

Fiscal Year 2022 Capping Report - Efficiency of Operations at Processing and Distribution Centers in the Western Region

AUDIT REPORT

Report Number 23-034-R23 | March 27, 2023

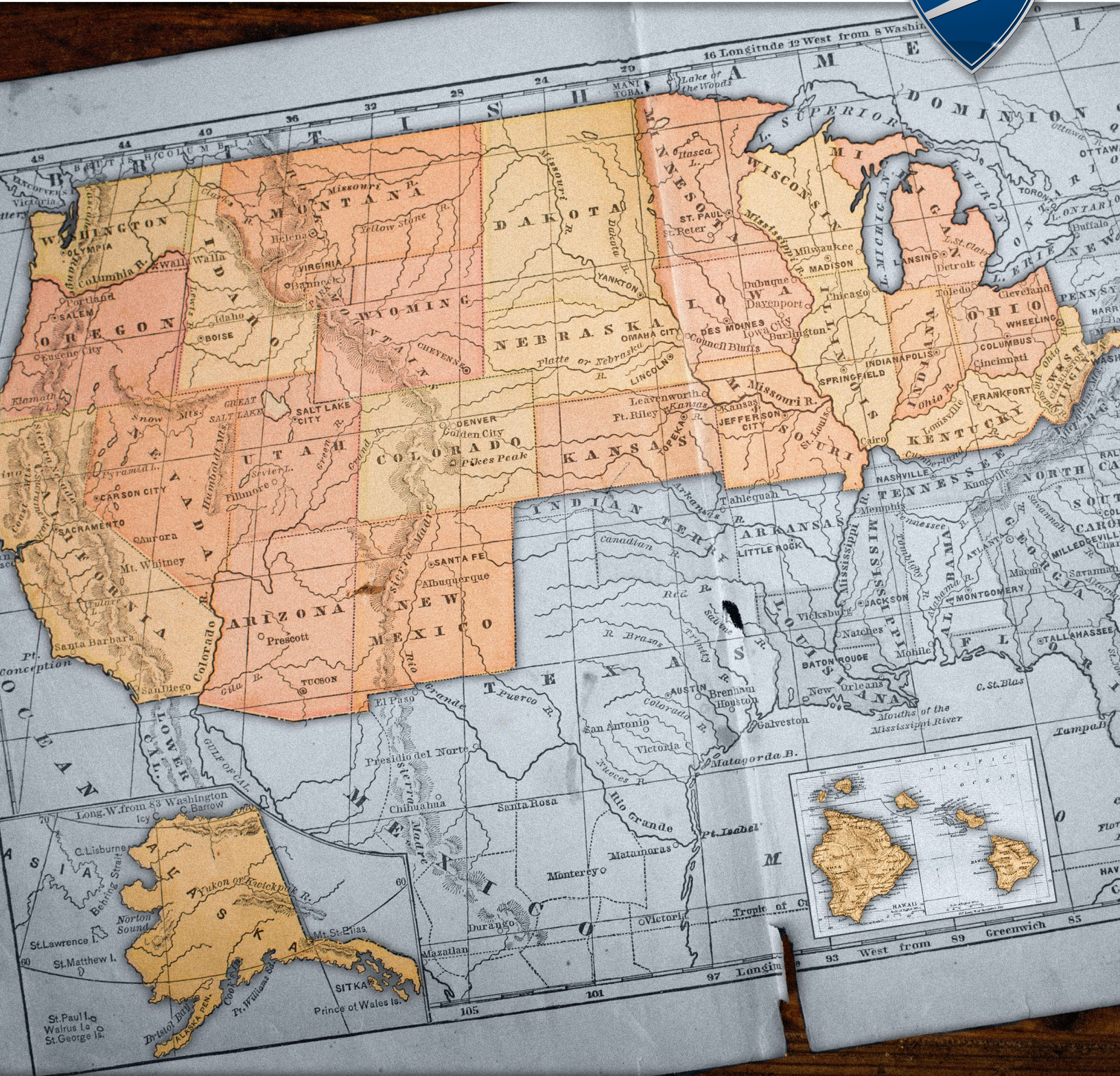


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Highlights

Background

The U.S. Postal Service's Western Processing Region has about 84 Processing and Distribution Centers (P&DC) that assist in the Postal Service's universal service obligation to bind the nation together and provide prompt, reliable, and efficient postal services to all communities. During fiscal year (FY) 2022, we evaluated the efficiency of operations at eight P&DCs in the Western Processing Region. These P&DCs spanned six different divisions and served a total population of about 27.49 million.

