



Office of Inspector General | United States Postal Service

## Audit Report

# First-Class Mail Service Performance Measurement in the Northeast Area

Report Number NO-AR-18-006 | May 22, 2018

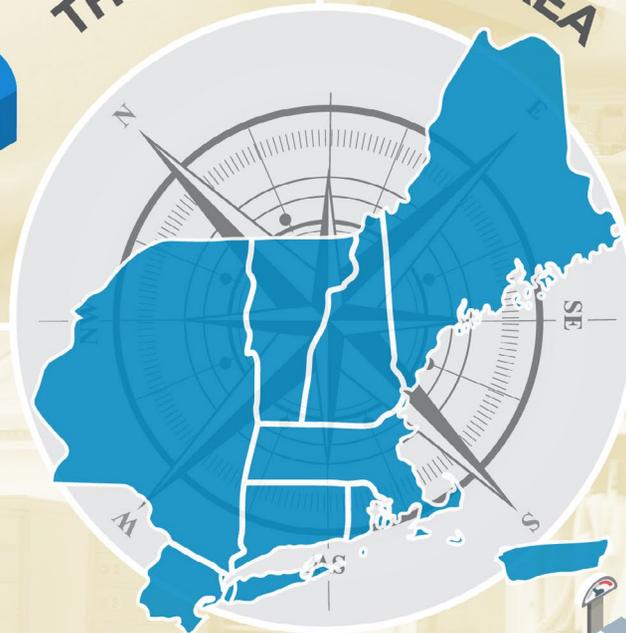
### COLLECTION



### TRANSPORTATION



## THE NORTHEAST AREA



### DELIVERY



### PROCESSING

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# Highlights

## Objective

Our objective was to evaluate the U.S. Postal Service's strategy to improve First-Class Mail (FCM) service performance scores in the Northeast Area.

The Postal Service has service standards (timeliness goals) for delivering FCM after receiving it from a customer. A service standard represents the level of service the Postal Service attempts to provide to its customers.

The service standard is determined by which geographic location mail originates from (comes from) and to which geographic location mail is destined (goes to). A mailpiece's combined origin and destination is known as a service pair and examining these pairs allows the Postal Service to evaluate service performance based on the mail's origin, destination and a combination of both.

The Postal Service measures six FCM service performance goals: External First-Class Mail (EXFC) measurement system, 2-Day and 3-5 Day mail delivery, Commercial Mail overnight, 2-Day and 3-5 Day mail delivery, and First-Class Package Service - Retail delivery. Each performance goal is measured as a percentage score out of 100 percent.

EXFC measures the service performance of single piece FCM letters, flats, and postcards from the time a test piece is deposited into a collection box or post

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***“Northeast Area management said they use the annual and quarterly Hoshin planning process to align headquarters, area, and district objectives and goals to improve service and operational performance.”***

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office lobby chute until it is delivered to a home or business. The Postal Service measures performance for First-Class Package Service - Retail delivery using an internal system that measures the transit time from mailing to delivery and measures service performance for Commercial FCM (business mailings with a minimum of 500 pieces) from the date the Postal Service takes possession until a barcode scan to document delivery.

Northeast Area management said they use the annual and quarterly Hoshin planning process to align headquarters, area, and district objectives and goals to improve service and operational performance. Northeast Area management described Hoshin plans as the master set of overarching strategies used to conduct continuous improvement projects.

The fiscal year (FY) 2018 Hoshin plans for the Northeast Area and the 10 districts included 151 objectives with over 380 continuous improvement projects, such as improving service for FCM Letters and Flats, 3-5 Day First-Class Commercial Letters, and First-Class Parcels.

We chose the Northeast Area because it had the lowest performance by a Postal Service area for both 2-Day and 3-5 Day EXFC service scores from FY 2015 to 2017.

In September and October 2017, we conducted site observations at six Northeast Area Processing and Distribution Centers (P&DC). We selected three facilities with the highest EXFC service performance scores and three facilities with the lowest scores. EXFC service performance scores at the three higher scoring facilities averaged about 93 percent on-time, while scores averaged 89 percent on-time at the lower scoring facilities.

## What the OIG Found

Overall the Northeast Area Hoshin plans for FY 2018 align headquarters, area, and district goals and objectives for improving service and operational performance.

During the audit, we identified that the Hoshin plans for the Northeast Area and the ten districts were incomplete. Specifically, fields were blank or not current for one or more of the following:

- Project owner;
- Project type;
- Planned dates;
- Project status; and
- Project impact.

The Postal Service's Hoshin plan guidance requires completion of the fields listed above. We told management about the blank and not current fields on April 2, 2018. In response management attributed the missing or incomplete field information to inadequate training of the owners and/or person assigned to update the plan. Additionally, management said the fields are completed at the individual project level in the Postal Service's Project Knowledge System (PKS). Despite Postal Service guidance, management said they did not believe there was a need to complete all the fields in Hoshin plans because the information was in the PKS. Subsequently on April 13, 2018, management sent the OIG updated Hoshin plans that were now complete.

When employees do not follow Hoshin guidance and plans are incomplete, project accountability can be lost, desired outcomes may not be measured or realized, and management decisions or actions concerning achievement of overarching strategies from continuous improvement projects could be inconsistent.

As of Quarter 4, FY 2017, Northeast Area EXFC service performance scores were about 94 percent on-time for 2-Day service and almost 86 percent on-time for 3-5 Day service. These scores were below the national goals of 96.5 and 95.25 on-time service by over 2 and 9.5 percentage points, respectively.

Northeast Area Commercial FCM service performance scores were about 94 percent on-time for overnight service, almost 95 percent on-time for 2-Day

service, and almost 92 percent on-time for 3-5 Day service. These scores were below the national goals of 96.8, 96.5, and 95.25 on-time service, respectively, by about 2 to 3 percentage points. In addition, the First-Class Package Service - Retail service performance score was over 90 percent on-time service, but was more than 4 percentage points below the national goal of 94.8.

When the Northeast Area does not meet mail service standards, customers in the area and across the nation are negatively impacted.

We analyzed EXFC service performance scores for over 4,000 service pairs that sent FCM from the Northeast Area to other areas and from other areas to the Northeast Area from January 2015 to September 2017. We determined that almost 93 percent of the service pairs were below the Postal Service's performance goals.

Specifically, we found that 2-Day mail service pairs met the on-time service performance goal of 96.5 percent only 14 percent of the time. The 3-5 Day mail service pairs met the on-time service performance goal of 95.25 percent only 1.6 percent of the time. As a result, customers cannot use service standards to determine how long it will take for mail to reach its destination.

Northeast Area FCM service performance goals were not achieved because of failures in collection, processing, transportation, and delivery. Northeast Area management said the service performance failures were due to:

- Missed mail collection box pickups;
- Delivery unit mail arriving late at processing facilities;
- Mail not processed timely and missed transportation deadlines;
- Mail processing machine maintenance issues; and
- Weather-related delivery and transportation delays.

Overall, Northeast Area management said failures can happen anywhere and achieving service performance goals would require near perfect conditions in terms of weather, traffic, and machine performance.

