

Sorting and Delivery Center Impacts in the Florida 1 District

AUDIT REPORT

Report Number 23-171-R24 | May 28, 2024



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Highlights

Background

The U.S. Postal Service announced that it will convert select facilities around the country into sorting and delivery centers (S&DCs) as part of the 10-year strategic Delivering for America plan. S&DCs will consolidate carrier operations from multiple delivery units into one facility. The Postal Service converted two facilities in Gainesville and Panama City, FL, into S&DCs in February 2023. According to the Postal Service, S&DCs are a vital part of its network modernization and will reduce transportation and mail handling costs.

What We Did

Our objective was to assess the impact of the Postal Service's S&DC implementation in the Postal Service's Florida 1 District. We analyzed service performance data for fiscal year (FY) 2023 through FY 2024 year-to-date and mailpiece visibility data for FY 2022 through FY 2023, observed operations, and interviewed Postal Service personnel at two S&DCs, four networked facilities, and nine delivery units.

What We Found

The Postal Service had not fully adjusted operations to realize the projected benefits to transportation following the implementation of S&DCs in the Florida 1 District. Specifically, actual cost savings from eliminating highway contract route trips and consolidating carrier routes did not meet FY 2023 estimates. We also found that the Panama City S&DC does not use Surface Visibility to perform container "load" and "unload" scans. Without those scans, the Postal Service cannot accurately measure its progress toward optimizing truck routes, eliminating unnecessary trips, and ensuring optimal truck utilization while meeting service standards. Further, delivery units with consolidated carrier operations at S&DCs did not consistently meet scheduled up-time for Post Office Box mail; attempted delivery mail was difficult to track, causing customer dissatisfaction; and Priority Mail Express did not meet its service standard in the Florida 1 district. As a result, we estimated the Postal Service paid approximately [REDACTED] in actual refunds and faced potential refundable revenue of [REDACTED] for the Priority Mail Express mailpieces that were not delivered timely for FY 2022 and 2023.

Recommendations and Management Comments

We made seven recommendations to address the issues around planning and implementation, ongoing construction activities, lack of truck utilization data, late delivery unit Post Office Box up-times, difficulty tracking redelivery mailpieces, and Priority Mail Express missing its collection deadline. Management's comments and our evaluation are at the end of each finding and recommendation. The U.S. Postal Service Office of Inspector General considers management's comments responsive to recommendations 2, 4, 5, 6 and 7, and corrective actions should resolve the issues identified in the report. See [Appendix B](#) for management's comments in their entirety.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

May 28, 2024

MEMORANDUM FOR: ANGELA LAWSON
VICE PRESIDENT, TECHNOLOGY APPLICATIONS

BENJAMIN P. KUO
VICE PRESIDENT, FACILITIES

JOHN DUNLOP
VICE PRESIDENT, PLANT AND PROCESS MODERNIZATION

ROBERT CINTRON
VICE PRESIDENT, LOGISTICS

ELVIN MERCADO
VICE PRESIDENT, RETAIL AND POST OFFICE OPERATIONS

LESLIE JOHNSON-FRICK
EXECUTIVE DIRECTOR, SORTING AND DELIVERY CENTER
IMPLEMENTATION

A handwritten signature in black ink that reads "Mary K. Lloyd".

FROM: Mary Lloyd
Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Audit Report – Sorting and Delivery Center Impacts in the Florida 1
District (Report Number 23-171-R24)

This report presents the results of our audit of Sorting and Delivery Center Impacts in the Florida 1 District.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendations 1, 2, 3, 5, 6, and 7 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. We consider recommendation 4 closed with issuance of this report.

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

Attachment

cc: Postmaster General
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of the impacts of the sorting and delivery centers in the Florida 1 District (Project Number 23-171). Our objective was to assess the impact of the U.S. Postal Service's sorting and delivery centers' (S&DCs') implementation in the Florida 1 district. See [Appendix A](#) for additional information about this audit.

