



March 4, 2011

JAMES J. GALLAGHER
DISTRICT MANAGER, PHILADELPHIA METROPOLITAN CUSTOMER SERVICE
DISTRICT

SUBJECT: Management Advisory – Follow-Up Review of Operations and Service in the
Philadelphia Customer Service District (Report Number NO-MA-11-003)

This report presents the results of our follow-up review of operations and service in the Philadelphia Metropolitan Customer Service District (Project Number 11XG009NO000). This self-initiated review addresses operational risk. Our objective was to determine if the U.S. Postal Service implemented the recommendations made in our management advisory report, *Allegations Concerning Operations and Service in the Philadelphia Customer Service District* (Report Number NO-MA-09-001, dated March 30, 2009). See [Appendix A](#) for additional information about this review.



Illustration 1: The Philadelphia Processing and Distribution Center (P&DC).

Conclusion

Overall, operations and service have improved in the Philadelphia Metropolitan Customer Service District. Management fully implemented 10 of the 13 recommendations. These recommendations entailed improving communication with employees and customers, modifying staffing of operations based on mail volumes, and increasing supervision of employees.

Management also partially implemented three of the recommendations. However, we identified issues at the Philadelphia P&DC with color-coding, mail condition reporting, and mail flow similar to those found in our March 2009 report. Specifically:

- 502 of 1,050 staged Standard Mail containers reviewed at the Philadelphia P&DC (48 percent) were not properly color-coded in accordance with Postal Service color-code policies.
- Not all delayed mail was being accurately reported.
- Manual operations did not always process small parcels in a timely fashion, which resulted in delayed mail.

These recommendations were not fully implemented due to lack of management oversight. Consequently, service scores and customer satisfaction could be adversely impacted. See [Appendix B](#) for our detailed analysis of this topic.

We recommend the district manager, Philadelphia Metropolitan Customer Service District:

1. Provide management oversight to ensure compliance with color coding and delayed mail condition reporting procedures as well as ensuring the timely processing and dispatching of small parcels.


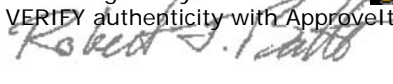
Management's Comments

Management agreed with the findings and recommendation. They have provided a target date of April 30, 2011, to implement the recommendation. See [Appendix D](#) for management's comments in their entirety.

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendation 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: Megan J. Brennan
Jordan M. Small
David E. Williams, Jr.
Kristin A. Seaver
Daniel P. Muldoon
Corporate Audit and Response Management

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

The U.S. Postal Service OIG developed a risk model using 11 performance indicators¹ to rank Postal Service districts by overall performance. In fiscal year (FY) 2008, the model identified the Philadelphia Metropolitan Customer Service District as one of the most at-risk districts. During Q2, FY 2010 Philadelphia was the second most at-risk district. However, in subsequent quarters they have improved their ranking. In Q1, 2011 they have improved to 15th of 74 in districts ranked overall.

As the OIG initiated fieldwork to review performance of the Philadelphia P&DC in November 2008, news articles were reporting incidents of damaged, delayed, and destroyed mail, as well as numerous employee complaints. Consequently, at the request of Postal Service management, we expanded our review to include allegations about mail processing, transportation, and delivery operations in the Philadelphia Customer Service District. Several allegations suggested the possibility of criminal intent; therefore, the project became a joint effort between OIG Audit and Investigations staffs.

Of the 18 allegations, one was substantiated, seven were partially substantiated, and 10 were not substantiated. Thirteen recommendations to address the substantiated and partially substantiated allegations included improving communication with employees and customers, modifying staffing of operations based on mail volumes of employees, and increasing supervision of employees (see [Appendix C](#)). The details of the substantiated allegation involving report falsification of delayed First-Class Mail and Standard Mail were covered in a separate investigative report. The remaining findings resulted from process failures, not from intentional misrepresentations or inappropriate conduct. The substantiated allegation involved the understatement of delayed mail volumes. Management agreed with the findings and recommendations.

