annual basis to keep focus elevated.

After the review was conducted, we instituted weekly Color-Code audit requirements to keep elevated focus on these procedures. I can provide copies upon your request if necessary. We will continue to monitor and train to ensure 100% compliance.

Please feel free to contact me at (661) 775-7800 or Larry Engler, MIPS at (661) 775-7811 should you have any additional questions or concerns.

Larry Munoz, Senior Plant Manager
Santa Clarita Processing & Distribution Center

cc: Kerry Wolny, District Manager
        Larry Engler, Manager, In Plant Support
        Pat Allen, Senior MDO
        Tina Jaramilla, Lead MDO, Tour 1
        Kit Satanpong, Lead MDO, Tour 2
        Eric Egardo, Lead MDO, Tour 3