OFFICE OF
INSPECTOR
GENERAL
UNITED STATES POSTAL SERVICE

Audit Report

Delayed Mail at the Denver, CO, Processing and Distribution Center

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Highlights

Objective

The objective of our audit was to determine the cause of mail processing delays reported at the Denver, CO, Processing and Distribution Center (P&DC).

The U.S. Postal Service reports mail processing delays when mail is not processed in time to meet its established delivery or when mail is processed but not on the dock in time for scheduled transportation to delivery units.

From October 2017 through June 2018, there were over 106 million mailpieces reported as mail processing delays at the Denver P&DC, a 57 million mailpiece (53 percent) increase from the amount reported in fiscal year (FY) 2017.

Mail processing facilities are required to complete daily mail counts and self-report processing delays and late arriving mail and enter the information into the web Mail Condition Reporting System (MCRS). When mail processing delays occur at a facility, there is an increased risk it won't be delivered by its established delivery date.

Mail processing facilities use the Run Plan Generator (RPG) to manage mail processing operations. The RPG combines site-specific mail processing machines, sort programs, maintenance requirements, mail volume, and the rate at which machines process mail to project daily machine run plans. This assists management with meeting established clearance times (the latest time mail can complete a mail processing operation) and ensuring transportation trips depart on time.

What the OIG Found

Mail processing delays at the Denver P&DC were due to facility management and employees not using the RPG to manage mail processing operations and meet established mail processing clearance times; not removing incorrect color-code tags and applying the proper color-code tags; not staging mail in proper sequential order; and not having procedures in place to identify and report all late arriving mail in their MCRS reports.

Specifically, in the first three quarters of FY 2018, the facility has only met one of the three weekly mail processing measures seven of 39 times (18 percent) and did not meet the other two weekly mail processing measures any of the possible 39 times. Postal policy requires the development of an RPG to meet the established mail processing clearance times and for management to communicate the RPG to all facility employees. The senior plant manager stated they were working on updating the RPG and using it more frequently among facility management. The district manager stated that they are struggling to use the RPG because the prior year's mail mix and volume was significantly different than this year's, which has presented them challenges ensuring the RPG accurately reflects current mail volume and mix.

Of the 57 million mailpiece increase in reported mail processing delays since October 2017, 49 million mailpieces (86 percent) were First-Class delivery point sequence (DPS) letters. The DPS letters did not complete mail processing by its clearance time; however, the Denver P&DC delayed the departure of scheduled transportation trips to delivery units until the mail completed processing. Since the start of FY 2018, the Denver P&DC delayed about 8,500 transportation trips by at least 15 minutes, totaling over 8,000 hours, because of late mail processing, potentially costing the Postal Service $231,575.

> *"Since the start of FY 2018, the Denver P&DC delayed about 8,500 transportation trips by at least 15 minutes, totaling over 8,000 hours, because of late mail processing, potentially costing the Postal Service $231,575."*

While the trips were delayed to accommodate mail processing and transportation to delivery units, we were unable to determine specifically how many of those mailpieces met their established delivery days. We did note that First-Class service scores for the facility were slightly higher in Quarter 3 of FY 2018 compared to the prior

year. However, on-time service at the facility was about 90 percent in FY 2018 Quarter 3, almost six percent below the goal of 96 percent.

In addition, Denver P&DC employees did not remove incorrect color-code tags, apply the proper color-code tags, and were not staging mail in proper sequential order. The Postal Service uses a color-coding system to identify when Marketing Mail arrives and when it should be processed. Staging lanes hold mail in sequential order to ensure the mail is worked in the required proper sequence. Denver P&DC managers did not verify that employees removed incorrect color-code tags, applied proper color-code tags, or staged mail in proper sequential order. Improperly color-coded and staged mail can be processed later than intended, which can delay the processing, transportation, and delivery of Marketing Mail.