This audit is a follow-up to our March 30, 2009 report and addresses the 13 recommendations made in that report.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to determine whether the Postal Service implemented the recommendations made in our March 30, 2009 report, *Allegations Concerning Operations and Service in the Philadelphia Customer Service District*. To determine whether the Philadelphia Metropolitan Customer Service District implemented the recommendations from that report, we observed operations at the Philadelphia P&DC as well as 10 delivery units in the Philadelphia Metropolitan Customer Service District.

¹ The 11 performance indicators are: overnight, 2-day and 3-day service, plant delays, transportation delays, Breakthrough Productivity Initiative (BPI), delivery overtime, customer service delays, delivery point sequence percentage, mail processing overtime, and carriers after 5 p.m.

We also interviewed Postal Service officials and employees. In addition, we analyzed mail counts and volume, employee training records, delivery confirmation data and color-coding procedures.

We conducted this review from November 2010 through February 2011 in accordance with the Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation*. We discussed our observations and conclusions with management officials on November 19, 2010, and included their comments where appropriate.

We assessed the reliability of volume and training data. We determined that the data were sufficiently reliable for the purposes of this report.

PRIOR AUDIT COVERAGE

Report Title	Report Number	Final Report Date	Report Results
<i>Activation of the Philadelphia Processing and Distribution Center</i>	NO-AR-08-004	7/10/2008	We found that not all activation steps were fully implemented, resulting in significant mail delays. Management partially agreed with one recommendation and agreed with the other.
<i>Allegations Concerning Operations and Service in the Philadelphia Customer Service District</i>	NO-MA-09-001	3/30/2009	We found that of 18 media allegations, one was substantiated, seven were partially substantiated, and 10 were not substantiated. Management agreed with our findings and recommendations.

APPENDIX B: DETAILED ANALYSIS

Operational and Service Concerns

The Philadelphia Metropolitan Customer Service District fully implemented 10 of the 13 and partially implemented three of the recommendations from our prior report (see [Appendix C](#) for the recommendations). We identified a few issues with color-coding, mail condition reporting, and mail flow at the Philadelphia P&DC similar to those found in our March 2009 report. Three recommendations from that report were not fully implemented due to lack of management oversight. The statuses of our prior recommendations are discussed below.

Color-Coding

Our prior report recommended the Postal Service provide color-code training and supervisory oversight to employees. The Philadelphia P&DC In-Plant Support made extensive efforts to implement the internal controls necessary to comply with the National Color Code Policy including use of a color-code discrepancy log. Based on our observations, they are also using the correct national color-code tags and are correctly changing the color-code tag at the critical entry time. In addition, color-code instructional signage has been added to enhance mail flow through the facility.

Illustration 5: A color-code chart at the Philadelphia P&DC provides instruction for employees tagging mail.

PLANT		STANDARD MAIL DEPTH OF SORT AT ENTRY :		
STANDARD MAIL	LEVEL	OUTGOING DIRECTS	MXD OUTGOING LETTERS FOR PROCESSING AT PHILA P & D C	DESTINATING AADC, ADC, SCF, 3-DIGIT, 5 DIGIT, CRT DELIVERY MIXED
COLOR CODE	TYPE	CLEARANCE COLOR CODE APPLIED	PROCESSING COLOR CODE APPLIED	DELIVERY COLOR CODE APPLIED
RECEIPT TIME	DAY OF RECEIPT			
FRI - SAT	SAT	WHITE - SUN	BLUE - MON	ORANGE - TUE
SAT - SUN	SUN	BLUE - MON	ORANGE - TUE	GREEN - WED
SUN - MON	MON	ORANGE - TUE	GREEN - WED	VIOLET - THU
MON - TUE	TUE	GREEN - WED	VIOLET - THU	YELLOW - FRI
TUE - WED	WED	VIOLET - THU	YELLOW - FRI	PINK - SAT
WED - THU	THU	YELLOW - FRI	PINK - SAT	BLUE - MON
THU - FRI	FRI	PINK - SAT	WHITE - SUN	BLUE - MON

Any Outgoing Standard Mail received at Philadelphia prior to midnight from local Delivery Units is considered to be that day's receipt and receives a color code commitment for that day's entry. Outgoing Standard Mail received at Philadelphia from mailers will be color coded in accordance with established CET.