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Finally, during our Northeast Area P&DC site observations, we generally identified that all six P&DCs were using similar best practices, including the use of data to track machine, transportation, and service performance. We also found that management shared performance, staffing, transportation, and operational challenges during shift change and weekly area meetings.

## What the OIG Recommended

We recommended management:

- Establish an ongoing process to ensure all Hoshin plans are complete and current;

- Assess and implement Hoshin training to ensure that employees involved with Hoshin plans fully understand their responsibilities; and
- Evaluate and determine the relevance of current FCM service performance goals considering the service pairs that do not meet goals.

# Transmittal Letter

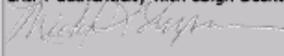


OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

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May 22, 2018

**MEMORANDUM FOR:** EDWARD PHELAN, JR.  
VICE PRESIDENT, NORTHEAST AREA  
  
ROBERT CINTRON  
VICE PRESIDENT, NETWORK OPERATIONS

E-Signed by Michael Thompson  
VERIFY authenticity with eSign Desktop  


**FROM:** Michael L. Thompson  
Deputy Assistant Inspector General  
for Mission Operations

**SUBJECT:** Audit Report – First-Class Mail Service  
Performance Measurement in the Northeast Area  
(Report Number NO-AR-18-006)

This report presents the results of our audit of First-Class Mail Service Performance Measurement in the Northeast Area (Project Number 17XG024NO000).

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 the U.S. Postal Service's First-Class Mail (FCM) Service Performance Measurement in the Northeast Area (Project Number 17XG024NO000). Our objective was to evaluate the Postal Service's strategy to improve FCM service performance scores in the Northeast Area. See [Appendix A](#) for additional information about this audit.

## Background

The Postal Service has service standards (timeliness goals) for delivering FCM after receiving it from a customer. A service standard represents the level of service the Postal Service attempts to provide to its customers.

The service standard is determined by which geographic location mail originates from (comes from) and to which geographic location mail is destined (goes to). To accomplish this, the Postal Service uses the first three digits of the originating ZIP Code with the first three digits of the destinating ZIP Code (known as the service pair). Examining these service pairs allows the Postal Service to evaluate mail performance based on mail origin, destination, and a combination of both. The performance scores we reference in our report are a composite score of on-time service for both originating and destinating FCM in the Northeast Area.

In January 2015, the Postal Service revised its FCM service standards, eliminating single-piece overnight FCM service and shifting some FCM from a 2-Day to a 3-Day service standard to expand the mail processing operational

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***“Our objective was to evaluate the Postal Service’s strategy to improve FCM service performance scores in the Northeast Area.”***

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window so that mail could be processed on fewer machines and at fewer locations. These changes were known as the operational window change.

For the nine months following the January 2015 service standard revisions, the Postal Service experienced increased nationwide delayed mailed, reduced performance scores, and decreased mail processing productivity. Specifically, national External First-Class Mail (EXFC) performance scores declined to as low as 86 percent on-time for 2-Day mail and 53 percent on-time for 3-5 Day mail. FCM service scores have improved since that decline.

The Postal Service measures achievement of its FCM service standards through six service performance goals: the EXFC measurement system, 2-Day and 3-5 Day mail delivery, Commercial Mail overnight, 2-Day and 3-5 Day mail delivery, and First-Class Package Service - Retail<sup>1,2</sup> delivery.

FCM that is mailed as individual pieces is referred to as Single-Piece<sup>3</sup> FCM and is measured by EXFC and First-Class Package Service - Retail service performance scores. Business customers typically mail FCM using Commercial<sup>4</sup> FCM, which is measured using Commercial Mail performance scores. Single-Piece FCM and Commercial FCM can take different paths through the Postal Service (see [Figures 1 and 2](#)).

EXFC is a system that uses individually contracted senders and volunteer recipients to send test mailpieces that measure service performance of single piece FCM letters, flats, and postcards from a customer perspective - from the time a test piece is deposited into a collection box or post office lobby chute until its delivery to a home or business. EXFC results, which are weighted by the geographic location from which FCM originates and destinate, are compared with Postal Service's service standards to produce national, area, and district level estimates of service performance for about 900 3-digit ZIP Codes.

First-Class Package Service - Retail service performance is measured using an internal Postal Service system that measures transit time from the time of mailing

<sup>1</sup> Internal Postal Service data and a contractor measure First-Class Package Service - Retail delivery performance.

<sup>2</sup> The Postal Service changed the name of FCM Parcels to First-Class Package Service - Retail on September 3, 2017. This mail product also moved from a market dominant to a competitive product.

<sup>3</sup> A postage price available for individual mailpieces under certain products. This type of price contrasts with prices available for commercial mail.

<sup>4</sup> A general term for the types of mail products used by business mailers that require advanced preparation such as barcoding and sortation. The minimum quantity to mail at Commercial Prices is 500 pieces.

until the time of delivery. Service performance is measured by comparing actual transit time with service standards.

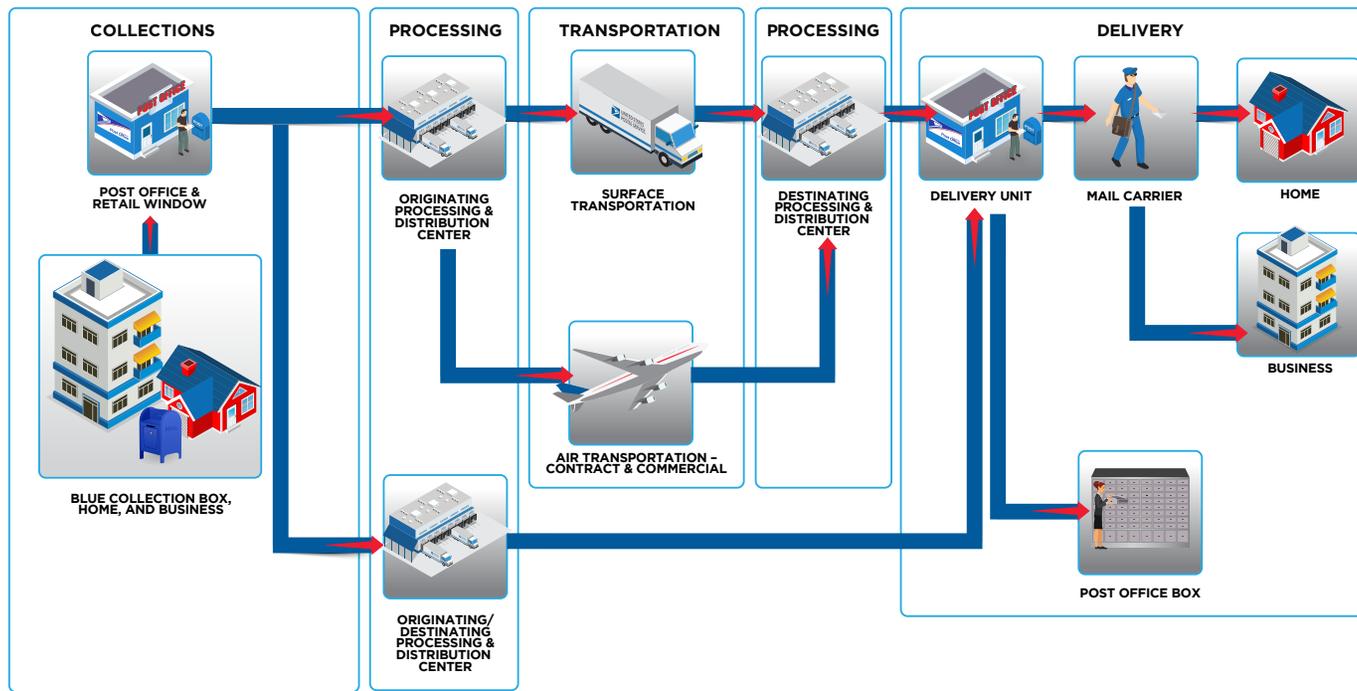
Commercial FCM service performance measures the time between the date the Postal Service takes possession of FCM and the date the Intelligent Mail barcode<sup>5</sup> (IMb) on the FCM is scanned and recorded by anonymous households and small businesses that report delivery information. The data are used to determine the number of days between the expected and actual date of delivery.