Further, the Denver P&DC does not have a procedure in place to identify and report all late arriving mail in their MCRS reports. During observations, the Denver P&DC processed more than five million destinating letters; however according to the Mail History Tracking System, the Denver P&DC received over 44,000 late arriving letters from other facilities, none of which were reported in its MCRS reports. According to Postal Service policy, late arriving mail should be identified and counted at the receiving platform. The manager of in-plant support stated the facility does not have a procedure in place to identify late arriving mail but, when they know it is arriving late, the supervisors will report it as late arriving in MCRS. Unidentified late arriving mail increases the risk of mail not meeting its established delivery day.

What the OIG Recommended

We recommended management:

- Update the RPG for the Denver P&DC to meet established clearance times and scheduled transportation and communicate the plan to employees.

- Ensure employee compliance with color-coding procedures and staging of mail in proper sequential order.

- Establish a procedure to identify and report late arriving mail.

Transmittal Letter

November 21, 2018

MEMORANDUM FOR: GREGORY G. GRAVES
VICE PRESIDENT, WESTERN AREA

E-Signed by Inspector General
VERIFY authenticity with eSign Desktop
Darrell E. Benjamin, Jr.

FROM: Darrell E. Benjamin, Jr.
Deputy Assistant Inspector General
 for Mission Operations

SUBJECT: Audit Report – Delayed Mail at the Denver, CO, Processing and Distribution Center (Report Number NO-AR-19-002)

This report presents the results of our audit of the Delayed Mail at the Denver, CO, Processing and Distribution Center (Project Number 18XG016NO000).

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

Attachment

cc: Postmaster General
Corporate Audit Response Management
Chief Operating Officer and Executive Vice President

Results

Introduction/Objective

This report presents the results of our self-initiated audit of Delayed Mail at the Denver, CO, Processing and Distribution Center (P&DC) (Project Number 18XG016NO000). The objective of our audit was to determine the cause of mail processing delays reported at the Denver, CO, P&DC.

Background

The U.S. Postal Service reports mail processing delays when mail is not processed in time to meet its established delivery or when mail is processed but not on the dock in time for scheduled transportation to delivery units. Mail processing facilities are required to complete daily mail counts and self-report processing delays and late arriving mail[1] and enter the information into the web Mail Condition Reporting System (MCRS). When mail processing delays occur at a facility, there is an increased risk it won't be delivered by its established delivery date.

From October 2017 through June 2018, there were over 106 million mailpieces reported as mail processing delays at the Denver P&DC, a 57 million mailpiece (53 percent) increase from the amount reported in fiscal year (FY) 2017. See Figure 1.

> "From October 2017 through June 2018, there were over 106 million mailpieces reported as mail processing delays at the Denver P&DC, a 57 million mailpiece (53 percent) increase from the amount reported in FY 2017."

Figure 1. Denver P&DC Mail Processing Delays Reported from FY 2016 through June 30, 2018
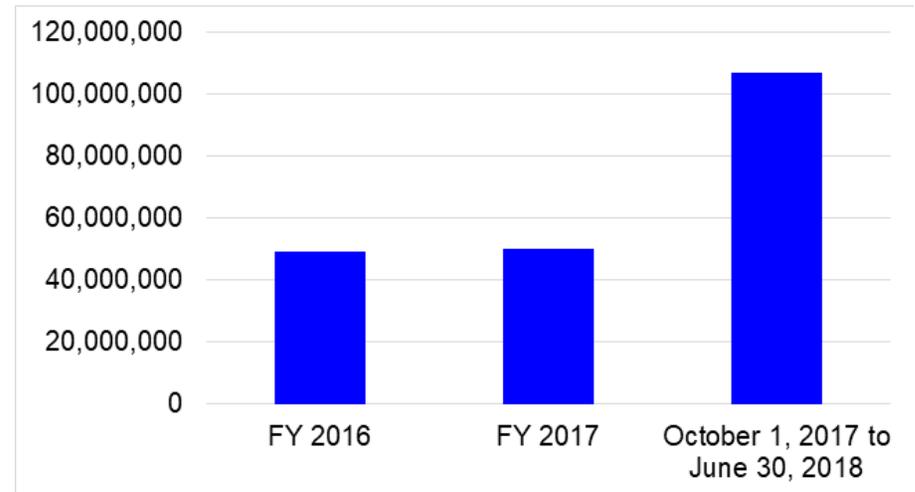
Source: Enterprise Data Warehouse (EDW)[2] and MCRS.

