September 26, 2006

TERRY K. ANDERSON
SENIOR PLANT MANAGER, PORTLAND, OREGON,
PROCESSING AND DISTRIBUTION CENTER

SUBJECT: Management Advisory – Color-Coding of
Standard Mail at the Portland, Oregon,
Processing and Distribution Center
(Report Number NO-MA-06-003)

This report presents the results of our review of color-coding
of Standard Mail® at the Portland, Oregon, Processing and
Distribution Center (P&DC) (Project Number
05YG048NO001). The primary objective of the review was
to determine whether color-coding of Standard Mail
conformed to the U.S. Postal Service's National Color Code
Policy. This is the first in a series of reviews addressing
P&DC color-coding.

Results in Brief	The Portland P&DC generally color-coded Standard Mail according to the Postal Service's National Color Code Policy. We noted a few instances where color-coding did not conform to Postal Service policy or best practices; however, we did not consider these exceptions significant.

Management agreed with the recommendations and has already begun implementation. Management stated that upon approval of color-coding best practices[1] by the Western Area, they will adopt these practices locally. Additionally, management committed to complete training by the end of January 2007. Management's actions, taken or planned, should correct the issues identified in the finding. Management's comments are included in Appendix B.

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[1] Network Operations Management Service Review of the processing facilities in the North Florida Jacksonville District dated January 2006. Best practices regarding color-coding discussed on pages 14, 35, and 58.

Background	The Postal Service uses a system of color-coding to facilitate the timely processing, dispatch, and delivery of Standard Mail to meet established service standards. Specifically, the purpose of color-coding is to sequence the mail to ensure first in, first out (FIFO) processing.

Postal policy requires all Standard Mail, regardless of where the Postal Service receives it, to be coded with a color tag. This tag represents the targeted day for clearing the mail from operations or delivering it. The picture below is a sample of a color-code tag used at the Portland P&DC.

BLUE
DESIGNATION

CLASS

TIME AND DATE
RECEIVED

PALLET MAIL

RT#PAL-1 PORTLAND P&DC 07/14/95
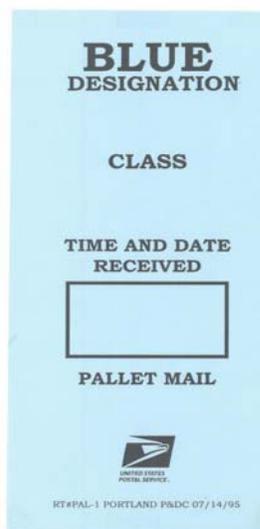
The tag clearly indicates the "blue" color designation. Additionally, it provides space for entering the class of mail and the time and date received.

The color-code applied depends on the mail's arrival time at the facility relative to the facility's critical entry time (CET) for Standard Mail.[2] *Postal Operations Manual* (POM) Section 458 sets forth the National Color Code Policy.

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[2] CET is the latest time mail can enter an operation if it is to complete processing by the planned clearance time.

For P&DCs, all outgoing, area distribution center (ADC),[3] sectional center facility (SCF),[4] incoming primary, and carrier route mail must be color-coded to indicate scheduled clearance 1 day after receipt at the facility as indicated in the matrix below.

1-Day Clearance Matrix

Receipt Day	Color Code	Clearance Day
Saturday	**White**	Sunday
Sunday	**Blue**	Monday
Monday	**Orange**	Tuesday
Tuesday	**Green**	Wednesday
Wednesday	**Violet**	Thursday
Thursday	**Yellow**	Friday
Friday	**Pink**	Saturday

After the facility completes processing within the plant, it removes the clearance day color-code prior to dispatch.

Some Standard Mail receives additional processing at the ADC or SCF. This mail receives a 2-day color code based on arrival time or its identification and extraction during the initial distribution operation, as shown in the matrix below.

2-Day Delivery Matrix

Arrival or Extraction Day	Color Code	Delivery Day
Saturday and Sunday	**Orange**	Tuesday
Monday	**Green**	Wednesday
Tuesday	**Violet**	Thursday
Wednesday	**Yellow**	Friday
Thursday	**Pink**	Saturday
Friday	**Blue**	Monday

The delivery day color-code remains on the mail through delivery.