DESTINATING STANDARD CET - 1600

While the Philadelphia P&DC has made positive strides in the color-code area, there are still opportunities for improvement. For example, 502 of 1,050 staged Standard Mail containers reviewed at the Philadelphia P&DC (48 percent) were not properly color-coded in accordance with Postal Service color-code policies. Specifically, color-code tags were missing from 292 (28 percent) of containers while color-code tags were missing the time and/or date on 210 (20 percent) of the containers. In addition, mail processing staff at the Philadelphia P&DC did not always follow-up on internal color code reviews conducted by In-Plant Support.

Illustration 6: During one of our observations, 12 of 17 containers did not have color-code tags.



According to the national color-code policy for Standard Mail, color-coding procedures provide a guide to maintaining service goals for Standard Mail. All Standard Mail will be color-coded and Standard Mail without color-coded tags will be coded the same color 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.

Philadelphia P&DC color-code discrepancies occurred because only 342 of 1,442 (24 percent) of mail processing employees completed the required color-code refresher training. In addition, closer supervision of employees would help ensure compliance with color-code policies. By not accurately color-coding the mail, the Postal Service cannot ensure timely processing, dispatch, and delivery of Standard Mail. Additionally, missing or incomplete color-code tags could lead to inaccurate reporting of delayed and on-hand mail.

[Mail Condition Reporting](#)

Our prior report recommended verifying delayed mail counts conducted by data collection technicians. The purpose of this verification was to ensure the accurate reporting of delayed mail. In February 2010, Philadelphia P&DC issued a standard operating procedure (SOP) in order to clarify reporting procedures. However, we observed that not all delayed mail was being accurately reported. Specifically:

- While observing the mail condition count on Wednesday, November 17, 2010, we noticed the 5-digit flats color-coded for Thursday delivery were not properly included in the delayed mail count. Postal Service policy states that employees should report destinating 5-digit non-delivery point sequenced mail² as delayed 1 day before the scheduled delivery day. Bringing these matters to the attention of plant management resulted in proper reporting, effective November 18, 2010.

² Destinating 5-digit mail requires additional sorting to the carrier route.

- During our review of mail condition reporting, we noted that small parcels were not reported in the delayed mail count. The employee performing the count indicated that there was no space on his count sheet for reporting on-hand³ or delayed⁴ small parcel volume. However, in our opinion, adequate space exists on the count-sheet and proper verification of delayed mail counts would have revealed this discrepancy.

Not properly reporting delayed volumes may prevent management from making effective operational decisions and negatively impact customer service.

Mail Flow

Our prior report recommended expediting mail flow throughout the facility. Based on our workroom floor observations and review of SOPs, we determined that the Philadelphia P&DC, for the most part, has adequate internal controls in place to optimize mail flow throughout the facility. During observations, we found sufficient signage and floor markings to adequately stage mail and enhance mail flow through the plant (see Illustration 7).

Illustration 7: Signage and use of color-codes and labels clearly direct this mail to the processing on the Delivery Bar Code Sorter.



However, based on our observations, we noted that manual operations did not always process small parcels in a timely fashion, which resulted in delayed mail. For example, on November 17, 2010, at 5 a.m., we observed several First-Class™ small parcels sorted into sacks. That evening, we observed that the same, sacked parcels had not been dispatched. An employee in the unit advised us that parcels were not always

³ On-hand quantity is the total inventory of all available mail at the beginning of the MODS day, by designated operation within the facility, regardless of service commitment.

⁴ Delayed mail occurs when mail is not processed, finalized, or dispatched from a specific operation or facility in time to provide the subsequent operation or facility the allotted time necessary to ensure delivery by the programmed delivery day.

dispatch daily due to time constraints. We reviewed delivery confirmation data for several of the parcels and found that, while they were scheduled for delivery on November 12, they were not actually delivered until November 18, 2010 — a delay of 6 days.