What We Did

Our objective was to summarize the audits of selected Postal Service P&DCs in the Western Processing Region during FY 2022 and evaluate recent load scan and transportation performance. Specifically, we reviewed load scan and late, canceled, and extra trip data for the period from October 2021 through December 2022 for the P&DCs with related recommendations.

What We Found

Although we noted improvement in load scanning at one P&DC, we determined that four of the five P&DCs were still not meeting the 92 percent scanning goal. When load scans are not completed, management is unable to rely on the data to make operational decisions. We also determined there were no notable improvements in the reduction of late, canceled, and extra outbound trips since the issuance of our reports. When there are late, canceled, and extra trips, there is an increased risk that the mail will not be delivered on time, which can adversely affect Postal Service customers, harm the brand, send mailers to competitors, increase operating costs, and cause the Postal Service to lose revenue. Postal Service Management has a current initiative to help increase Postal Vehicle Service drivers and a pilot program for a new Postal Vehicle Operator position to transport mail in vehicles that do not require commercial driver's licenses.

Recommendation

We recommended management develop a plan to increase load scans to meet the scanning goal at Processing and Distribution Centers.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

March 27, 2023

MEMORANDUM FOR: TODD HAWKINS, WESTERN REGION VICE PRESIDENT,
PROCESSING OPERATIONS

LARRY BELAIR
CENTRAL REGIONAL DIRECTOR, LOGISTICS

MARC KERSEY
WESTPAC REGIONAL DIRECTOR, LOGISTICS

A handwritten signature in black ink that reads "Kelly Thresher".

FROM: Kelly Thresher
Deputy Assistant Inspector General, Field Operations

SUBJECT: Audit Report – Fiscal Year 2022 Capping Report - Efficiency of
Operations at Processing and Distribution Centers in the Western Region
(Report Number 23-034-R23)

This report presents the results of our audit of Fiscal Year 2022 Capping Report - Efficiency of Operations at Processing and Distribution Centers in the Western Region.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Joseph Wolski, Director, Field Operations, or me at 703-248-2100.

Attachment

cc: Postmaster General
Chief Processing and Distribution Officer and Executive Vice President
Chief Logistics Officer and Executive Vice President
Processing and Maintenance Vice President
Logistics Vice President
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audits of the efficiency of operations at processing and distribution centers (P&DC) in the Western Processing Region during fiscal year (FY) 2022 (Project Number 23-034). Our objective was to summarize the audits of selected U.S. Postal Service P&DCs in the Western Processing Region during FY 2022 and evaluate recent load scan and transportation performance. See [Appendix A](#) for additional information about this audit.

Background

The Postal Service’s Western Processing Region has about 84 P&DCs that assist in the Postal Service’s universal service obligation to bind the nation

together and provide prompt, reliable, and efficient postal services to all communities.

During FY 2022, we evaluated the efficiency of operations at eight P&DCs in the Western Processing Region (see Figure 1). These P&DCs spanned six different divisions and served a total population of about 27.49 million.

Findings Summary for FY 2022 Issued Reports

We identified deficiencies in all four audit areas we reviewed that affected the efficiency of operations at seven of eight P&DCs. We identified a separate issue at one P&DC related to transportation of mail (see [Table 1](#)).

Figure 1. P&DCs Evaluated During FY 2022



Source: U.S. Postal Service Office of Inspector General (OIG) created map of P&DC audit locations.