### Single-Piece FCM Flow

The Postal Service performs four activities to deliver single-piece FCM to customers:

- **Collections** – collects mail from all induction points: blue collection boxes, retail units, businesses, and residences.
- **Transportation** – moves mail between facilities. The Postal Service transports mail by contract air and by truck using both Postal Service and contracted vehicles.
- **Mail Processing** – sorts mail for delivery. Mail processing can occur at one or more facilities, either where a user inducts mail or where mail is prepared for delivery.
- **Delivery** – delivers mail to the final address.

**Figure 1. Single-Piece FCM Flow**



Sources: Postal Regulatory Commission (PRC) Annual Compliance Determination Report for FY 2016. Retrieved from [www.prc.gov](http://www.prc.gov).

<sup>5</sup> The IMb is used to sort and track letters and flats and can provide the status of mail as it moves through the USPS processing system.

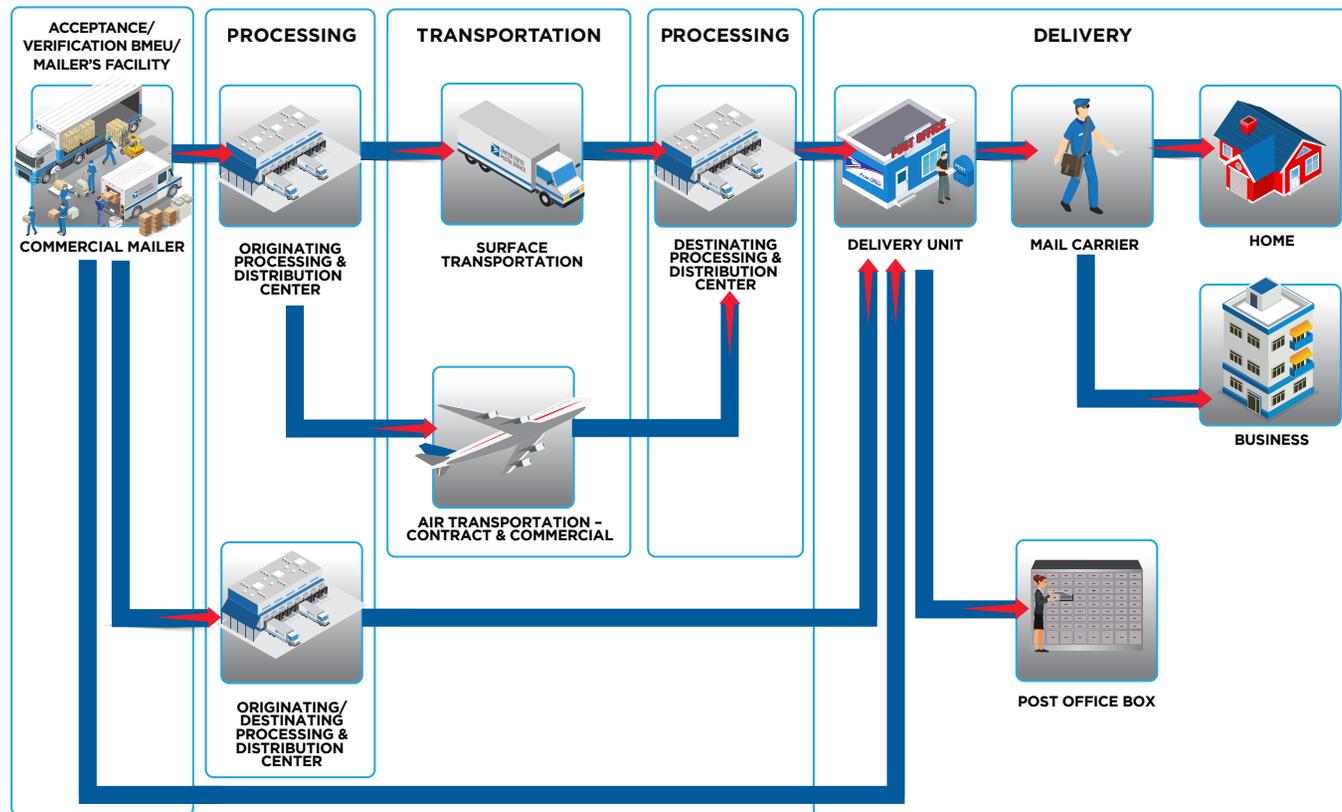
## Commercial FCM Flow

The Postal Service performs four activities to deliver Commercial FCM to customers:

- **Acceptance/Verification** – accepts and verifies FCM paid at presorted or any automation prices at locations and times the postmaster designates. This usually occurs at a Postal Service Business Mail Entry Unit (BMEU)<sup>6</sup> or a mailer's facility.

- **Transportation** – moves mail between facilities. The Postal Service transports mail by contract air and by truck using both Postal Service and contracted vehicles.
- **Mail Processing** – sorts mail for delivery. Mail processing can occur at one or more facilities: where a user inducts mail or where mail is prepared for delivery.
- **Delivery** – delivers mail to the final address.

Figure 2. Commercial FCM Flow



Sources: [pe.usps.com-Business](http://pe.usps.com-Business) 101. PRC Annual Compliance Determination Report for FY 2016. Retrieved from [www.prc.gov](http://www.prc.gov).

<sup>6</sup> The area of a postal facility where customers present bulk mailings for acceptance and verification. The BMEU includes dedicated platform space, office space, and a staging area on the workroom floor.

Northeast Area management said they use the annual and quarterly Hoshin planning process to align headquarters, area, and district objectives and goals to improve service and operational performance. Northeast Area management described Hoshin plans as the master set of overarching strategies used to conduct continuous improvement projects. Fiscal year (FY) 2018 Hoshin plans for the Northeast Area and the 10 districts included 151 objectives with over 380 continuous improvement projects, including projects to improve service for FCM Letters and Flats, 3-5 Day First-Class Commercial Letters, and First-Class Parcels.