Mail processing facilities use the Run Plan Generator (RPG) to manage mail processing operations. The RPG combines site-specific mail processing machines, sort programs, maintenance requirements, mail volume, and the rate at which machines process mail to project daily machine run plans. This assists management with meeting established clearance times (the latest time mail can complete a mail processing operation) and transportation trips departing on time.

Finding #1: Use of Run Plan Generator

Mail processing delays at the Denver P&DC were due to facility management not using the RPG to manage mail processing operations and meet established mail processing clearance times. Specifically, in the first three quarters of FY 2018, the facility has only met one of the three weekly mail processing 24-Hour Clock Indicators[3] seven of 39 times (18 percent) and did not meet the other two weekly 24-Hour Clock Indicators any of the possible 39 times (see Table 1).

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1   Volume of mail received after the latest time facilities can process it to meet service standards.
2   The repository intended for all data and the central source for information on retail, financial, and operational performance.
3   Indicators used to manage mail flows to achieve optimal service and efficiency.

Table 1. Comparison of the 24-Hour Clock Indicators to the Goal

24-Hour Clock Indicator	Goal	Number of Times Goal was Met	Number of Weeks Reviewed[4]	Percentage of Time Goal was Met
Outgoing Primary[5] Cleared by 12:00 a.m.	95%	0	39	0%
Outgoing Secondary[6] Cleared by 12:30 a.m.	95%	0	39	0%
Delivery Point Sequencing (DPS)[7] 2nd Pass cleared by 5:00 a.m.	95%	7	39	18%

Source: *First-Class Mail Weekly Trends FY 2018 Report* and Office of Inspector General (OIG) calculations.

Postal policy requires the development of an RPG to meet the established mail processing clearance times and for management to communicate the RPG to all facility employees.[8] The senior plant manager stated they were working on updating the RPG and using it more frequently among facility management. The district manager stated that they are struggling to use the RPG because the prior year's mail mix and volume was significantly different than this year's, which has presented challenges in ensuring the RPG accurately reflects current mail volume and mix.

From October 1, 2017, through June 30, 2018, there were over 106 million mailpieces reported as mail processing delays at the Denver P&DC, a 57 million mailpiece increase from the amount reported in FY 2017. As a result, we estimated that about $4.2 million of Postal Service revenue is at risk due to not using the RPG to manage mail processing operations and meet established mail processing clearance times.

Additionally, of the 57 million mailpiece increase in reported mail processing delays since October 2017, 49 million mailpieces (86 percent) were First-Class DPS letters. The DPS letters did not complete mail processing by its clearance time; however, the Denver P&DC delayed the departure of scheduled transportation trips to delivery units until the mail completed processing. Since the start of FY 2018, the Denver P&DC has delayed 42 percent of scheduled transportation and about 8,500 transportation trips by at least 15 minutes, totaling over 8,000 hours, because of late mail processing, potentially costing the Postal Service about $231,575 (see Table 2).

> "*Additionally, of the 57 million mailpiece increase in reported mail processing delays since October 2017, 49 million mailpieces (86 percent) were First-Class DPS letters.*"

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4 The weeks reviewed were September 30, 2017, to the week of June 23, 2018.
5 A sort plan in which outgoing mail (collection and business mail entry unit mail) is sorted to facilities, states, large cities, or foreign countries.
6 A sort plan in which mail was sorted in an outgoing primary operation but needs further sortation.
7 An automated process of sorting mail by carrier routes into delivery order, eliminating the need for carriers to sort the mail manually in the delivery unit prior to their departure to their delivery routes.
8 *The F1 Efficiency Tools Workshop*, Slide 17, RPG Joint Development agreement, dated March 2017.
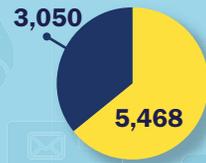
Late Trips Due to Mail Processing Delays from October 1, 2017 through June 30, 2018

