

EXHIBIT 3



AUDIT REPORT

Late and Extra Trips at the Philadelphia, PA, Processing and Distribution Center

May 13, 2020




Report Number 20-164-R20



May 13, 2020

MEMORANDUM FOR: JUDITH W. HERRICK
MANAGER, PHILADELPHIA METROPOLITAN DISTRICT

E-Signed by Matthew B. Hartshorn 
VERIFY authenticity with eSign Desktop
Matthew B. Hartshorn

FROM: Matthew B. Hartshorn
Director, Plant Evaluation Team

SUBJECT: Audit Report – Late and Extra Trips at the Philadelphia, PA,
Processing and Distribution Center
(Report Number 20-164-R20)

This report presents the results of our audit of Late and Extra Trips at the Philadelphia, PA, Processing and Distribution Center.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Jeff Giordano, Operational Manager, or me at 703-248-2100.

Attachment

cc: Chief Operating Officer and Executive Vice President
Acting Vice President, Processing and Maintenance Operations
Vice President, Logistics
Acting Vice President, Eastern Area Operations
Corporate Audit and Response Management

Background

This report presents the results of our self-initiated audit of late and extra trips at the Philadelphia Processing and Distribution Center (P&DC) in Philadelphia, PA (Report Number 20-164-R20). We conducted this audit to provide U.S. Postal Service management with timely information on operational risks at the Philadelphia P&DC.

Late trips occur when various conditions cause a delay in the arrival or departure of transportation beyond the scheduled times. In April 2019, Postal Service Headquarters management informed plant management to eliminate all late trips and specified that all trips should depart and arrive to their destinations on time. From July 1 to December 31, 2019, the Postal Service reported 591,140 late trips from P&DCs to delivery units. When mail processing operations do not process mail timely or mail volume is above normal or expected levels, managers may have to call extra trips to transport this mail. From July 1 to December 31, 2019, the Postal Service reported 176,940 extra trips from P&DCs to delivery units. Late and extra trips to delivery units can cause disruptions and increase the number of carriers returning after 6 p.m. When carriers return after 6:00 p.m., customer service can suffer, and mail collected by the carriers may be late to the P&DC. In addition, late returning carriers can result in increased overtime and penalty overtime costs.

The Philadelphia P&DC is in the Philadelphia District within the Eastern Area. The P&DC processes letters, flats, and parcels. From July 1 to December 31, 2019, it reported 13,206 late trips (third highest among P&DCs) and 1,297 extra trips (40th highest among P&DCs) from the plant to delivery units.

Our fieldwork was completed before the President of the United States issued the national emergency declaration concerning the novel coronavirus disease outbreak (COVID-19) on March 13, 2020. The results of this audit do not reflect operational changes and/or service impacts that may have occurred at this facility as a result of the pandemic.

Objective, Scope, and Methodology

Our objective was to assess the causes of late and extra trips at the Philadelphia P&DC.

To accomplish our objective, we analyzed Philadelphia P&DC late and extra trip data from July 1 to December 31, 2019. During our February 24-26, 2020, site visit, we interviewed P&DC management and observed dock operations. We also reviewed the

P&DC's Operating Plan to identify mail clearance times¹ and compared them to clearance times in the Web End-of-Run² and Run Plan Generator (RPG) report.³

We relied on computer-generated data from the Enterprise Data Warehouse (EDW),⁴ Application System Reporting,⁵ and Surface Visibility Web 2.0 (SVweb).⁶ Although we did not test the validity of controls over these systems, we assessed the accuracy of the data by reviewing existing information, comparing data from other sources, observing operations, and interviewing Postal Service officials knowledgeable about the data. Therefore, we determined the data were sufficiently reliable for the purposes of this report.

We conducted this audit from February through May 2020, in accordance with generally accepted government auditing standards. 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 April 28, 2020, and included their comments where appropriate.

Finding #1 Management Oversight of Mail Processing Operations

We found that inadequate management oversight of mail processing operations caused late trips from the Philadelphia P&DC to delivery units. During our observations on February 26, the Philadelphia P&DC reported 22 late Postal Vehicle Service (PVS)⁷ Express Mail trips to delivery units during Tour 2⁸ (see [Figure 1](#)).

¹ The latest time committed mail can clear an operation for proper dispatch or delivery.

² A web-based application used in collecting operational data from automated and mechanized mail processing equipment.