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[3] An ADC is a postal facility that receives, processes, and distributes mail destined for specific ZIP Code areas under the Management Mail Program.

[4] An SCF is a postal facility that serves as a distribution and processing center for post offices in designated geographic areas as defined by the first three digits of the ZIP Code of those offices.

Postal Service policy requires P&DC facility managers to develop local procedures to ensure employees apply and maintain the correct color-code on the mail based on its arrival time on Postal Service property. Postal Service facilities use color-coding as an indicator when determining what mail failed to meet its operating plan for the daily mail condition report.

Objective, Scope, and Methodology

The primary objective was to determine whether color-coding of Standard Mail at the Portland P&DC conformed to the Postal Service's National Color Code Policy. We also examined whether the Postal Service was in conformance with color-coding "best practices."

To determine if Standard Mail in the facility conformed to the National Color Code Policy and best practices, we:

♦ Observed about 330 containers and pallets of outgoing mail, ADC, and SCF incoming primary mail.

♦ Observed about 140 containers and pallets of Standard Mail arriving in the facility 1 hour before and after CET.[5]

♦ Observed employees processing about 100 containers and pallets on either the small parcel bundle sorter, delivery bar code sorter, or flats sorter.

♦ Interviewed the senior plant manager, the in-plant support manager, and seven managers of distribution operations or supervisors on various tours.

♦ Reviewed the Standard Mail volume at the Portland P&DC from January 30 – February 3, 2006.

We conducted this review from January through September 2006 in accordance with the President's Council on Integrity and Efficiency, *Quality Standards for Inspections*. We discussed our observations and conclusions with management officials and included their comments where appropriate.

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[5] CET for Standard Mail at the Portland P&DC was 1700 hours.

Prior Audit Coverage	We did not identify any prior audits or reviews related to the objective of this review.

Color-Coding of Standard Mail Was Generally in Accordance With the National Policy	We found the Portland P&DC generally color-coded Standard Mail according to the National Color Code Policy.[6] Specifically, Standard Mail was:

- Tagged with the correct color-code on arrival.

- Prepared with an accurate and complete color tag.

- Processed with the original tag on a timely basis using FIFO.

The picture below shows a properly completed color-code tag recording the arrival day and time as "0600" on "1-30."

We noted a few instances where color-coding did not conform to Postal Service policy or best practices; however, we did not consider these exceptions significant. We describe some of these exceptions below and list them in their entirety in Appendix A.

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[6] The Standard Mail volume at this facility for the 5 days of observations (January 30 – February 3, 2006) was about 4.4 million pieces and averaged about 1.3 million pieces per day.

- We observed six pallets and containers of mail that had no evidence of color-coding. (See picture below.) When mail is not color-coded, the Postal Service cannot ensure the timely process, dispatch, and delivery of Standard Mail. Additionally, management cannot readily track service standards to ensure compliance.

- We observed 25 pallets that had the color-code information written on the plastic shrink-wrap surrounding the pallet rather than on a color-code tag. (See picture below.) Although policy does not prohibit writing on the shrink-wrap, a better method would be to use placards and color code tags. By using these methods, the Postal Service would have increased assurance in maintaining the integrity of the color code process.

- We also observed 70 pallets and containers that employees had tagged with colored slips of paper rather than the facility's color-code tag. (See picture below.) While the slips of paper reflected the correct color, the tag did not reflect the date and time the mail arrived.[7] We recognize the policy does not specifically require application of the date and time to the color-code tag, this practice would assist mail handlers in ensuring mail is worked on a FIFO basis.

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[7] In this example, a green slip of paper with an "S" (designating Standard Mail) served as the color-coding.

- Similarly, we observed 12 pallets that had incomplete color-code tags. As shown in the picture below, the entry on the color-code tags for time and date identified only which tour completed the tag and did not identify the time and date the mail arrived.[8] Again, while not required by policy, applying the time and date upon mail arrival would ensure the processing of the oldest mail first.