Highway Contract Route (HCR)
Average Labor Rate: **$19.04**

Postal Vehicle Service
Average Labor Rate: **$45.30**

3,050 / 5,468
Number of Late Trips
8,518

2,969 / 5,097
Number of Late Hours
8,066

$97,062 / $134,513
Late Trips Cost: **$231,575**

Table 2. Late Trips Due to Mail Processing Delays from October 1, 2017 through June 30, 2018

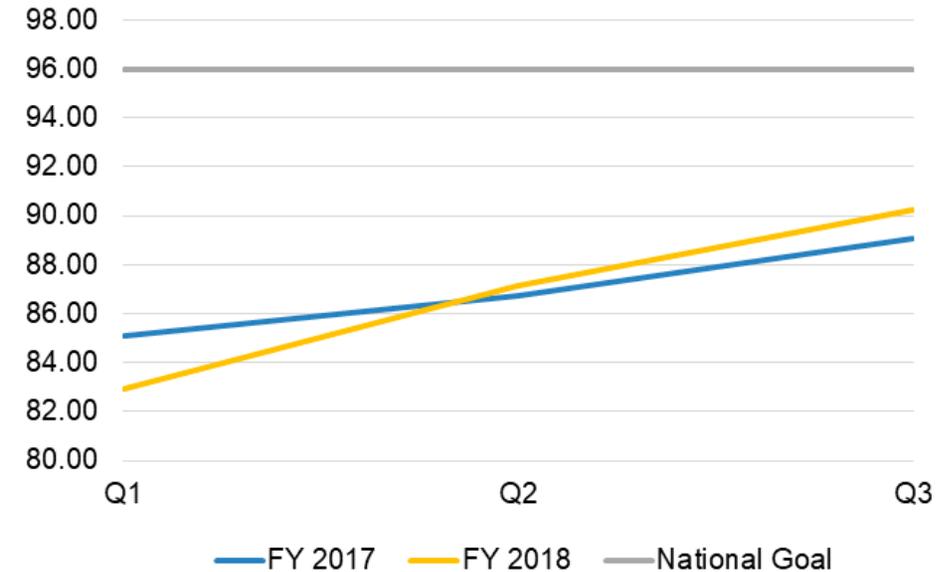| Route Type	Number of Late Trips	Number of Late Hours	Average Labor Rate	Late Trips Cost
Highway Contract Route (HCR)[9]	5,468	5,097	$19.04	$97,062
Postal Vehicle Service[10]	3,050	2,969	$45.30	134,513
Total	**8,518**	**8,066**		**$231,575**

Source: EDW, Transportation Contracting Support System, and OIG calculations. Calculated total differences due to rounding.

While the trips were delayed to accommodate mail processing and transportation to delivery units, we were unable to determine specifically how many of those mailpieces met their established delivery days. We did note that First-Class service scores for the facility were slightly higher in Quarter (Q) 3 of FY 2018 compared to the prior year. However, on-time service at the facility was about 90 percent in Q3, FY 2018 almost six percent below the national goal of 96 percent (see Figure 2).

Figure 2. First-Class Composite Service Scores from Qs 1-3, FY 2017 to FY 2018

Source: EDW.

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9 A route of travel served by a postal contractor to carry mail in bulk over highways between designated points. HCRs generally do not deliver mail to individual customer addresses along the line of travel. HCRs make up the largest single group of transportation services used by the Postal Service and range from long-haul tractor trailers to box delivery routes.

10 A service operated by Postal Service employees to transport mail between mail processing facilities, post offices, post office branches, post office stations, detached mail units, various postal customers, and terminals.

> ## Recommendation #1
>
> The **Vice President, Western Area**, update the Run Plan Generator for the Denver Processing and Distribution Center to meet established clearance times and scheduled transportation and communicate the plan to employees.