Background

In support of the Delivering for America Plan, the Postal Service announced that it would convert select facilities around the country into S&DCs beginning in November 2022. These centers will consolidate carrier operations from multiple delivery units into one facility, along with some sortation operations, while retail operations will remain at the delivery units. Much of the current Postal Service footprint will be aggregated into these larger centralized S&DCs. The Postal Service expects to deploy 400 S&DCs over the next three years and implemented the first six as of February 2023.¹ The Postal Service selected facilities for conversion based on:²

- The number of delivery units potentially served by the S&DC
- The greatest potential number of routes for consolidation³
- Least percent of routes at capacity
- Greatest number of parking spaces to accommodate consolidated employees
- Greater volume
- Locations with more package delivery
- Population growth

According to the Postal Service, S&DCs will be a vital part of the Postal Service's network modernization

“S&DCs will be a vital part of the Postal Service's network modernization and will reduce transportation and mail handling costs.”

and will reduce transportation and mail handling costs. The S&DCs will take over delivery operations from several thousand post offices. Carriers will go directly from the S&DCs to their routes if the route is within a 30-minute drive from the S&DC. This will eliminate the need for highway contract route (HCR) operators who move the mail back and forth between processing centers and delivery units. Fewer HCR routes will reduce truck traffic between facilities and increase truck utilization. Adding additional S&DCs would shorten the distances between S&DCs and carrier routes, reducing extra miles required by the new network and decreasing delivery time. However, some post offices outside the 30-minute reach will continue to need HCR transportation between the processing center and the post office. With the implementation of S&DCs, the Postal Service believes it has the capability to reduce the number of transportation routes and trips, reduce costs, improve truck utilization, and improve service performance — all through the consolidation of multiple delivery units into single, larger facilities.

S&DCs in Florida 1 District

The Postal Service converted two facilities in the Florida 1 District — the Gainesville Processing & Distribution Facility (P&DF) and the Panama City P&DF — into S&DCs during the first round of deployment in February 2023. The Gainesville S&DC is now servicing the Jacksonville Processing & Distribution Center (P&DC) and Jacksonville Peak Season Annex (PSA), and the Panama City S&DC is servicing the Pensacola P&DC (see [Figure 1](#)).

1 The S&DCs implemented February 2023 include facilities in Gainesville, FL; Panama City, FL; Woburn, MA; Utica, NY; and Bryan, TX. An S&DC in Athens, GA, was opened in November 2022.

2 *Decision Analysis Report — Panama City, Site Analysis*, January 28, 2023; *Decision Analysis Report — Gainesville, Site Analysis*, January 28, 2023.

3 The Postal Service determined that S&DCs that could absorb a minimum of 75 routes were more viable choices for the project.

Figure 1. Location and Distance Between S&DCs and Connected P&DCs in Florida 1 District

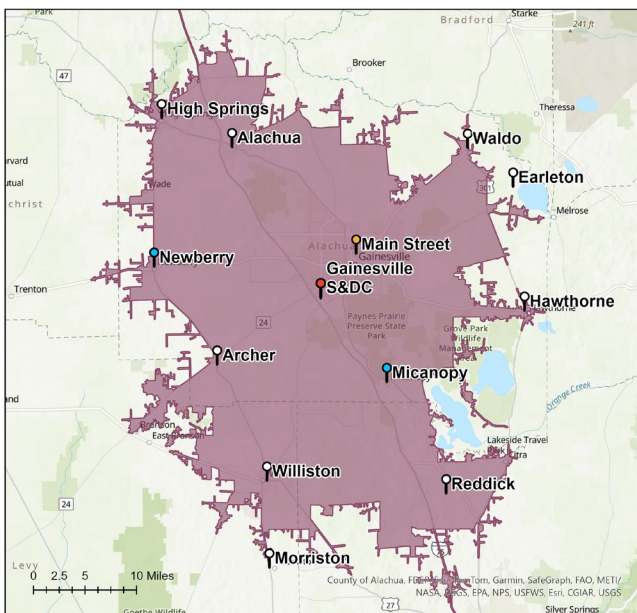
Source: U.S. Postal Service Office of Inspector General (OIG) analysis based on information from Postal Service and Geographic Information System (GIS) data.



As of February 2024, the Gainesville S&DC has consolidated carrier routes from two of 12 potential local delivery units⁴ under consideration within a 30-minute drive from the S&DC (see Figure 2).