Operational and Service Improvements

Employee Communication⁵

Philadelphia Metropolitan Customer Service District management has increased the level of communication with employees. A review of meeting minutes and interviews with Philadelphia Metropolitan Customer Service District employees revealed that management held regular meetings with employees to address their concerns and communicate operational issues, such as new machine deployments; future facility expansion plans; and current Postal Service events, service and safety issues. Management also used bulletin boards, newsletters, signs, and placards to enhance employee communication.

Illustration 2: Information is provided for employees on a Flat Sequencing System, which can be seen in the background.



Waste Mail

A Philadelphia Metropolitan Customer Service District effort was successful in ensuring that mail sent for recycling was properly verified. Postal Service policy requires a supervisor to verify a carrier's Unendorsed Bulk Business Mail⁶ once a month. Observations at both the plant and carrier units verified adherence to the policy (see Illustration 3).

⁵ This section covers recommendation numbers 3 and 12 in the March 30, 2009 report.

⁶ Standard Mail that cannot be delivered.

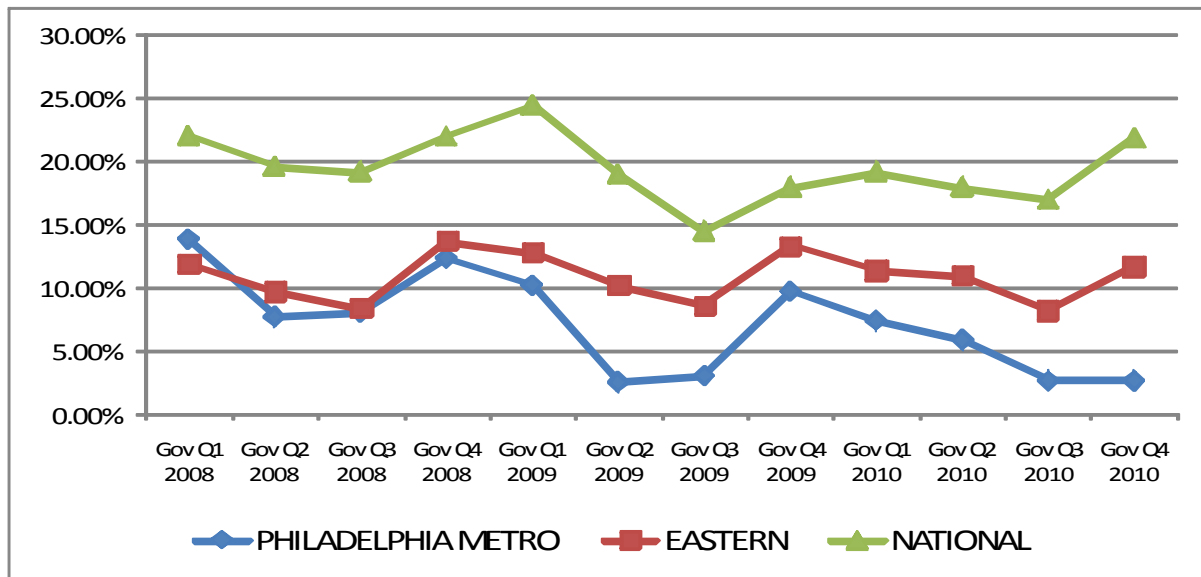
Illustration 3: Waste mail with a verification signature and date awaits transport to the recycling center from the Philadelphia P&DC.



Street Supervision

The Philadelphia Metropolitan Customer Service District has increased street supervision of its carriers to ensure they complete their routes by 5 p.m. Based on our observations and interviews of delivery unit employees, supervisors walk with carriers, review carrier delivery point scans, and observe carrier driving practices. From FYs 2008 through 2010, the Philadelphia Metropolitan Customer Service District has consistently had a lower percentage of carriers returning after 5 p.m. compared to area and national averages (see Chart 1). This helps ensure the mail is delivered the same time every day.

Chart 1: Carriers Returning After 5 p.m.