Table 1. Summary of Results

P&DC	Division	Deficiency Identified - Yes or No				
		Clearance Times	Delayed Mail	Late, Canceled, & Extra Outbound Trips	Load Scans	Other - Transportation
Portland	Pacific Northwest	No	No	Yes	No	No
Columbus	Lakeshores	No	No	No	Yes	No
Margaret L. Sellers (San Diego)	Southern California	Yes	Yes	No	Yes	No
Indianapolis	Westshores	No	Yes	Yes	Yes	No
Seattle	Pacific Northwest	No	No	Yes	No	No
St. Louis	Midwest	No	Yes	Yes	Yes	No
Albuquerque	Western	No	No	No	No	Yes
Milwaukee	Westshores	No	No	Yes	Yes	No
Total P&DCs with Deficiencies		1	3	5	5	1

Source: Results of OIG P&DC audits conducted during FY 2022.

Clearance Times

We identified an issue related to clearance times at one of the eight P&DCs we visited. The Margaret L. Sellers P&DC did not meet First-Class Package clearance times due to excess volume.

To address this issue, we made one recommendation for management to implement a plan to process parcels to meet clearance times. Management agreed with the recommendation and will be working with Postal Service Headquarters to add additional machine capacity. The recommendation remains open with a target implementation date of March 31, 2023.

Delayed Mail

We identified issues with delayed mail at three of the eight P&DCs we visited. Specifically, we identified:

- Letters initially rejected by the sorting machines and not processed a second time to confirm mail was not machinable.
- Daily preventative maintenance not being consistently completed.
- Volume exceeding machine capacity.
- Use of incorrect tray slide labels.¹

As a result of our delayed mail findings, we made three recommendations for management including:

- Monitoring mail sent to the manual sorting area.
- Initiating a plan to verify preventative maintenance was consistently performed on automated machines.
- Implementing a plan to process parcels to meet clearance times.

Management agreed with two of our three recommendations and partially agreed with one. Postal Service Management implemented two of the recommendations and provided sufficient documentation to the OIG to support their closure. The recommendation regarding clearance times remains open with a target implementation date of March 31, 2023.

Late, Canceled, and Extra Outbound Trips

We identified issues with late, canceled, and extra outbound trips at five of the eight P&DCs we visited. Specifically, these trips were caused by Postal Vehicle Service (PVS) driver positions not being fully staffed, and, in one instance, there was a lack of supervision on the dock area.

¹ We did not make a recommendation to address tray slide labels at the Indianapolis P&DC because corrective action was taken during the audit.

As a result, we made five recommendations for management, to include increasing PVS drivers and creating a plan to oversee dock operations. Management agreed with four of our five recommendations and partially agreed to one. Three of these recommendations have been implemented and Postal Service management provided sufficient documentation to the OIG to support their closure. The other recommendations are still open with target implementation dates of March 31, 2023, for the Portland P&DC and May 12, 2023, for the Seattle P&DC.

Load Scans

We identified issues with load scanning at five of the eight P&DCs we visited. Specifically, employees were not performing container load scans consistently before dispatching mail out of the facility.

As a result, we made eight recommendations for management to develop a plan for training, develop local policy to establish oversight, review load scan performance, and fill Supervisor of Distribution Operations and Manager of Distribution Operations positions. Management agreed and implemented all our recommendations.

Other - Transportation

At one P&DC, trucks and trailers containing processed mail for delivery by Highway Contract Route² drivers were not secured, as required by Postal Service policy.

We made a recommendation to develop and execute a plan to check that all employees were

trained on the standard operating procedures for securing trailer cargo. Management partially agreed with the recommendation, which they implemented, and Postal Service management provided sufficient documentation to support its closure.

Finding #1: Load Scans

We reviewed load scan data for the period from October 2021 through December 2022 for the five P&DCs where we identified load scan issues. We noted improvement at all five P&DCs since the published reports; however, the Margaret L. Sellers location was the only one that, on average, met the 92 percent goal (see Figure 2).³