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[8] In this example, "T-2" indicates the color code was applied during Tour 2.

POM 458.1a, 1b, and 2a require facilities to (a) code all Standard Mail with the color representing the day mail is scheduled to be delivered or cleared from operations and (b) select the color-code based on the mail's arrival time relative to the facility's critical entry time.[9] POM 458.321a requires P&DC facilities to develop local procedures to ensure they maintain the correct color-code for all mail based on when it arrives on the premises.[10] According to headquarters' operations specialists who review color-coding in the field, color-code tags adopted by a facility constitute a local procedure employees must follow.

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[9] The daily color code changes at the CET.
[10] Arrival refers to the day and time the mail arrives on Postal Service property.

Portland P&DC managers told us the exceptions noted were mostly the result of employee inattention and haste to meet CETs. They also cited inadequate supervisory follow-up and training for newer supervisors. Portland P&DC managers said they recently experienced a large turnover among supervisors.

We did not observe any delayed mail, excessive plan failures, or negative impacts to service. However, when employees do not include the date and time of arrival on the color-code tag, the Postal Service cannot determine whether mail processing was completed in accordance with the FIFO method. In addition, when an operation does not meet its clearance time and the date and arrival time are not written on the color-code tag, facility managers cannot determine what role the mail's arrival time played.

Recommendations

We recommend the Senior Plant Manager, Portland, Oregon, Processing and Distribution Center:

1. Ensure that employees conform to Postal Service policy and that supervisors are engaged in overseeing the proper color-coding of Standard Mail.

2. Provide additional training to new supervisors on color-coding practices.

3. Consider using placards and color-code tags instead of writing on shrink-wrap, and applying the date and time on color-code tags, as applicable.

Management's Comments

Management agreed with the recommendations and has already begun implementation. Management stated that upon Western Area approval of best practices regarding date and time stamping on color-code tags, they will adopt these practices locally. Additionally, management committed to complete training by the end of January 2007.

Evaluation of Management's Comments

Management's comments are responsive to the recommendation. Management's actions taken or planned should correct the issues identified in the finding.

We appreciate the cooperation and courtesies provided by your staff during the review. If you have any questions or need additional information, please contact Robert J. Batta, Director, Network Operations — Processing, or me at (703) 248-2300.

E-Signed by Colleen McAntee
ERIFY authenticity with Approve
C McAntee
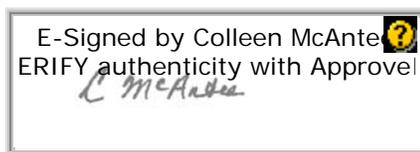
Colleen A. McAntee
Deputy Assistant Inspector General
 for Core Operations

Attachments

cc: Patrick R. Donahoe
     William P. Galligan, Jr.
     Anthony M. Pajunas
     Sylvester Black
     David E. Williams
     Dallas W. Keck
     Steven R. Phelps

APPENDIX A
SUMMARY OF COLOR-CODE OBSERVATIONS

Action Tested	Criteria	What Was Found	Exceptions	Impact
Did employees color-code Standard Mail on its arrival at the Portland P&DC?	POM 458.1a	Observations during all three tours for the period January 30 - February 2, 2006, revealed the Portland P&DC generally color-coded Standard Mail as it arrived.	We found six pallets and containers that were not color-coded.	Minimal
Did employees apply complete and accurate color-codes?	Best Practice[11]	Observations during all three tours for the period January 30 - February 2, 2006, revealed that employees did not always write the mail's arrival date and time on the color-code tag.	We found: (1) 12 pallets and containers had incomplete color-code tags. The tags did not have the mail's arrival date and time; only which tour color-coded the mail.	Minimal
			(2) 95 pallets and containers did not have appropriate color-code tags attached; instead, 70 had colored slips of "sticky" paper without the mail's arrival date and time, and 25 had the color-code written on the shrink-wrap without the mail's arrival date and time.	Minimal
Was the mail moved on a timely basis using the FIFO method?	POM 458.321b	From observations of MDOs performing mail counts at 1700 and 0500 hours, we concluded that little mail was more than 1-day old and employees were using the FIFO method.	We found seven trays of 2-day old mail, which employees immediately moved for processing upon discovery.	None

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[11] Network Operations Management Service Review of the processing facilities in the North Florida Jacksonville District dated January 2006. Best practices regarding color-coding discussed on pages 14, 35, and 58.