Timely Mail Delivery in Delivery Units

We visited 10 delivery units for “Carriers Returning after 5 p.m.” and observed very little delayed mail. In addition, observations of mail conditions in the unit were consistent with conditions reported in the Customer Service Daily Report System.

Contingency Planning

The Philadelphia Metropolitan Customer Service District updated their contingency plan to ensure operations continue in an emergency. They identified facility point of contacts and notified all facilities of the changes. As a result, mail delivery should continue with minimal service interruption in the event of an emergency. Fortunately, they have not had to activate their emergency plan.

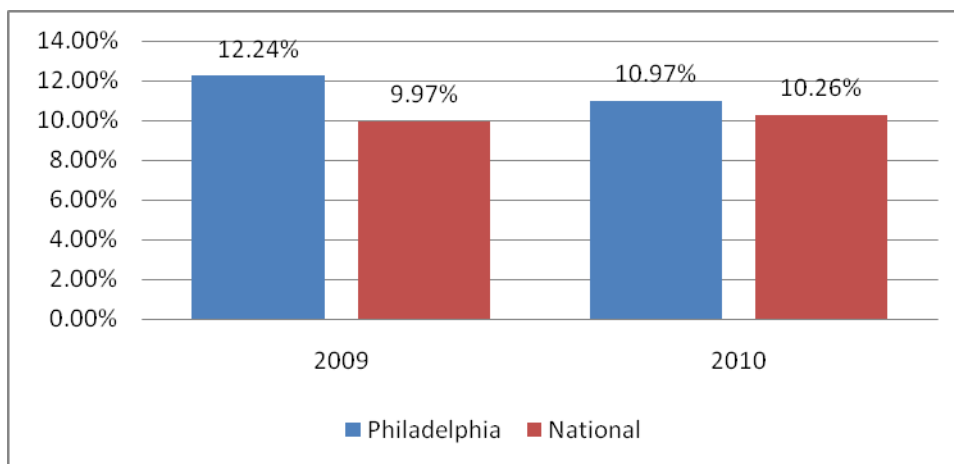
Automated Package Processing System (APPS) Staffing and Maintenance

The Philadelphia P&DC management established a bid matrix worksheet to identify the employee and employee classification (mail handler or clerk) assigned to the APPS operation. This helped management ensure that the APPS operation had sufficient staffing. Our observations confirmed that the APPS had adequate staff to timely process mail and ensure the machines were properly maintained and functioning.

APPS Modifications

The Philadelphia P&DC’s modifications to the APPS have decreased the frequency of jams on the machine. As a result, mail damage and rejects have been reduced thereby improving sortation accuracy. The reject rates for the APPSs at the Philadelphia P&DC slightly decreased from FYs 2009 through 2010 and were comparable to the national average (see Chart 2).

Chart 2: FYs 2009 and 2010 Philadelphia P&DC and National APPS Reject Rates



Mail Preparation

The Philadelphia P&DC worked with mailers packaging to improve APPS scan and read rates. In May 2010, a team from the Philadelphia Metropolitan Customer Service District visited a major medicine mailer and discussed packaging revisions in an effort to improve mail processing machine scan rates. We observed the APPS operation and noted mail sortation improvements in the APPS machine. These packaging improvements (see Illustration 4) contributed to the improved reject rates (see Chart 3) at the Philadelphia P&DC.

Illustration 4: Packages of medicine waiting for processing on the APPS include material that helps the package and label remain flat during processing.



Staffing Analysis

The Philadelphia Metropolitan Customer Service District evaluated staffing at each mail processing operation and delivery unit. As a result of a staffing analysis, the Philadelphia P&DC reduced the mail processing compliment from 1,639 in March 2009 to 1,372 in September 2010. They also implemented a bid matrix to monitor employee movement throughout the Philadelphia P&DC and to ensure that each operation was adequately staffed. Our observations revealed few instances of idle employees.