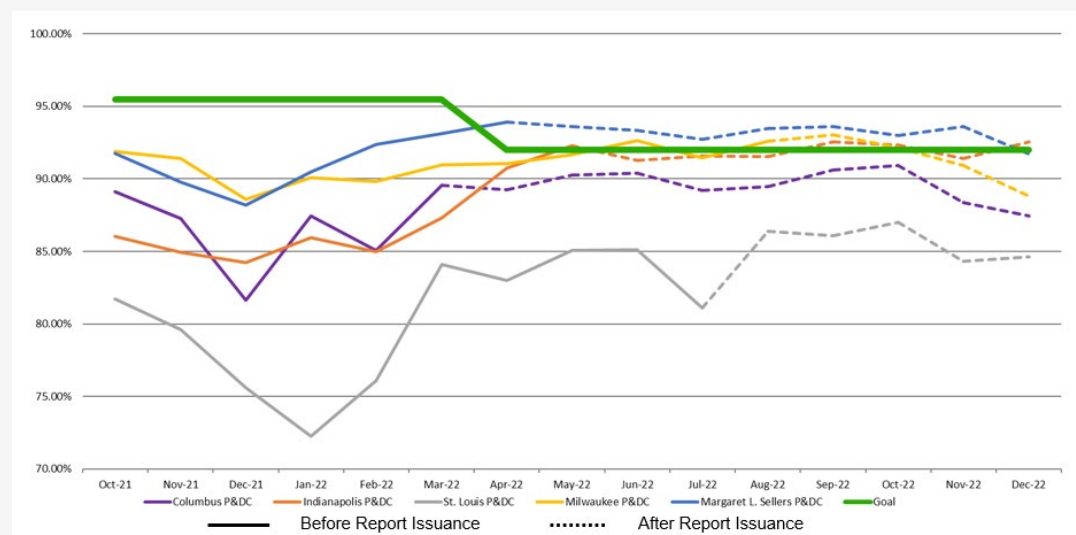
Expeditors, who report to Processing, along with PVS Drivers, who report to Transportation, are responsible for scanning. Postal Service policy⁴ states that employees are required to perform load scans to ensure 100 percent mail visibility and that management should ensure employees are scanning containers before loading them onto a trailer. When load scans are not completed, management is unable to rely on the scan data to make operational decisions.

Recommendation #1

We recommend the **Western Regional Vice President, Processing Operations and Central Regional Director, Logistics**, develop a plan to increase load scans to meet the scanning goal at Processing and Distribution Centers.

Figure 2. Percent Load Scan Compliance by Plant October 2021 - December 2022

Source: OIG Analysis of Enterprise Data Warehouse (EDW). EDW is a repository intended for data and the central source for information on retail, financial, and operational performance. Mission-critical information comes to EDW from transactions that occur across the mail delivery system, points-of-sale, and other sources.



² A route of travel served by a Postal Service contractor to carry mail over highways between designated points.
³ The scanning visibility goal for Logistics changed from 95.5 to 92 percent on March 15, 2022.
⁴ *Surface Visibility* User booklet.

Finding #2: Late, Canceled, and Extra Outbound Trips

We reviewed data for late, canceled, and extra outbound trips for the period from October 2021 through December 2022 for the five P&DCs where we identified these issues. For late outbound trips, there were no notable improvements since the issuance of the reports (see Figure 3).

For canceled outbound trips, there were no notable improvements for four of the five plants since the issuance of the reports. The St. Louis P&DC dropped canceled trips significantly (see Figure 4).

For extra outbound trips, there were no notable improvements since the issuance of the reports (see Figure 5).

Figure 3. Percentage of Late Trips Compared to Total Trips by Plant

Source: OIG Analysis of Surface Visibility Web (SVWeb). SVWeb is a system that provides real time transportation updates and reports on the movements of trailers in the surface network.