Area management said they use various continuous improvement projects to achieve their objectives based on the complexity of the problem. Define, Measure, Analyze, Improve, and Control projects (DMAIC) are long-term projects that focus on larger scale issues with unknown causes. A DMAIC project may take up to six months to complete. A Kaizen project is narrower in scope and the team will have knowledge of the process and normally complete it in three to seven days. Just Do It (JDI) projects are projects for problems with known solutions and are completed as needed.

### **Finding #1: Strategy to Improve First-Class Mail Service Performance Scores Needs Improvement**

Overall, FY 2018 Northeast Area Hoshin plans align headquarters, area, and district goals and objectives for improving service and operational performance. During the audit, we identified that the Northeast Area and ten districts' Hoshin plans were incomplete. Specifically, fields were blank or not current for one or more of the following:

- Project owner;
- Project type;
- Planned dates;

- Project status; and
- Project impact.

Postal Service Hoshin plan guidance<sup>7</sup> requires completion of the fields listed above. We told management about the blank and not current fields on April 2, 2018. In response management attributed the missing field information to inadequate training of the owner and/or person assigned to update the plan. Additionally, management said the fields are completed at the individual project level in the Postal Service's Project Knowledge System (PKS).<sup>8</sup> Despite Postal Service guidance, management said they did not believe there was a need to complete all the fields in Hoshin plans because the information is in the PKS.

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***“Overall, we found that 348 of 384, or about 91 percent, of the continuous improvement projects data fields listed in the 11 Hoshin plans were blank or not current .”***

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Overall, we found that 348 of 384, or about 91 percent, of the continuous improvement projects data fields listed in the 11 Hoshin plans were blank or not current (see [Table 1](#)). When employees do not follow Hoshin guidance and plans are incomplete, project accountability can be lost, desired outcomes may not be measured or realized, and management decisions or actions concerning achievement of overarching strategies from continuous improvement projects could be inconsistent.

<sup>7</sup> Hoshin Planning-Standard Work Instructions page 4.

<sup>8</sup> PKS is a location that stores all project information on Postal Service Lean Six Sigma projects.

**Table 1: Incomplete Hoshin Plan Data Fields for Continuous Improvement Projects**

Area/District	Total Projects	Project Owner	Project Type	Planned Dates	Project Status	Project Impact	Percentage of Projects with Missing Elements <sup>9</sup>
<b>Northeast Area <sup>10</sup></b>	17	1	17	17	17	17	<b>100%</b>
<b>Albany</b>	34	0	0	26	34	34	<b>100%</b>
<b>Caribbean</b>	18	0	2	18	2	16	<b>100%</b>
<b>Connecticut Valley</b>	24	0	1	24	24	24	<b>100%</b>
<b>Greater Boston</b>	56	0	0	0	0	56	<b>100%</b>
<b>Long Island</b>	29	0	0	0	0	29	<b>100%</b>
<b>New York</b>	43	4	3	43	0	43	<b>100%</b>
<b>No. New England</b>	55	0	0	0	0	55	<b>100%</b>
<b>No. New Jersey</b>	55	0	0	18	0	1	<b>35%</b>
<b>Triboro</b>	37	0	0	0	37	37	<b>100%</b>
<b>Westchester</b>	16	16	0	16	2	16	<b>100%</b>
<b>Total</b>	<b>384</b>	<b>21</b>	<b>23</b>	<b>162</b>	<b>116</b>	<b>328</b>	<b>91%</b>

Source: United States Postal Service Office of Inspector General (OIG) analysis of the FY 2018 Northeast Area Hoshin plan and 10 District Hoshin plans.

Subsequently on April 13, 2018, management sent the OIG updated Hoshin plans that were now complete.

### Northeast Area Service Performance Scores Fiscal Years 2015 – 2017

The Northeast Area had the lowest performance scores of all seven Postal Service areas for both 2-Day and 3-5 Day EXFC service performance scores in FY 2017. The Northeast Area was below these national goals by between 2 and 9.5 percentage points. In addition, we determined that about 93 percent of service pairs that sent FCM to or from the Northeast Area were consistently below EXFC performance goals. Commercial FCM performance scores were below national goals by about 2 to 3 percentage points and the

First-Class Package Service - Retail service performance score was more than 4 percentage points below national goals.

The Postal Service did not achieve performance goals because of failures in mail flow activities. Since FY 2017, Northeast Area management has implemented Hoshin plans to improve service performance scores; however, these strategies have not yet improved FCM performance scores to goals.

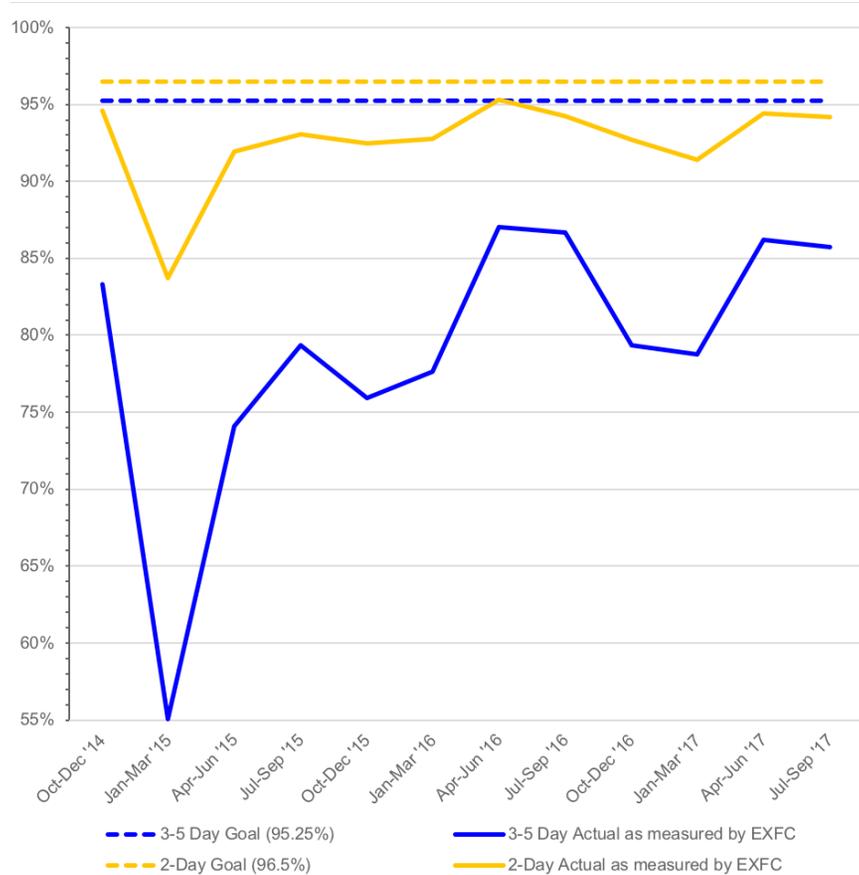
The Northeast Area 2-Day EXFC service performance score was about 95 percent on-time service in Quarter (Q) 1, FY 2015. The score declined to about 84 percent in Q2, FY 2015, but increased to over 94 percent on-time service in Q4, FY 2017. However, this score was below the national goal by over 2 percentage points (see [Figure 3](#)). The Northeast Area 3-5 Day EXFC

<sup>9</sup> A project could have one or more fields with missing elements.