We performed a productivity analysis to assess Philadelphia P&DC productivity. We compared Philadelphia's FY 2010 First-Handled Piece (FHP) productivity (defined as FHP volume divided by workhours) to the other Group 1⁷ P&DCs. For Labor Distribution Codes (LDCs) 11, 12, 13, 14, and 15, we compared the Philadelphia P&DC FHP productivity to the average of the other Group 1 P&DCs. For LDC 17 and 18, we compared the percentage of hours used to total hours. The results of our analysis are depicted in Table 1. The shaded cells show where the Philadelphia P&DC is performing below the average of other Group 1 facilities. This indicates that the Philadelphia

⁷ The facilities that process mail are divided into seven groups ranked either according to mail volume outlined in the BPI or by facility square footage. Group 1 facilities are the largest of the P&DCs.

P&DC's staffing levels may be excessive in LDCs 11, 14, 15, 17, and 18. However, additional observations and analysis would be required to draw any authoritative conclusions on staffing levels.

Table 1: Philadelphia P&DC Productivity Comparison with Other Group 1 Facilities

Labor Distribution Code (LDC)	Philadelphia	Group 1 Median
LDC 11 – Automated Distribution (Letters and Flats)	2,766 PPH*	3,728 PPH
LDC 12 – Mechanized Distribution (Letters and Flats)	2,866 PPH	2,472 PPH
LDC 13 – Mechanized Distribution Other	283 PPH	118 PPH
LDC 14 – Manual Distribution	279 PPH	314 PPH
LDC 15 – Remote Bar Code System	751 PPH	1,740 PPH
LDC 17 – Mail Processing Direct – Other Operations	41.24%	37.74%
LDC 18 – Mail Processing Indirect/Related	9.54%	8.31%

*Pieces per Hour (PPH)

**APPENDIX C: RECOMMENDATIONS FROM
PRIOR MANAGEMENT ADVISORY REPORT⁸**

We recommended the acting district manager, Philadelphia Customer Service District, take the following actions, to be completed no later than the end of FY 2009:

1. Provide color-code training and supervisory oversight to employees.
2. Verify delayed mail volume counts conducted by data collection technicians.
3. Conduct regular meetings to foster good employee relations and more readily identify and address employees' concerns.
4. Ensure mail sent for recycling is properly verified.
5. Improve street supervision to ensure carriers deliver mail in a timely manner.
6. Ensure mail at carrier stations is delivered in a timely manner.
7. Improve communications and contingency planning when mail is directed to other plants for processing.
8. Expedite mail flow throughout the facility.
9. Ensure Automated Package Processing System operations are properly staffed and maintained.
10. Modify the Automated Package Processing System to reduce damage to packages.
11. Contact mailers to improve labeling and packaging.
12. Effectively communicate operational issues to employees.
13. Evaluate staffing at each mail processing operation and delivery unit.

⁸ *Allegations Concerning Operations and Service in the Philadelphia Customer Service District* (Report Number NO-MA-09-001, dated March 30, 2009).

APPENDIX D: MANAGEMENT'S COMMENTS

DISTRICT MANAGER
PHILADELPHIA METROPOLITAN DISTRICT



March 1, 2011

TO: LUCINE M. WILLIS
DIRECTOR, AUDIT OPERATIONS

Subject: Transmittal of Draft Management Advisory – Follow-Up Review of Operations
and Service in the Philadelphia Customer Service District (Report Number NO-
MA-11-DRAFT)

The Philadelphia District Office has reviewed the subject audit report and agrees with the findings and recommendations along with the monetary impacts.

Recommendation #1:

Provide management oversight to ensure compliance with color coding and delayed mail condition reporting procedures as well as ensuring the timely processing and dispatching of small parcels.

Management Response/Action Plan:

The Philadelphia District agrees with the recommendation to provide management oversight to ensure compliance with color coding and delayed mail condition reporting procedures as well as ensuring the timely processing and dispatching of small parcels.

Target Implementation Date:

The targeted implementation date is April 30, 2011.

Responsible Official:

Daniel P Muldoon, Senior Plant Manager Philadelphia P&DC

After reviewing the report, we have no Freedom of Information Act (FOIA) issues related to this audit. If you have any questions regarding this response, please contact Daniel P. Muldoon, Senior Plant Manager at 215-749-4307

Thank you.


James J. Gallagher
District Manager

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