Finding #2: Color-Code Tags and Staging of Mail

Denver P&DC employees did not remove incorrect color-code tags, apply the proper color-code tags, or stage mail in proper sequential order. The Postal Service uses a color-coding system to identify when Marketing Mail arrives and when it should be processed. We observed Marketing Mail from the Denver Network Distribution Center and Phoenix P&DC that still had the clearance tags. Clearance tags represent the day the mail is scheduled to be cleared at the originating facility. The clearance tags on the Marketing Mail included Wednesday (green), Thursday (violet), and Friday (yellow). See Figure 3. These tags should be removed, and a delivery tag applied at the destinating facility.[11] Staging lanes hold mail in sequential order to ensure the mail is worked in the required proper sequence.[12] We observed mail that was not staged in proper sequential order as Wednesday (green) delivery color-coded Marketing Mail was in front of Tuesday (orange) Marketing Mail (see Figure 4).
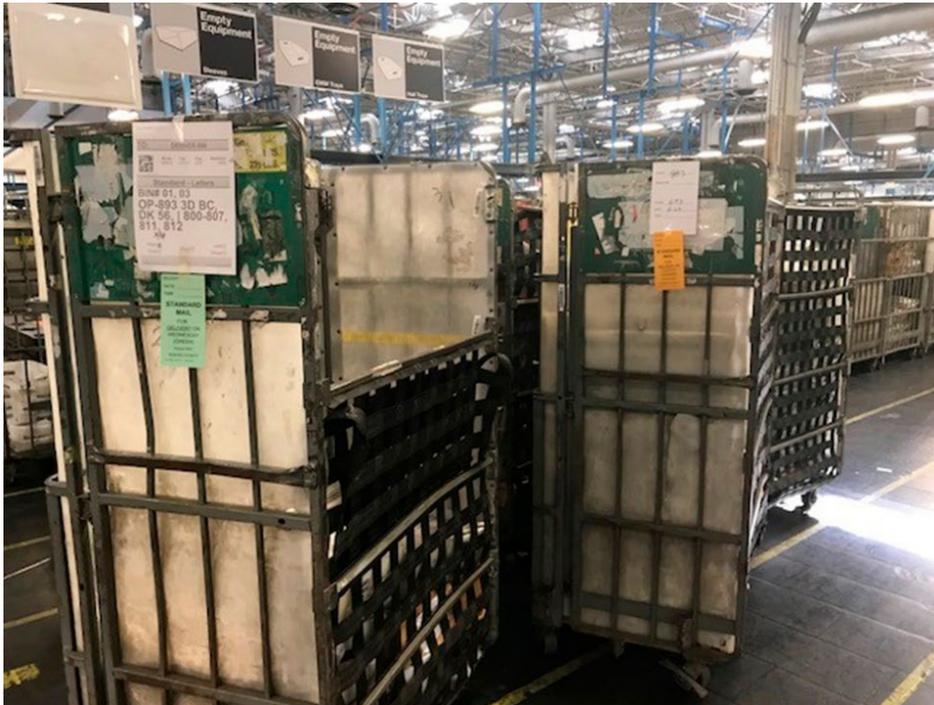
Figure 3. Improper Color-Code Tags

Source: OIG photographs taken June 23, 2018, at 4:54 a.m. and 7:06 a.m. In all three instances, the clearance tag should have been removed and a delivery tag applied.

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11 *National Color Code Policy for USPS Marketing Mail,* Section 458.3, Color Coding Procedures, dated April 2018.
12 *Handbook PO-420 Small Plant Best Practices Guidelines*, Section 2 and 9, Supervisor Duties and Success Strategies, dated November 1999.

Figure 4. Marketing Mail Not Staged in Proper Sequential Order

Source: OIG photograph taken June 22, 2018, 7:30 a.m. Wednesday (green) color-coded Marketing Mail in front of Tuesday (orange) Marketing Mail.

Denver P&DC managers did not verify that employees removed incorrect color-code tags, applied proper color-code tags, or staged mail in proper sequential order. Improperly color-coded and staged mail can be processed later than intended, which can delay the processing, transportation, and delivery of Marketing Mail.