<sup>10</sup> The Northeast Area Hoshin plan did not contain the action plan which lists project owner, project type, planned dates, project status, and project impact.

performance score was about 83 percent on-time service in Q1, FY 2015. The score declined to about 55 percent in Q2, FY 2015, but increased to almost 86 percent on-time service in Q4, FY 2017. However, this score was below the national goal by about 9.5 percentage points (see Figure 3).

**Figure 3. EXFC Scores, FY 2015 to FY 2017**

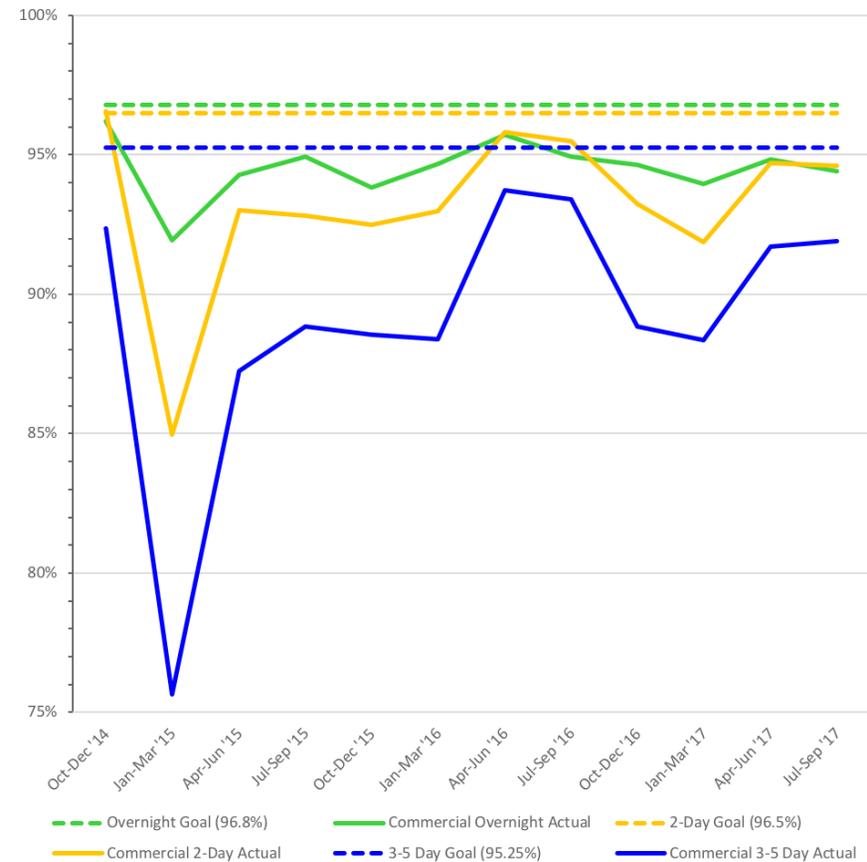


Source: Quarterly EXFC data, EDW.

The Northeast Area Overnight Commercial FCM service performance score was over 96 percent on-time service in Q1, FY 2015. The score declined to about 92 percent in Q2, FY 2015, but increased to over 94 percent on-time service in Q4, FY 2017. However, this was below the national goal by over 2 percentage points (see Figure 4). The Northeast Area 2-Day Commercial FCM service

performance score was about 97 percent on-time service in Q1, FY 2015. The score decreased to about 85 percent in Q2, FY 2015, but increased to almost 95 percent on-time service in Q4, 2017. However, this was below the national goal by almost 2 percentage points (see Figure 4). The Northeast Area 3-5 Day Commercial FCM service performance score was above 92 percent on-time service in Q1, FY 2015. The scores decreased to about 76 percent in Q2, FY 2015, but increased to almost 92 percent on-time service in Q4, FY 2017; however, this was below the national goal by over 3 percentage points (see Figure 4).

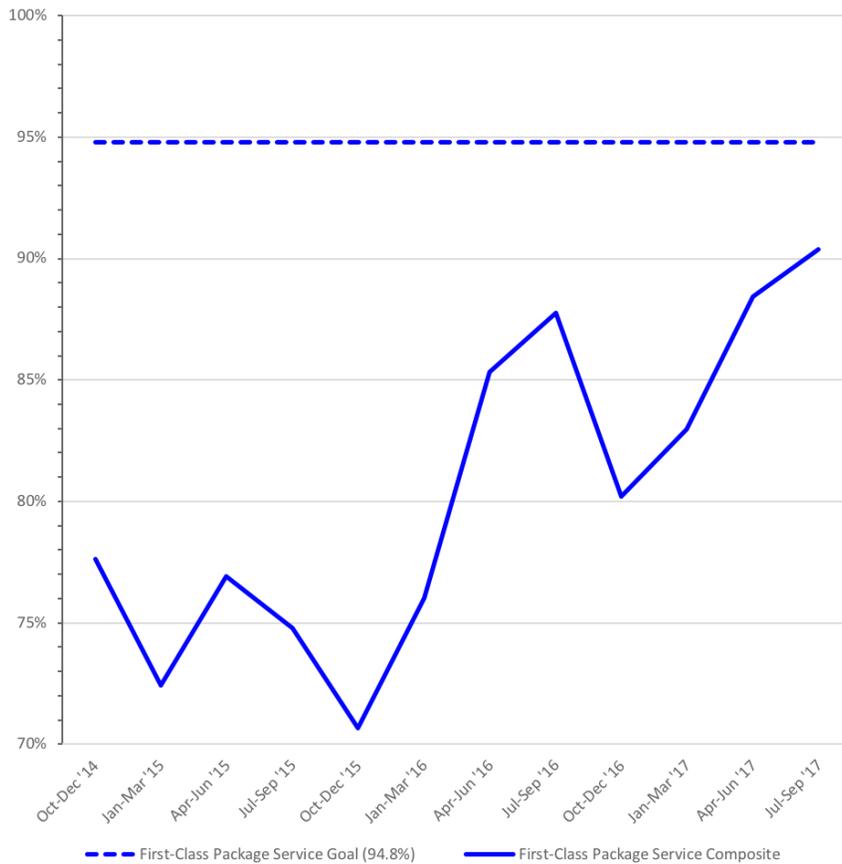
**Figure 4. Commercial FCM Scores, FY 2015 to FY 2017**



Source: Quarterly Commercial Mail score data, Service and Field Operations Performance Measurement.

The Northeast Area First-Class Package Service - Retail service performance score was almost 78 percent on-time service in Q1, FY 2015. The scores decreased to its lowest of about 71 percent in Q1, FY 2016, but increased to about 90 percent on-time service in Q4, 2017. However, this score was about 4 percentage points below the FY 18 goal (see Figure 5).

**Figure 5. First-Class Package Service - Retail Scores, FY 2015 to FY 2017**



Source: Quarterly Service Performance Reports, PRC.

<sup>11</sup> An online system that provides information for all mail and packages for use by the Postal Service and mailing industry.  
<sup>12</sup> The IV system could not determine during which activity these failures occurred.