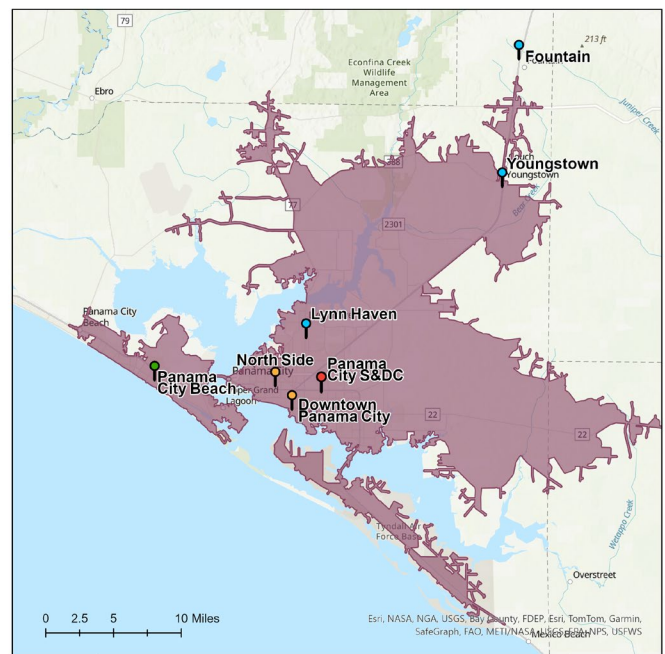
As of February 2024, the Panama City S&DC has consolidated carrier routes from four of six potential local delivery units⁵ within a 30-minute drive from the S&DC (see Figure 3).

Figure 2. Gainesville S&DC and Networked Delivery Units Service Area as of February 2024



30 Minute Drive Time from Gainesville S&DC	
	Facility
Sorting and Delivery Center	Gainesville S&DC
Consolidated Delivery Units	Micanopy Post Office
Delivery Units to be Consolidate, 2024	Newberry Main Post Office
Delivery Units Not Consolidated	Gainesville Main Street Station
	Alachua Post Office
	Morrision Main Post Office
	Archer Main Post Office
	Reddick Post Office
	Earleton Post Office
	Waldo Post Office
	Hawthorne Post Office
	Williston Main Post Office
	High Springs Main Post Office

Figure 3. Panama City S&DC and Networked Delivery Units Service Area as of February 2024



30 Minute Drive Time from Panama City S&DC	
	Facility
Sorting and Delivery Center	Panama City S&DC
Consolidated Delivery Units	Lynn Haven Main Post Office
	Youngstown Post Office
	Fountain Post Office
Partially Consolidated Delivery Units	Panama City Beach Station
Delivery Units to be Consolidated, 2024	Panama City Northside Station
	Downtown Panama City Station

Source: OIG analysis based on information from Postal Service and GIS data.

Source: OIG analysis based on information from Postal Service and GIS data.

⁴ Delivery units that were considered for consolidation of their carrier routes.

⁵ Only eight of 38 carrier routes from the Panama City Beach delivery unit were consolidated into the Panama City S&DC.

Findings Summary

We found that the Postal Service has not fully adjusted operations to realize the projected benefits to transportation following the implementation of S&DCs in the Florida 1 District. Specifically, we found that actual cost savings from eliminating HCR trips and consolidating carrier routes in the district did not meet the Postal Service estimates for FY 2023. Despite the plan of eliminating all morning and afternoon HCR trips, the S&DC core team⁶ officials only eliminated morning trips to local delivery units, while leaving afternoon HCR trips in place. Additionally, consolidation of carrier routes at both sites have been delayed due to construction issues at the S&DCs.

Further, we found that the Panama City S&DC does not use Surface Visibility (SV)⁷ to perform container “load” and “unload” scans, limiting the

Postal Service’s ability to leverage mailpiece tracking to measure its progress toward optimizing truck routes, eliminating unnecessary trips, and ensuring optimal truck utilization while meeting service standards. Additionally, the delivery units whose carrier functions were absorbed into the Gainesville and Panama City S&DCs have not consistently met scheduled up-time for PO Box mail since the implementation of the S&DCs in February 2023. We also found customers at the Panama City S&DC experienced dissatisfaction with attempted delivery mail and had difficulty tracking packages.

Finally, we identified that the Priority Mail Express⁸ did not meet its service standard in the Florida 1 district. Specifically, the Postal Service did not meet its [REDACTED] percent on-time delivery target for mail originating and destinating in over 170 ZIP Codes in the Gainesville and Jacksonville service areas.⁹

6 The S&DC core team is the Postal Service Headquarters Group responsible for S&DC implementation.

7 Surface Visibility (SV) is a mobile-scanning application that enables Postal Service personnel at SV-equipped sites to scan trays, tubs, and sacks of mail into containers and onto trailers and to track the mail across the surface network.

8 An expedited service for shipping any mailable matter with a money-back guarantee for next-day or second-day delivery. Mail is guaranteed to arrive by 6 p.m. on the target date. Priority Mail Express service is a competitive product.