> ### Recommendation #2
> The **Vice President, Western Area**, ensure employee compliance with color-coding procedures and staging of mail in proper sequential order.

Finding #3: Identification and Reporting of Late Arriving Mail

The Denver P&DC does not have a procedure in place to identify and report all late arriving mail in their MCRS reports. During observations, the Denver P&DC processed more than five million destinating letters; however according to the Mail History Tracking System[13], the Denver P&DC received over 44,000 late arriving letters from other facilities, none of which were reported in its MCRS reports. According to Postal Service policy, late arriving mail should be identified and counted at the receiving platform.[14] The manager of in-plant support stated the facility does not have a procedure in place to identify late arriving mail but, when they know it is arriving late, the supervisors will report it as late arriving in MCRS. Unidentified late-arriving mail increases the risk of mail not meeting its established delivery day.

> ### Recommendation #3
> The **Vice President, Western Area**, establish a procedure to identify and report late arriving mail.

Management's Comments

Management agreed with the findings and recommendations and, in subsequent correspondence, agreed with the monetary impact. See Appendix B for management's comments in their entirety.

Regarding recommendation 1, management stated they agreed with the recommendation and will use the RPG as one of the tools to meet the established clearance times and to schedule transportation. Management also stated they will communicate the plan to employees. The target implementation date is December 1, 2018.

Regarding recommendation 2, management stated they agreed that the color-codes arriving at the Denver P&DC from upstream offices were incorrect but disagreed that the Denver P&DC applied incorrect color-codes. Denver

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13 An online application that provides diagnostic tracking by individual mailpieces.
14 *Mail Condition Reporting System User's Guide,* Section 3, MCRS Basics, dated April 2011.

P&DC management will ensure mail is staged in sequential order via lean mail processing principles. The target implementation date is December 1, 2018.

Regarding recommendation 3, management stated they agreed with the recommendation and will establish a procedure to identify and report late-arriving mail. The target implementation date is December 1, 2018.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and corrective 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.

Appendices

Click on the appendix title below to navigate to the section content.

Appendix A: Additional Information

Scope and Methodology

The scope of this audit were mail processing delays reported at the Denver P&DC from October 1, 2017, through June 30, 2018.

According to MCRS data, the percentage of mail processing delays at Denver P&DC is the highest on Monday and Saturday. Therefore, we conducted our unannounced observations at the Denver P&DC from June 22-25, 2018.

To accomplish our objective, we:

- Identified processing delayed mail trends at the Denver P&DC and compared them to national trends.

- Conducted unannounced site observations of daily mail counts to determine if the facility was accurately counting and reporting mail processing delays for all classes of mail. We conducted site observations during the critical clearance times of the 24-Hour Clock Indicators.

- Determined the amount of mail that was processed after the clearance times as measured by the 24-Hour Clock Indicators and if it was reported on the MCRS Report.

- Determined the amount of mail the facility received late and determined if it was reported on the MCRS Report.

- Interviewed local management to determine causes of mail processing delays, including corrective actions the facilities have planned or have already taken to mitigate processing delays.

- Determined causes for any excessive mail processing delays observed and reported on the MCRS Report.

- Assessed the number of late scheduled transportation trips departing from the Denver P&DC and evaluated Denver P&DC First-Class service scores to determine the impact of mail processing delays.

- Determined if P&DC management was properly following the RPG.

- Assessed machine reports and evaluated the information to determine if there is sufficient machine capacity for daily projected/actual volume.

- Reviewed the *Function 1 Scheduler Compliance Report*, performed observations and evaluated the information to determine if sufficient staffing is available to operate machines according to the RPG; and determined the causes of any negative conditions identified.

We conducted this performance audit from June through November 2018, 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 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 October 3, 2018, and included their comments where appropriate.