³ An Excel-based application mail processing facilities use to plan machine utilization based on volume, clearance times, throughputs, and other criteria.

⁴ A repository intended for all 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.

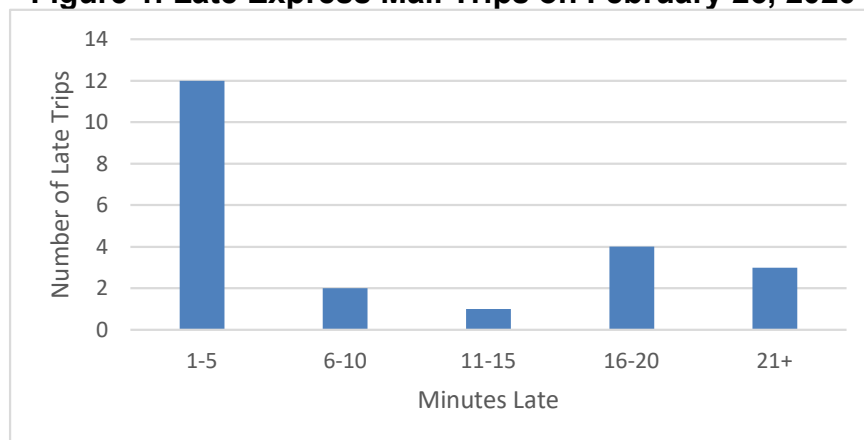
⁵ A module designed to mirror the actual reporting database.

⁶ A website dedicated to the Surface Visibility program. SVweb provides real time transportation updates and reporting on the movement of trailers in the surface network. The data captured to identify early, on time, late or cancelled trips is also used to evaluate and improve transportation schedules.

⁷ Trips that are internally operated by the Postal Service.

⁸ 7:00 a.m. to 2:59 p.m.

Figure 1. Late Express Mail Trips on February 26, 2020



Source: SVweb

The trips were late because the Express Mail operation was not completed on time. This occurred because, although a significant amount of the Express Mail had been processed, mail processing personnel did not timely move it to the loading docks. Additionally, there was insufficient staff to process the remaining Express Mail timely. We also noted that there were no supervisors in either the Express Mail processing area or at the loading docks to ensure the timely movement of Express Mail.

We reviewed RPG reports for the period January 28 to February 26, 2020, and found 217 of 1,131 (19 percent) instances where Delivery Barcode Sorter (DBCS)⁹ machine operations ran past the established clearance time of 5:15 a.m. for letter mail established by the Philadelphia P&DC's Operating Plan. During our February 24-26, 2020, observations, there were 15 of 156 (10 percent) instances where DBCS machine operations ran late.

Recommendation #1: We recommend the **District Manager, Philadelphia District**, instruct Philadelphia Processing and Distribution Center management to ensure that operations have appropriate supervision to ensure Express Mail is processed timely.

Recommendation #2: We recommend the **District Manager, Philadelphia District**, instruct Philadelphia Processing and Distribution Center management to ensure adherence to mail clearance times in the Run Plan Generator Report.

⁹ Machines that sort letters and use a computerized camera to read the addresses on the mail and sort it for delivery by the letter carrier.

Finding #2: Overstated Number of Late Trips

The number of late trips from the Philadelphia P&DC to delivery units was overstated. During our observations, we identified three daily PVS trips from the P&DC to the Paschall, PA, Post Office that were classified as late in SVweb. However, the trips were actually bypassing the Paschall Post Office and going to the South Fork, PA, Post Office. According to Postal Service policy,¹⁰ P&DC personnel are required to regularly review transportation schedules to ensure their accuracy. This occurred because the Philadelphia P&DC Transportation Operations & Networks Manager had not reviewed and updated the transportation schedule. As a result, the number of late trips was overstated by over 900 annually. Trips on Time is an important metric the transportation network uses to measure performance. Using inaccurate data to support management conclusions puts the Postal Service at risk of making operational decisions that are incorrect and can negatively affect the transportation network.

During our audit, Philadelphia P&DC management took corrective action by reviewing and updating trip schedules at the facility. Therefore, we are not making a recommendation regarding this issue.

Management's Comments

Management agreed with the report's findings and recommendations.