## Cause of Service Failures

We found the Northeast Area did not achieve FCM service performance goals due to various failures in all mail flow activities. Northeast Area management said the service performance failures were caused by:

- Missed mail collection box pickups.
- Mail from delivery units arriving late at processing facilities.
- Mail not timely processed and missed transportation deadlines.
- Mail processing machine maintenance issues.
- Weather causing delivery and transportation delays.

According to the Postal Service's Informed Visibility<sup>11</sup> (IV) system, which management uses to determine the root cause of service failures, failures in on-time service occurred in all four mail flow activities (see Table 2).

**Table 2: Service Failure Root Causes**

Mail Flow Activity	Percentage of Single-Piece FCM Failures	Percentage of Commercial FCM Failures
<b>Collections</b>	25.41%	0.50%
<b>Transportation</b>	16.03%	34.30%
<b>Mail Processing</b>	9.32%	5.15%
<b>Delivery</b>	38.72%	58.48%
<b>Undetermined</b> <sup>12</sup>	10.52%	1.57%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Source: Northeast Area Single-Piece FCM IV data from March to September 2017, and Commercial IV data from April to September 2017.

Over 25 percent of Single-Piece FCM failures and .5 percent of Commercial FCM failures occurred in collections activity. Northeast Area management stated the failures occurred due to drivers not collecting mail daily from all blue collection boxes or failing to transport mail to processing facilities on the day it was mailed. Management also cited having to train new employees due to high turnover. During our observations, we saw collection mail arriving late to five out of six Processing & Distribution Centers (P&DC).

About 16 percent of Single-Piece FCM failures and over 34 percent of Commercial FCM failures occurred during transportation. Northeast Area management stated that adverse weather, shifting FCM assigned to air transportation to other airlines or trucks due to insufficient capacity, and contract transportation failing to meet transportation timelines were the main reasons for failures. During our observations at the Providence P&DC, we saw FCM moved from a primary air transportation partner to other airlines and trucks, putting the FCM at risk of not being delivered on time.

Over 9 percent of Single-Piece FCM failures and about 5 percent of Commercial FCM failures occurred during mail processing. Postal Service management stated this occurred due to mail arriving late from other facilities, processing facilities not meeting processing and transportation deadlines, management having to train new employees due to high turnover, and unforeseen machine maintenance issues. Because of these issues, during our observations we saw that facilities in the Northeast Area were not meeting established mail processing deadlines. Specifically, all six facilities we visited failed to meet at least one processing deadline and, as a result, mail was at risk of not being delivered on time.

Almost 39 percent of Single-Piece FCM failures and over 58 percent of Commercial FCM failures occurred during delivery. Northeast Area management stated this is due to mail from processing facilities arriving late at delivery units and management having to train new employees due to high turnover. During

our observations, all six P&DCs failed to meet the performance goal for trips departing on time.

Overall, management said that failures can happen anywhere and that achieving service performance goals would require near perfect conditions in terms of weather, traffic, and machine performance.

### Service Pair Analysis

When the Northeast Area does not meet mail service standards, area customers and customers across the nation are directly affected.

The Postal Service did not achieve 2-Day and 3-5 Day standards of service for 3,781 of 4,076 (almost 93 percent) service pairs<sup>13</sup> or ZIP Codes, where EXFC test pieces were mailed to and from the Northeast Area. We evaluated all EXFC test pieces sent between these service pairs from January 2015<sup>14</sup> to September 2017, and determined that 14 percent of the 1,904 2-Day service pairs reviewed met their on-time service performance goal of 96.5 percent for this period and 1.6 percent of the 2,172 3-5 Day service pairs reviewed met their on-time service performance goal of 95.25 percent for this period (see [Figures 6 and 7](#) and [Tables 3 and 4](#)). As a result, customers cannot rely on service standards to determine how long it will take for mail to reach its destination.

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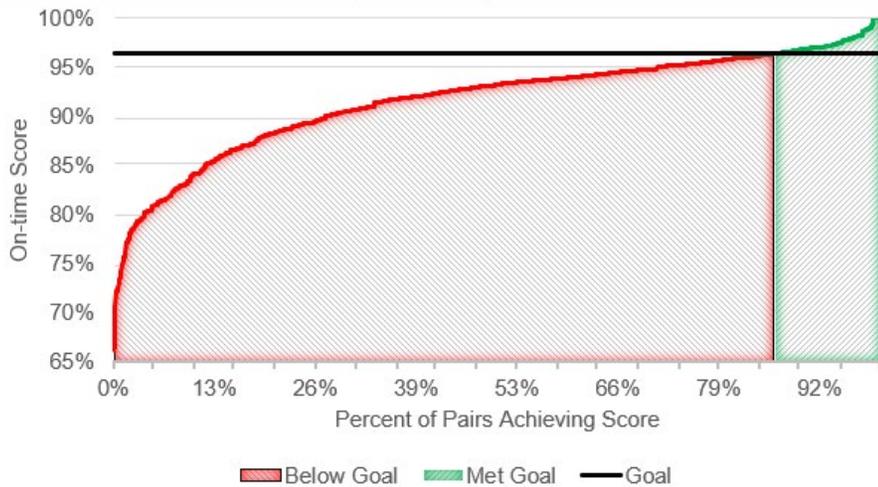
***“The Postal Service did not achieve 2-Day and 3-5 Day standards of service for 3,781 of 4,076 (almost 93 percent) service pairs or ZIP Codes, where EXFC test pieces were mailed to and from the Northeast Area.”***

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<sup>13</sup> Postal Service performance scores are weighted by originating and destinating locations. Our analysis reviewed all pairs, regardless of route.

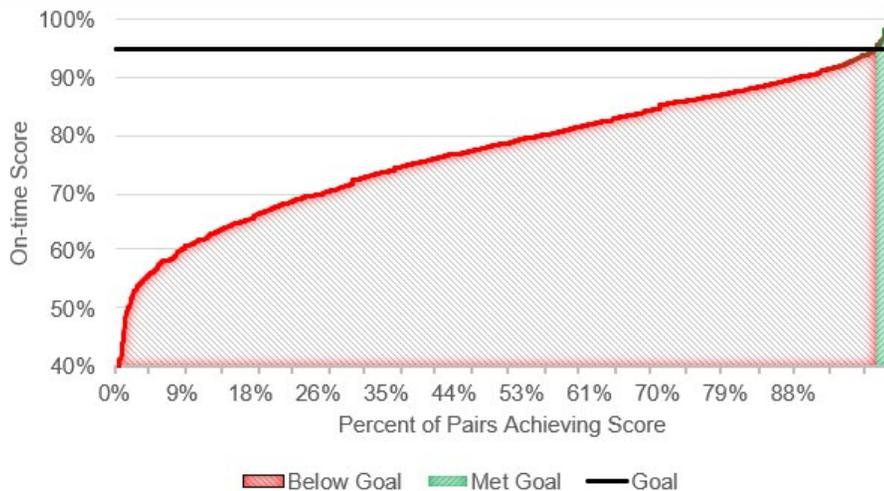
<sup>14</sup> The Postal Service revised its FCM service standards in January 2015; therefore, we only reviewed EXFC service pair data from January 2015 through September 2017.