Action Tested	Criteria	What Was Found	Exceptions	Impact
Was the Portland P&DC applying the correct color to mail upon arrival?	POM 321b & the Portland P&DC Operating Plan, Section 9 – In-Plant Operating Parameters	We observed personnel unloading in-bound trailers both before and after the facility's CET (1700). Employees coded all inbound mail with the correct color.	None	None
Were color-codes changed after original application?	POM 458.321h(1)(2)	We observed the color-coding of mail on all tours and found no evidence of color codes being changed after original application. We reviewed the mail counts and the daily mail condition reports and confirmed the Portland P&DC reported plan failures daily. Local management said when they found containers without color codes, they immediately color-coded that mail with the same color code as the oldest mail on hand. We also observed this first-hand.	None	None

Legend:

        FIF0 – First In, First Out
        MDO – Manager of Distribution Operations
        P&DC – Processing and Distribution Center
        POM – Postal Operations Manual

APPENDIX B. MANAGEMENT'S COMMENTS[12]

SENIOR PLANT MANAGER

UNITED STATES
POSTAL SERVICE

September 5, 2006

MEMORANDUM FOR:

Kim H. Stroud
Director, Audit Reporting
1735 North Lynn Street
Arlington, VA 22209-2020

SUBJECT: Response to Draft Management Advisory – Color-coding of Standard Mail
          at the Portland, Oregon, Processing & Distribution Center (P&DC)
          (Report Number NO-MA-06-DRAFT)

This is in response to the audit conducted by the OIG between January 30th, 2006 and
February 3rd, 2006 at the Portland P&DC. We appreciate the opportunity to be involved in
your review and hopefully we can assist in refining the process to improve future audits.
Hopefully this satisfactorily addresses the items raised. We recognize and appreciate the
deletions that have been made and the opportunity we have had for input to ensure that an
accurate report was generated.

To open I would like to state that we acknowledge that in large processing facilities, constant
vigilance is necessary on mail condition reporting and color-coding to ensure there is no
deviation from policy. It is understood that there will be mishaps and errors occasionally;
therefore the more rigid our standards are, the better our communication is, the less likely we
are to have deviations from policy.

I would like to note that in reviewing my notes from our meetings with the OIG team it was
reiterated numerous times that "Portland does a real bang-up job on color coding and the
deviations from the color-code policy were extremely insignificant".

I will address one-by-one the issues identified in the audit:

> **"We found six pallets/containers that were not color-coded."** This is a
> severe concern for us. Each day we comb the floor and if mail is identified
> without a color-code, as stated by the review team, the National Color-Code
> Policy is followed and the oldest color-code for mail in that operation is
> applied to this mail. Certainly we understand the potential impact to service
> this may cause however considering the Portland District has some of the
> very highest destinating delivery performance in the Nation, it is very unlikely
> that any mail identified as not being color-coded did not get processed in a
> timely manner to meet the customer's and the Postal Services' expectations.
>
> **"We observed 25 pallets that had the color-code information written on
> the plastic shrink-wrap surrounding the pallet rather than on a color-
> code tag."** The auditors noted that on our West Truck Dock 25 pallets had
> the color green and 972 STD written on the shrink wrap (this was the
> appropriate SCF, class, and color for the day). Even though once this mail is
> unwrapped and

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[12] Management's comments exclude enclosures.

processed on our SPBS (small parcel and bundle sorter) any color code method, paper or hand written does not follow each bundle from the pallet through the machine, the mail will receive it's appropriate color code on the sweep side of the SPBS upon extraction. We acknowledge however that hand written color-code information is not the most appropriate method and this has been corrected. We are pleased that our employees were diligent in making certain the proper color-codes and associated information was on the mail ensuring that our mail condition reporting integrity and processing protocols were maintained. We will incorporate the importance of applying paper color-codes to equipment at all future color-code training.