Regarding recommendation 1, management stated that to ensure Express Mail is processed timely, the Tour 2 supervisor's duties will be modified to ensure they are present in the Express Mail operation during peak processing times. The lead manager for Tour 2 operations will provide the senior plant manager a weekly staffing model to ensure the daily compliment supports the Express Mail operation. In addition, In-Plant Support personnel will provide daily reports to the senior plant manager that identifies the arrival time of Express Mail to the Philadelphia P&DC, the completion time for the express mail operation, and the time the product is dispatched to the plants and delivery units. The target implementation date is June 1, 2020.

Regarding recommendation 2, management stated that the lead manager of Distribution Operations will discuss the RPG report daily with the In-Plant Support Manager to make necessary adjustments when warranted. In addition, the lead manager of Distribution Operations will retrain the managers responsible for mail processing operations on the RPG methodology and compliance. The target implementation date is June 1, 2020.

See [Appendix A](#) 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 recommendations and planned actions should resolve the issues identified in the report.

¹⁰ *Standard Work Instruction: Network Specialist*, dated December 2016.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. All recommendations should not be closed in the Postal Service's followup tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendix A: Management's Comments

DISTRICT MANAGER
PHILADELPHIA METROPOLITAN DISTRICT



May 11, 2020

LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report- Late and Extra Trips at the Philadelphia PA, Processing and Distribution Center
Project Number 20-164

I am currently in receipt of the Draft Audit Report that has been created in reference to the late and extra trips at the Philadelphia Processing and Distribution Center (P&DC) in Philadelphia Pa. I have reviewed your findings with the acting Plant Manager of Philadelphia, Jemal Jones, as well as the Transportation Manager and the Senior Manager of Distribution Operations at the P&DC. The data provided was reviewed in depth to assist the P&DC staff with the recommendations outlined in the report.

Management agrees with each of the two (2) recommendations contained in the Draft Audit Report. Herein are the responses to the recommendations cited:

Recommendation #1: We recommend the District Manager, Philadelphia District, instruct Philadelphia Processing and Distribution Center Management to ensure that operations have appropriate supervision to ensure Express Mail is processed timely.

Management Response/Action Plan:

The employee complement for the Express Mail operation in the Philadelphia P&DC consists of eight (8) clerks and five (5) mail handlers. The number of employees assigned to the operation does not support a Supervisory assignment specific to Express. The Tour 2 Supervisor that monitors Express normally supervises more than one operation. However, there are key times during the morning the Express operation does need more oversight than is presently occurring. The Supervisor's duties can be modified to ensure he or she is present in the operation during the peak processing times. To ensure Express Mail is processed timely the Lead Manager responsible for tour 2 operations will provide to the Senior Plant Manager a weekly staffing model for the Express operation to ensure the daily complement supports the operation. In addition, In Plant Support will provide daily reports to the Senior Plant Manager that identify arrival of Express Mail to the Philadelphia P&DC, time the operation is complete and times the product is dispatched to the downstream plants and delivery units.

Target Implementation Date: June 1, 2020

3190 S 70TH STREET
PHILADELPHIA, PA 19153-9997

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Responsible Management Official: Manager, Distribution Operations, Tour 2,
Philadelphia P&DC

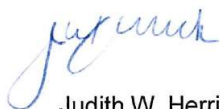
Recommendation #2: We recommend the District Manager, Philadelphia District instruct Philadelphia Processing and Distribution Management to ensure adherence to mail clearance times in the Run Plan Generator Report.

Management Response/Action Plan:

The Run Plan Generator Report is reviewed three (3) times daily by the Senior Plant Manager and the Management Staff at the Philadelphia P&DC. It is apparent that more focus needs to be placed on RPG adjustments when volume fluctuations impact timely clearance of mail processing operations. Late clearance times drive the P&DC's ability to dispatch trips on time. Closer monitoring of Operating Plan Compliance by the Lead Manager of Distribution Operations during the course of the processing tour(s) will enable operations to make timely adjustments in order to achieve expected clearance times. The Lead Manager of Distribution Operations will discuss the RPG report daily with the In Plant Support Manager to make necessary adjustments when warranted. In addition, the Lead Manager of Distribution Operations will re-train the Managers responsible for mail processing operations within the P&DC on RPG methodology and compliance.

Target Implementation Date: June 1, 2020

Responsible Management Official: Lead Senior Manager, Distribution Operations,
Philadelphia P&DC



Judith W. Herrick
District Manager
Philadelphia Metropolitan District