We used computer-processed data from EDW, MCRS, MHTS, Transportation Contracting Support System, *Function 1 Scheduler Compliance Report,* Management Operating Data System, and Web End-of-Run when performing our analysis. We assessed the reliability of computer-generated data by interviewing agency officials knowledgeable about the data and reviewing related documentation. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact (in millions)
Delayed Mail Reporting in the Great Lakes Area	Determine the accuracy of delayed mail reporting at three selected facilities in the Great Lakes Area.	NO-AR-18-005	5/17/2018	None
Delayed Mail Validation	Determine the accuracy of delayed mail reporting by the Postal Service.	NO-AR-17-011	8/10/2017	None
Timeliness of Mail Processing at the Santa Clarita, CA, Processing and Distribution Center	Determine the cause of delayed mail at the Santa Clarita, CA, P&DC.	NO-AR-17-007	4/6/2017	$1.1
Timeliness of First-Class Mail Flats	Assess the timeliness of First-Class Mail flats processing.	NO-AR-17-001	10/6/2016	None
Timeliness of Mail Processing at the Queens, NY, Processing and Distribution Center	Determine the cause of delayed mail at the Queens P&DC.	NO-AR-16-010	9/20/2016	$2.2
Chicago District Processing Facilities' Process for Mail Count and Color Coding of Standard Mail	Determine if Chicago District Processing Facilities' employees accurately counted mail and applied color-code tags to Standard Mail in accordance with policies.	NO-AR-16-007	4/22/2016	None
Management Alert – Timeliness of Mail Processing at the North Houston, TX, Processing and Distribution Center	Determine if the North Houston P&DC was processing mail on time.	NO-MT-16-002	2/29/2016	None
Management Alert – Timeliness of Mail Processing at the Denver Processing and Distribution Center	Determine if the Denver P&DC was processing mail on time.	NO-MT-16-001	12/3/2015	None

Appendix B: Management's Comments

November 9, 2018

Monique Colter
DIRECTOR, AUDIT OPERATIONS
audittracking@uspsoig.gov

SUBJECT: Delayed Mail at the Denver, CO, Processing and Distribution Center
(Report Number NO-AR-19-DRAFT)

In response to the subject audit recommendations, we agree with the findings and offer the actions outlined below in response. We would recommend against disclosure of this activity outside the Postal Service except for the redacted version.

Recommendation #1: The Vice President, Western Area, update the Run Plan Generator for the Denver Processing and Distribution Center to meet established clearance times and scheduled transportation and communicate the plan to employees.

Management Response/Action Plan: Management agrees with the OIG's findings in that the Run Plan Generator is a tool used to schedule operational windows. The Run Plan Generator will be used as one of the tools to meet the established clearance times, scheduled transportation and the plan will be communicated to the employees.

Target Implementation Date:
Completed on 12/1/2018

Responsible Official:
Sr. Plant Manager, Marek Kazibwami

Recommendation #2: The Vice President, Western Area, ensure employee compliance with color-coding procedures and staging of mail in proper sequential order.

Management Response/Action Plan: Management agrees with the OIG's findings in that the color codes arriving at the Denver P&DC from upstream offices were incorrect, but disagrees that Denver P&DC applied incorrect color codes. Denver P&DC will ensure mail is staged in sequential order via Lean Mail Processing principles.

Target Implementation Date:
Completed on 12/1/2018

Responsible Official:
Sr. Plant Manager, Marek Kazibwami

Recommendation #3: The Vice President, Western Area, establish a procedure to identify and report late arriving mail.

Management Response/Action Plan: Management agrees with the OIG's findings. Denver P&DC will establish a procedure identifying and reporting late arriving mail.

1745 Stout Street Suite 1000
Denver CO 80299-5000
303-313-5101

GREGORY G. GRAVES
VICE PRESIDENT, WESTERN AREA OPERATIONS

Target Implementation Date:
12/1/2018

Responsible Official:
Sr. Plant Manager, Marek Kazibwami

(signature)

_____
Gregory G. Graves, Vice President Area Operations

cc: Gregory Graves, Vice President Operations – Western Area
        John DiPeri, Manager, Operations Support / A – Western area
        Manager, Corporate Audit Response Management
        Kevin Romero – District Manager

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