"We also observed 70 pallets and containers that employees had tagged with colored slips of paper rather than the facility's color-code tags." We discussed this issue at length and thought we had resolved it. The National Color-Code Policy does not require that the date and time be applied to the colored paper that is applied to the mail. We have established this practice in some units in the Portland P&DC to assist us in working mail first in – first out. In other areas, we have not needed this process and thus not required it. We appreciate the recent acknowledgement that this is not a policy requirement as well as the discovery of the Best Practice cited from the January 2006 North Florida Networks Operations Management Service Review. If you will provide us with a copy of this Best Practice we will present it to the Western Area Manager, Operations Support for review to see if adoption is suggested or required for all Western Area facilities. Thank you for this information and clarification.

**"Twelve pallets/containers had incomplete color-code tags."** Please see response above.

In conclusion we very much appreciated the comments by the audit team as I have mentioned prior; also the observations where the team noted that our personnel were unloading inbound trailers both before and after the facility CET and that "**all**" inbound mail was coded with the correct color" is noteworthy. Also they "observed the color-coding of mail on all tours and found **no** evidence of color-codes being changed after the original application. We reviewed the mail counts and the daily mail condition reports and confirmed that the Portland P&DC reported plan failures daily. Local management said that when containers were found without color-codes they immediately color-coded the mail with the same color-code as the oldest mail on hand in the operation, we also observed this first hand." These comments are appreciated and testimony to the importance we place on mail condition reporting integrity and following color-code protocols.

We do acknowledge that there is always an opportunity to improve, so we have either already taken the recommendations from the team and implemented them or as in the case of the best practice cited, once received this will be forwarded to the Manager Operations Support at the Western Area for review and consideration prior to local adoption once received - thank you for this clarification. The training we committed to do will be completed by the end of January 2007.

I would like to close by saying that we appreciate very much the professionalism of the team and hope the comments and recommendations we have made assist the OIG in refining and improving the audit process for the future.

Thank you very much again and please contact me directly should you have any additional questions.
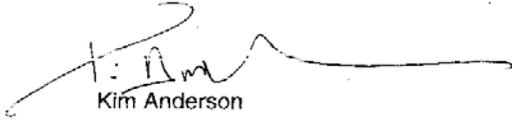
Kim Anderson

Enclosure – Portland Processing Facility Color-Code Policy for Standard Mail

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Portland Processing Facility

Color-Code Policy for Standard Mail

OBJECTIVE

The objective and intent of this policy is to ensure the timely processing, dispatch, and delivery of Standard Mail within established service commitments.

1. All Outgoing, Area Distribution Center (ADC) or Sectional Center Facility (SCF) Standard Mail, regardless of where received (e.g., Associate Office (AO), Processing and Distribution Center (P&DC), or other location), must be coded with the color that represents the day the mail is scheduled to be cleared.
2. All other destinating Standard Mail must be coded with a delivery color that represents the scheduled day of delivery. Once you apply the color code, it remains on the mail until it is taken out for delivery. Apply the delivery color-code as outlined in the specific facility portions of this policy.

GENERAL PRINCIPLES

1. Distribute all Standard Mail within the framework of the approved operating plan. The application of color codes to Standard Mail is based on the arrival of the mail being used in conjunction with the facility critical entry time. "Arrival at the facility" means the day and time the mail arrives on the Postal Service's property.

2. If Standard Mail is mixed with a higher class of mail (e.g., First-Class Mail) in such a manner as it loses its identity, the Standard Mail must be considered upgraded and treated as the higher class of mail.

3. If a holiday falls on a scheduled delivery day, apply the normal color code to allow for proper sequencing in any downstream operation.

4. Color coding must not be the sole indicator used in evaluating what mail constitutes a plan failure (as related to mail condition reporting). Compliance with approved operating plan parameters must be the determining factor.

5. There are no prohibitions against management agreements being made below the national level which accelerate the color coding and/or delivery expectations for any Standard Mail versus this policy.