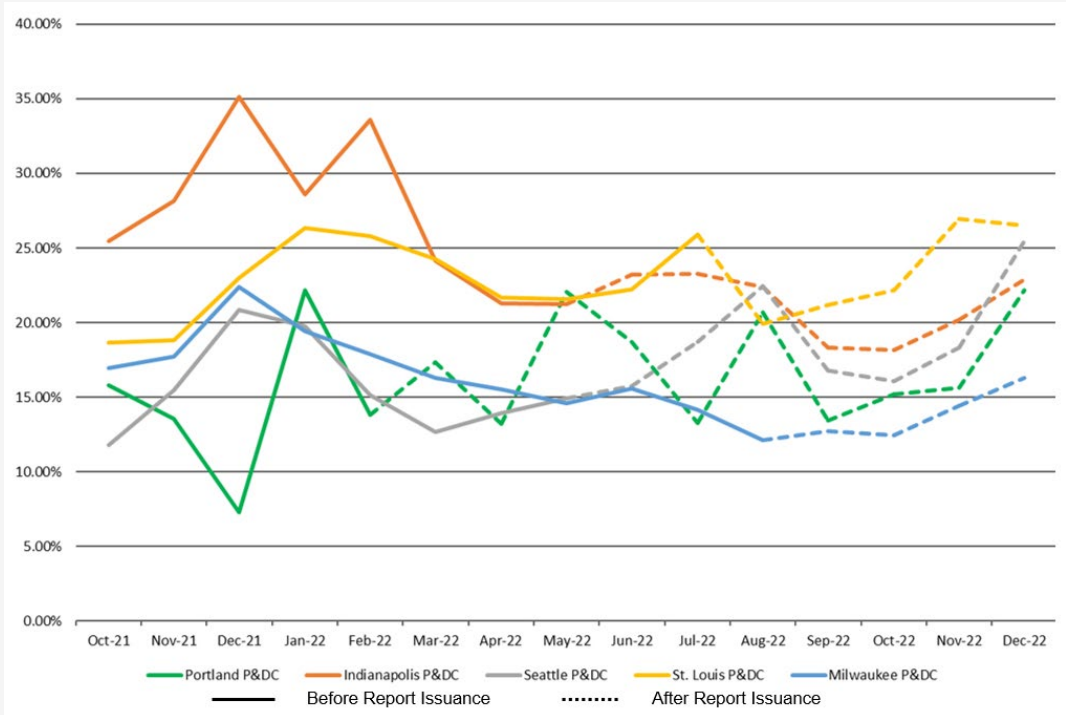


Figure 4. Percentage of Canceled Trips Compared to Total Trips by Plant

Source: OIG Analysis of SVWeb.