**Figure 6. Percentage of 2-Day Service Pairs Meeting EXFC Performance Measure, January 2015 – September 2017**



Source: OIG analysis using EDW Total Piece Reports.

**Figure 7. Percentage of 3-5 Day Service Pairs Meeting EXFC Performance Measure, January 2015 – September 2017**



Source: OIG analysis using EDW Total Piece Reports.

**Table 3. EXFC Single-Piece FCM 2-Day Service Pairs On-Time Service, January 2015 – September 2017**

Service Standard	Processing Level	On-Time Service Goal	Total Service Pairs	Number of Pairs That Met Goal	Percentage of Pairs That Met Goal
2-Day	Originating	96.5%	959	129	13.45%
2-Day	Destinating	96.5%	945	132	13.97%
<b>Total</b>			<b>1904</b>	<b>261</b>	<b>13.71%</b>

Source: OIG analysis using EDW Total Piece Reports.

**Table 4. EXFC Single-Piece FCM 3-5 Day Service Pairs On-Time Service, January 2015 – September 2017**

Service Standard	Processing Level	On-Time Service Goal	Total Service Pairs	Number of Pairs On-Time	Percentage of Pairs That Met Goal
3-5 Day	Originating	95.25%	824	22	2.67%
3-5 Day	Destinating	95.25%	1348	12	0.89%
<b>Total</b>			<b>2172</b>	<b>34</b>	<b>1.57%</b>

Source: OIG analysis using EDW Total Piece Reports.

The lowest performing service pair in the Northeast Area had an average on-time

***“The lowest performing service pair in the Northeast Area had an average on-time service performance of only 7.46 percent from January 2015 to September 2017.”***

service performance of only 7.46 percent from January 2015 to September 2017. Table 5 shows the ten lowest on-time service pairs in the Northeast Area.

**Table 5. 10 Lowest On-Time Service Pairs, January 2015 – September 2017<sup>15</sup>**

Rank	Origin	Destination	Location	Service Standard	Percentage On-Time
1	392	112	Jackson, MS, to Queens, NY	3-Day	7.46%
2	392	100	Jackson, MS, to New York, NY	3-Day	13.13%
3	352	125	Birmingham, AL, to Mid-Hudson, NY	3-Day	37.12%
4	352	126	Birmingham, AL, to Mid-Hudson, NY	3-Day	38.16%
5	751	113	Dallas, TX, to Queens, NY	3-Day	40.00%
6	524	117	Cedar Rapids, IA, to Mid-Island, NY	3-Day	41.51%
7	761	112	Fort Worth, TX, to Queens, NY	3-Day	42.55%
8	945	125	Oakland, CA, to Mid-Hudson, NY	3-Day	42.65%
9	950	112	San Jose, CA, to Queens, NY	3-Day	44.26%
10	662	100	Kansas City, KS, to New York, NY	3-Day	45.57%

Source: EDW Total Piece Reports.

## Management Actions

In September and October 2017, we conducted site observations at six Northeast Area P&DCs. We selected three facilities with the highest EXFC service performance scores (Hartford, Providence, and Syracuse P&DCs) and three facilities with the lowest EXFC service performance scores (Brooklyn, Mid-Island, and Morgan P&DCs). EXFC service performance scores averaged about 93 percent on-time at the three higher scoring facilities, while scores averaged 89 percent on-time at the lower scoring facilities.

Although the six P&DCs had different service performance scores, we generally identified that all were using similar best practices, such as:

- Using data to track machine, transportation, and service performance.

- Sharing performance, staffing, transportation, and operational challenges during shift change and weekly area management meetings.
- Having detailed plans for processing and transporting mishandled and rejected mail from automation operations.
- Modifying transportation routes and mail arrival profiles based on their analysis of on-time service performance failures.
- Increasing the use of automated mail processing in place of manual processing.

While the P&DCs have developed best practices at their facilities, only 9 percent of the single-piece FCM, and 5 percent of the Commercial FCM service failures are due to processing according to Postal Service data.<sup>16</sup>

<sup>15</sup> We excluded 15 rankings that included San Juan, PR, because of the complexities associated with the distribution network in the Caribbean District and the negative impact of weather on service.

<sup>16</sup> We obtained Postal Service data from the IV system, which is an online system that provides information for all mail and packages for use by the Postal Service and mailing industry.

### Recommendation #1

**The Vice President, Northeast Area**, establish an ongoing process to ensure all Hoshin plans are complete and current as required by Postal Service guidance.

### Recommendation #2

**The Vice President, Northeast Area**, assess and implement Hoshin training to ensure that those employees involved with the Hoshin plans fully understand their responsibilities based on Postal Service guidance.

### Recommendation #3

**The Vice President, Network Operations**, should evaluate and determine the relevance of current First-Class Mail service performance goals considering the service pairs that do not meet goals.

## Management's Comments

Postal Service management disagreed with our findings and recommendations.

Regarding recommendation 1, management said the Northeast Area has a weekly process to ensure all Hoshin plans are completed and current. Management said that from an area level it was easier to track all the district projects in the PKS and use an area project scorecard. Management said they determined that updating the Hoshin plan Excel spreadsheet was unnecessary and time consuming. Management added the Northeast Area has a comprehensive Hoshin plan with project work specifically targeted to improve all strategic indicators, one of which is First-Class Service Performance. Finally, management said the Northeast Area demonstrated its capability to continuously improve its First-Class Package Service scores.

Regarding recommendation 2, management said the Northeast Area updates Hoshin plans annually based on headquarters' initiatives and each district has training workshops with district leadership to develop Hoshin plans for the fiscal year.

Regarding recommendation 3, management said service goals are set to drive the Postal Service and its employees to provide world-class service to customers. Management said the Postal Service continues to leverage data and business intelligence through numerous service diagnostic tools which are designed to identify areas impacting service performance.

See [Appendix B](#) for management's comments in their entirety.

## Evaluation of Management's Comments

Regarding management's disagreement with recommendation 1, the Postal Service's Hoshin plan guidance requires completion of the fields listed in [Table 1](#). Overall, we found about 91 percent of the continuous improvement projects data fields listed in the 11 Hoshin plans were blank or not current. Northeast Area management said they did not believe there was a need to complete all the fields in Hoshin plans because the information is in the PKS. However, on April 13, 2018, management sent us updated Northeast Area Hoshin plans that were complete. We made this recommendation to ensure these plans are complete and current going forward as required by Postal Service guidance.

Regarding management's analysis of First-Class Package Service scores, as noted in the report, service performance scores for First-Class Packages Service, EXFC, and Commercial FCM scores increased from FY 2015 to Q4, FY 2017. However, performance scores for EXFC and Commercial FCM both declined in Qs 1 and 2 of FY 2018 by as much as 10 and 3 percentage points respectively.

First-Class Package Service – Retail scores are no longer reported publicly.

Regarding management's disagreement with recommendation 2, as noted in our report Northeast Area management attributed the missing field information to inadequate training of owners and/or persons assigned to update the plans. Although management said they held training workshops to develop Hoshin plans, the fields were still incomplete. We made the recommendation to ensure that Postal Service employees are trained according to Postal Service guidance which includes developing, reviewing, and updating the plans.