6. Remove color code tags used to identify Clearance Day targets in Outgoing, ADC and SCF operations before you dispatch the mail to downstream operations. Keep the Delivery Day color codes with the mail until it is taken out for delivery, unless we note otherwise in this policy.

7. Anytime Standard mail is sent back upstream (back-flowed) for delivery point sequencing (DPS), automated processing, or other processing, the mail must retain the original color coding and delivery schedule as if it had remained in the downstream unit.

8. Offices should make every effort to adhere to mailer-requested, in-home delivery dates. Do not deliver such mail earlier than the date the mailer has requested.

PROCESSING AND DISTRIBUTION CENTER COLOR CODING PROCEDURES

1. Apply color codes to Standard Mail as outlined in the following sections, which are arranged by facility type and sortation level:

The following color-coding procedures must apply in each of the designated operations:

   a. The application of color codes to Standard Mail is based on the arrival of the mail being used in conjunction with the facility critical entry time. Arrival at the facility is defined as the day/time the mail arrives on Postal Service property. These facilities must develop local procedures to ensure that they maintain the correct color code for all mail, based on its arrival on the premises, even when such mail is entered into mechanized sack sorting systems.

   b. All outgoing mail, ADC and SCF/Incoming Primary Mail and carrier route mail must be color coded to indicate scheduled clearance 1 day after receipt at the facility:

ONE-DAY CLEARANCE MATRIX			
Receipt Day	**Color Code**	**Color**	**Clearance Day**
Saturday	White		Sunday
Sunday	Blue	■	Monday
Monday	Orange		Tuesday
Tuesday	Green	▬	Wednesday
Wednesday	Violet	■	Thursday
Thursday	Yellow		Friday
Friday	Pink		Saturday

c.   After processing is completed, the Clearance Day tags used in outgoing, ADC, SCF/Incoming Primary and carrier route operations are to be removed prior to dispatch to downstream operations/facilities.

d.   The SCF/Incoming Primary Standard Mail addressed in item #2 above must be totally finalized and processed by the identified Clearance Day.

e.   Facilities which process 3-digit SCF Standard Mail only to the 5-digit level must color code that 3-digit Standard Mail for clearance 1 day after receipt at that facility, as listed in the chart above. This mail must then be dispatched without color codes, and the proper delivery color code must be applied upon receipt at the facility that performs the secondary distribution.

f.   All Standard Mail which must subsequently receive incoming secondary distribution at the facility performing the ADC or SCF operation must receive a 2-day color code based upon its arrival or upon its extraction and identification from its initial distribution operation (either the ADC or SCF operation), using the following 2-day matrix:

TWO-DAY DELIVERY MATRIX			
Arrival/Extraction Da	Color Code	Color	Delivery Day
Saturday	Orange		Tuesday
Sunday	Orange		Tuesday
Monday	Green	■■■■	Wednesday
Tuesday	Violet	■■■■	Thursday
Wednesday	Yellow		Friday
Thursday	Pink		Saturday
Friday	Blue	■■■■	Monday

g.   In situations wherein ADC and SCF mail is, for operational reasons, commingled in the same processing operation, all such mail extracted for the local SCF must be color coded for a scheduled delivery day, also using the 2-day delivery matrix.

h.   When Standard Mail with mailer-requested in-home delivery dates is retained at the facility for DPS processing, a delivery color code reflecting the last requested in-home delivery date may be affixed, provided the mail is segregated and the in-home delivery day identification placards accompany the mail.

i. When Standard Mail is discovered in a facility, after its initial receipt, without color codes or incorrectly identified with multiple color codes, and it cannot be reasonably determined what the color code should be, the following procedures must be followed:

  ✓ If the mail is identified with multiple color codes, then the oldest color code is assumed to be correct, even if the clearance/delivery date has passed.

  ✓ If mail is observed without any color code at all, then it is to be color coded with the same clearance/delivery color code as the oldest mail in the unit at the time of its discovery.

  ✓ If mail is observed without any color code at all, and there is no other mail in the unit at the time of its discovery, then it is to be color coded with today's clearance/delivery color code and treated as if it were delayed.