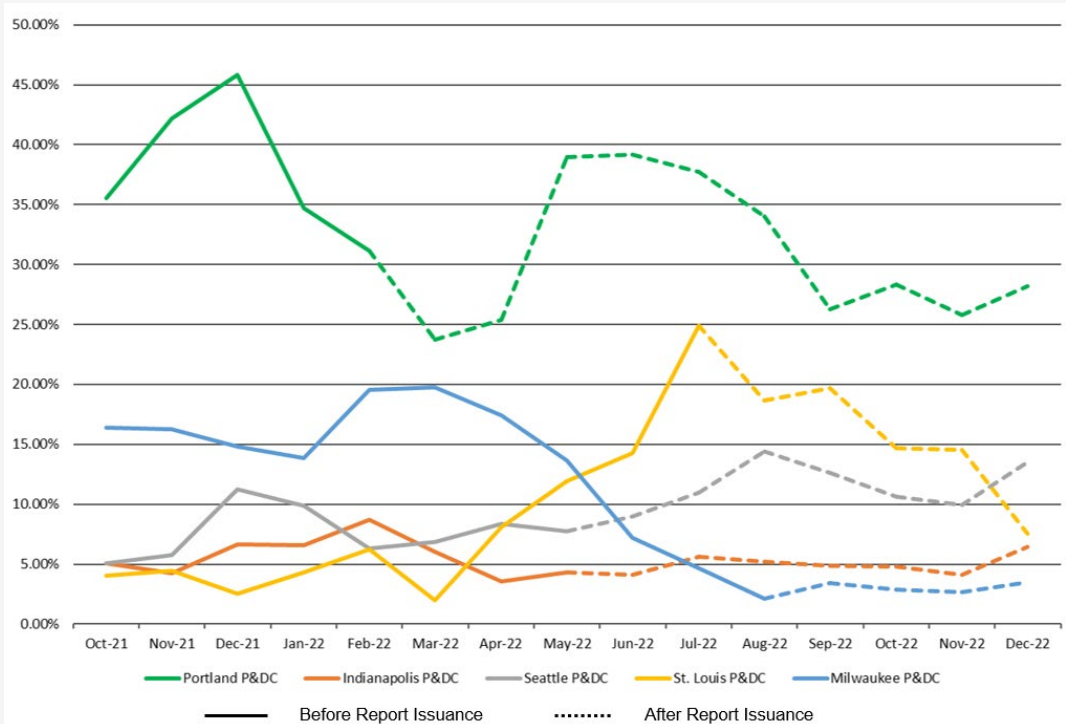
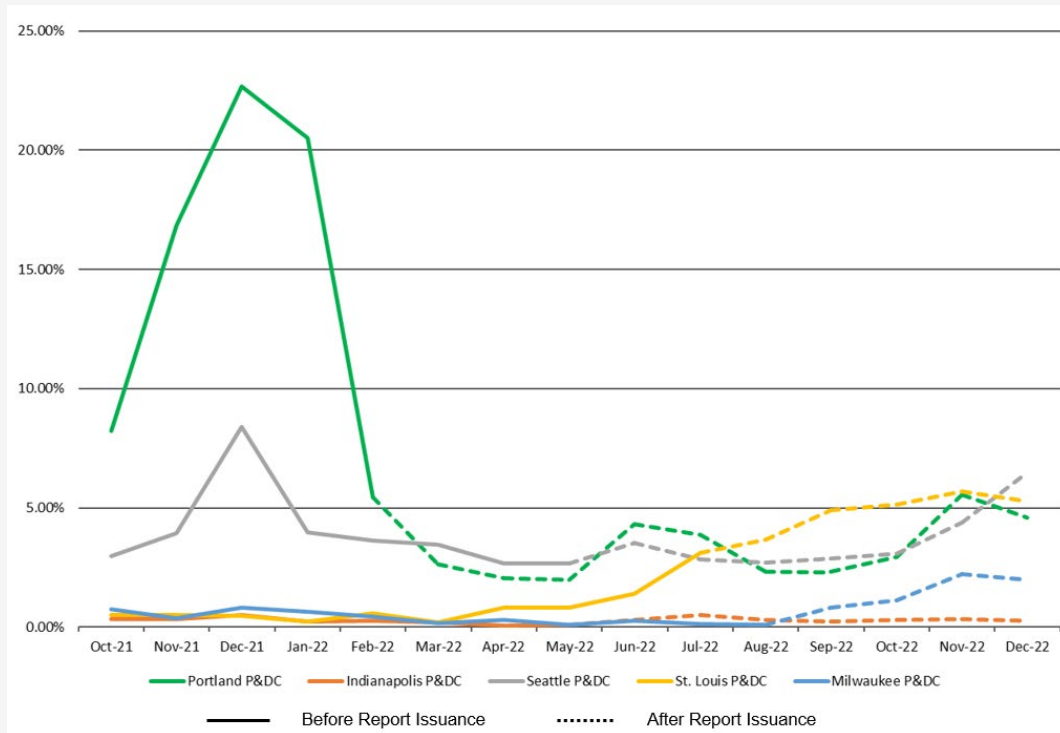


Figure 5. Percentage of Extra Trips Compared to Total Trips by Plant

Source: OIG Analysis of SVWeb



When there are late, canceled, and extra trips, there is an increased risk that the mail will not be delivered on time and can adversely affect Postal Service customers, harm the brand, send mailers to competitors, increase operating costs, and cause the Postal Service to lose revenue.

Postal Service Management stated that they have an ongoing initiative to help increase PVS drivers and are experiencing success. This initiative includes streamlining the PVS driver hiring process so that sites nationwide work with the Human Resources Shared Service Center. In addition, the Human Resources Shared Service Center and Human Resources are working with Brand Marketing and Recruitment so continued marketing strategies align with national job postings.

On November 30, 2022, the Postal Service also started a six-month pilot program in Oklahoma City for a new Postal Vehicle Operator position to transport mail in vehicles that do not require commercial driver's licenses. This pilot program will also make the required training to obtain a commercial driver's license available to the new Postal Vehicle Operators. The completion of a commercial driver's license will allow them to be placed into a Motor Vehicle Operator and/or a Tractor Trailer Operator position, if available.

We are not making a recommendation in this report since the recommendations addressing PVS driver shortages remain open, and the ongoing initiative and pilot program may also help to address the issue.