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Regarding management's disagreement with recommendation 3, the OIG did not recommend replacing the current Postal Service goals but evaluating the achievability of the goals. From January 2015 to September 2017, the Postal Service did not achieve 2-Day and 3-5 Day standards of service for almost 93 percent of service pairs where EXFC test pieces were mailed to and from the Northeast Area (see [Figures 6 and 7](#) and [Tables 3 and 4](#)). When the Northeast Area does not meet mail service standards, area customers and customers across the nation are directly affected and customers cannot rely on service standards to determine how long it will take for mail to reach its destination.

We view the disagreement with recommendations 1, 2, and 3 as unresolved and they will remain open as we coordinate resolution with management. 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

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# Appendix A: Additional Information

## Scope and Methodology

Our objective was to evaluate the Postal Service's strategy to improve FCM service scores in the Northeast Area.

To accomplish our objective, we:

- Interviewed Postal Service Northeast Area and headquarters management to determine how they establish service performance goals, monitor performance, and establish improvement plans.
- Interviewed Postal Service Northeast Area and headquarters management to determine what strategy/plan the Postal Service has to improve service scores to meet goals and communicate the planned improvements internally and to customers.
- Analyzed EXFC FCM service pairs in the Northeast Area to identify the highest and lowest performing service pairs. We normalized service pair data and evaluated service pair averages, service performance goals, standard deviations, and probabilities of a normal distribution.
- Reviewed and evaluated Mail Condition Reporting System (webMCRS), IV, and 24-Hour Clock Indicator reports and conducted site visits of P&DCs in the Northeast Area to identify best practices and causes of poor FCM service performance based on sampling methodology.

We conducted this performance audit from September 2017 through May 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 May 1, 2018, and included their comments where appropriate.

We used computer-processed data from the Postal Service's EDW, IV, the PRC, and Service and Field Operations Performance Measurement when performing our analysis. We assessed the reliability of computer-generated data by interviewing knowledgeable agency officials and reviewing related documentation. We determined that the EDW, the PRC, and Service and Field Operations Performance Measurement data were sufficiently reliable for the purposes of this report. We were unable to determine the reliability of the IV data, as we did not have access to the source data.

## Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Mail Processing and Transportation Operational Changes</i>	Determine the timeliness of mail processing and transportation since the January 5, 2015, service standard revisions and review whether projected cost savings from the operational window change were realized.	<a href="#">NO-AR-16-009</a>	9/2/2016	None
<i>U.S. Postal Service Actions Needed to Make Delivery Performance Information More Complete, Useful, and Transparent</i>	Assess the Postal Service's measurement of mail delivery performance, the PRC's oversight of this measurement, and the Postal Service and PRC's reporting of this information.	<a href="#">GAO-15-756</a>	9/30/2015	None
<i>Delayed Mail Validation</i>	Determine the accuracy of the Postal Service's delayed mail reporting.	<a href="#">NO-AR-17-011</a>	8/10/2017	None
<i>Timeliness of Mail Processing at the Queens, NY, Processing and Distribution Center</i>	Determine the cause of delayed mail at the Queens P&DC.	<a href="#">NO-AR-16-010</a>	9/20/2016	\$2,197,126
<i>Management Alert - Mail Processing Operations at the Southern Maine Processing and Distribution Center</i>	Assess mail processing operational changes at the Southern Maine P&DC in response to service standard revisions.	<a href="#">NO-MA-15-003</a>	5/11/2015	None

# Appendix B: Management's Comments



May 15, 2018

LORI LOU DILLARD  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – First-Class Mail Service Performance  
Measurement in the Northeast Area  
(Report Number NO-AR-18-DRAFT)

Thank you for providing the Northeast Area with the opportunity to review and comment on the recommendations contained in Draft Audit Report First-Class Mail Service Performance Measurement in the Northeast Area (Project Number 17XG024NO000) – Northeast Area (Report Number NO-AR-18-DRAFT).

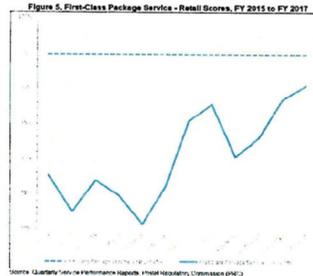
**Recommendation 1:**

The Vice President, Northeast Area, establish an ongoing process to ensure all Hoshin plans are complete and current as required by Postal Service guidance.

**Management Response/Action Plan:**

The Northeast Area does not agree with this recommendation. The Northeast Area currently has a weekly ongoing process to ensure all Hoshin Plans are completed and current. Although the MS Excel file did not fully disclose all the tracking indicators, it was determined from an Area level that it was easier to track all the District Projects via the PKS project tracker and an all-Area project scorecard to ensure projects were progressing each week. Updating the MS Excel Hoshin file was determined locally to be rework which was unnecessary and time consuming. As demonstrated in the documents shared, all Hoshin Plans are current and updated weekly via the PKS tracker and Area Project Scorecard.

The Northeast Area has a comprehensive Hoshin Plan with project work specifically targeted to improve all USPS strategic indicators, one of which is First-Class Service Performance. This particular methodology has been adopted and cascaded throughout the Northeast Area down to the district level. Please note that on page 8 (see graph below), the Northeast Area clearly demonstrates its capability to continuously improve its First-Class Package Service scores. Absent a comprehensive plan, this type of performance improvement would not be possible. The Northeast Area conducts weekly calls with all its districts as well as its respective Areas addressing pair opportunities to meet the goals. This was explained and reiterated to the audit team during the exit conference.



**Recommendation 2:**

The Vice President, Northeast Area, assess and implement Hoshin training to ensure that those employees involved with the Hoshin plans fully understand their responsibilities based on Postal Service guidance.

**Management Response/Action Plan:**

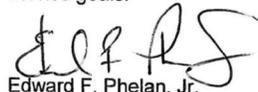
The Northeast Area does not agree with this recommendation. Each Year the Area updates the Hoshin Plans based on Headquarters initiatives and each District within the Area has a training "Ideation" workshop with District Leadership to develop their new Hoshin Plans for the new Fiscal Year.

**Recommendation 3:**

Vice President, Network Operations, should evaluate and determine the relevance of current First-Class Mail service performance goals considering the service pairs that do not meet goals.

**Management Response/Action Plan:**

The Postal Service disagrees with recommendation of changing of service goals. Service goals are set to drive the Postal Service and its employees to provide world class service to our customers. In support of this, the Postal Service continues to leverage data and derived business intelligence through the form of numerous service diagnostic tools. These tools are designed to identify top opportunities and bottle necks impacting service performance. Once identified, changes are made to address service performance impacts. To educate employees on these diagnostic tools, the Postal Service launched the Analytics University program. This program leverages subject matter experts as trainers to facilitate and grow the knowledge base of employees. Through proper training and use of these diagnostic tools, the Postal Service is capable of achieving the set service goals.

  
Edward F. Phelan, Jr.  
Vice President, Northeast Area

  
Robert Cintron  
Vice President, Network Operations

cc: Manager, Corporate Audit Response Management



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