Management's Comments

Management agreed with the findings and recommendation in the report. See [Appendix B](#) for management's comments in their entirety.

Regarding recommendation 1, management stated they will conduct one on one performance reviews with employees that are non-compliant for facilities below target. The target implementation date is August 31, 2023.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendation and the corrective actions should address the issues identified in the report.

Recommendation 1 requires OIG concurrence before closure. The OIG requests written confirmation when corrective actions are completed. This recommendation should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

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Appendix A: Additional Information

Scope and Methodology

We conducted this performance audit from January 2023 through March 2023 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 March 6, 2023, and included their comments where appropriate.

We assessed the reliability of EDW and SVWeb by reviewing it for completeness, reasonableness, accuracy, and validity. 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
<i>Efficiency of Operations at the Portland, OR, Processing and Distribution Center</i>	To evaluate the efficiency of operations at the Portland P&DC.	22-028-R22	2/22/22	\$0
<i>Efficiency of Operations at the Columbus, OH, Processing and Distribution Center</i>	To evaluate the efficiency of operations at the Columbus P&DC.	22-041-R22	3/25/22	\$0
<i>Efficiency of Operations at the Margaret L. Sellers San Diego, CA, Processing and Distribution Center</i>	To evaluate the efficiency of operations at the Margaret L. Sellers P&DC.	22-061-R22	4/8/22	\$0
<i>Efficiency of Operations at the Indianapolis, IN, Processing and Distribution Center</i>	To evaluate the efficiency of operations at the Indianapolis P&DC.	22-080-R22	5/11/22	\$0
<i>Efficiency of Operations at the Seattle, WA, Processing and Distribution Center</i>	To evaluate the efficiency of operations at the Seattle P&DC.	22-094-R22	5/19/22	\$0
<i>Efficiency of Operations at the St. Louis, MO, Processing and Distribution Center</i>	To evaluate the efficiency of operations at the St. Louis P&DC.	22-112-R22	7/13/22	\$0
<i>Efficiency of Operations at the Albuquerque, NM, Processing and Distribution Center</i>	To evaluate the efficiency of operations at the Albuquerque P&DC.	22-134-R22	8/5/22	\$0
<i>Efficiency of Operations at the Milwaukee, WI, Processing and Distribution Center</i>	To evaluate the efficiency of operations at the Milwaukee P&DC.	22-154-R22	8/31/22	\$0

Appendix B: Management's Comments



March 21, 2023

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Fiscal Year 2022 Capping Report - Efficiency of Operations at Processing and Distribution Centers in the Western Region (Report Number 23-034-DRAFT)

Thank you for providing the Postal Service with an opportunity to review and comment on the findings and recommendations contained in the draft audit report, *Fiscal Year 2022 Capping Report - Efficiency of Operations at Processing and Distribution Centers in the Western Region*.

Management agrees with the two findings in the report: (1) Load Scans, and (2) Late, Canceled, and Extra Outbound Trips.

Following are our comments on the one recommendation.

Recommendation 1:

We recommend the **Western Regional Vice President, Processing Operations and Central Regional Director, Logistics**, develop a plan to increase load scans to meet the scanning goal at Processing and Distribution Centers.

Management Response/Action Plan: Management agrees with this recommendation. Management will conduct one on one performance reviews with employees that are non-compliant for facilities below target.

Target Implementation Date: 08/31/2023

Responsible Official:

Division Directors – Western Region Processing Operations
Logistics Division Directors – Central and WestPac Regions

E-SIGNED by Todd.S Hawkins
on 2023-03-21 14:49:54 CDT

Todd S. Hawkins
Vice President, Regional Processing Operations

E-SIGNED by Larry.J Belair
on 2023-03-21 15:10:24 CDT

Larry Belair
Central Regional Director, Logistics

E-SIGNED by Marc.E Kersey
on 2023-03-21 15:15:31 CDT

Marc Kersey
WestPac Regional Director, Logistics

cc: *Corporate Audit & Response Management*

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UNITED STATES



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1735 North Lynn Street, Arlington, VA 22209-2020
(703) 248-2100

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or call (703) 248-2100