9 Priority Mail Express composite scores for origin and destination 320, 322, 326, and 344 ZIP Codes.

Finding #1: Limited Cost and Trip Reduction

We found that actual cost savings from eliminating HCR trips and consolidating carrier routes did not meet the Postal Service estimates for FY 2023 in the Florida 1 District. Despite the plan of eliminating all morning and afternoon HCR trips, the S&DC core team officials eliminated only morning trips to local delivery units, while leaving afternoon HCR trips in place. As a result, overall HCR trip mileage declined only slightly following S&DC implementation.¹⁰ Specifically, trip mileage for HCR routes servicing the Gainesville S&DC declined by 8 percent while the Panama City S&DC had a 1 percent increase, resulting in an overall net decrease in mileage of only 0.4 percent for the Florida 1 District (see Table 1).

“Despite the plan of eliminating all morning and afternoon HCR trips, the S&DC core team officials eliminated only morning trips to local delivery units, while leaving afternoon HCR trips in place.”

Table 1. Florida 1 S&DC Mileage Assessment

S&DC	Pre-Implementation	Post-Implementation	Difference in Mileage	Percentage Change
Gainesville	280,722	257,267	(23,455)	(8%)
Panama City	1,338,441	1,355,052	16,611	1%
Total	1,619,163	1,612,319	(6,844)	(0.4%)

Source: OIG analysis of data from the USPS Service Change Request System.

Postal Service officials stated that reducing cost is a primary goal of adjusting transportation servicing S&DCs. Specifically, the Postal Service initially estimated that eliminating the need for HCR trips to delivery units by absorbing carrier routes into the S&DCs could realize approximately \$96,000 in transportation savings for FY 2023 for the Gainesville S&DC and \$58,091 for the Panama City S&DC.¹¹ The Gainesville S&DC estimate was

“Postal Service officials stated that reducing cost is a primary goal of adjusting transportation servicing S&DCs.”

based on absorbing 81 carrier routes from three delivery units,¹² while Panama City’s was based on absorbing approximately 60 carrier routes from four delivery units.¹³

However, we found that actual changes to HCRs resulted in FY 2023 savings of only \$54,933

for Gainesville and \$14,152 for Panama City. As of February 2024, the Gainesville S&DC had absorbed only 15 carrier routes from two local delivery units,¹⁴

¹⁰ Postal Service does not have a target number for a reduction in trip miles. The changes made to reduce transportation costs could increase transportation miles but be offset by eliminating layover hours, which are periods of time in which HCR contractors are paid but are not moving mail. Our calculations included the per annum contract rate after the negotiated service change.
¹¹ Funding cash flow analyses for Gainesville and Panama City S&DC.
¹² In addition to 61 carrier routes already based at the Gainesville S&DC prior to implementation, the routes include three from Micanopy, 12 from Newberry, and 66 from the Gainesville Main Post Office, for a total of 142 carrier routes.
¹³ In addition to the 25 carrier routes already based at the Panama City S&DC, the routes include eight from Youngstown, 15 from Downtown Panama City, 11 from Lynn Haven, and 26 from Panama City Northside, for a total of 85 carrier routes.
¹⁴ The carrier routes absorbed were from Newberry and Micanopy Post Offices.

and the Panama City S&DC had absorbed only 31 carrier routes from three delivery units¹⁵ (see Table 2).

Table 2. Estimated Vs. Actual Cost Savings

Savings	Gainesville S&DC	Panama City S&DC
Estimated Savings	\$96,285	\$58,091
Actual Savings	\$57,541	\$14,152
Over Estimated Savings	\$38,744	\$43,939

Source: OIG analysis of Funding Cash Flow Analysis and Transportation Contract Support System (TCSS).¹⁶

“These conditions occurred due to shortcomings in planning and coordination between the S&DC core team and local officials, and construction delays.”

These conditions occurred due to shortcomings in planning and coordination between the S&DC core team and local officials, and construction delays. Postal Officials stated that they planned to consolidate carrier routes into the S&DCs in a “phased” approach.¹⁷ However, the phased approach was not specified in the Decision Analyses Reports or supporting documents. Before implementation, the S&DC core team had planned to eliminate both morning and afternoon HCR trips carrying destinating¹⁸ and collection mail¹⁹ between P&DCs and individual delivery units. The initial cost estimates reflected these eliminations beginning in FY 2023. However, the afternoon HCR transportation between the S&DCs, P&DCs, and delivery units was not

eliminated because the additional time and distance would have extended rural route carrier hours beyond their contractual agreement.²⁰ While carriers currently transport destinating mail from the S&DCs to the delivery units during the morning route, HCRs still transport collection mail from the delivery units to the S&DCs in the afternoon.

Further, the Postal Service’s S&DC core team and local officials did not account for growth in mail volume, nor did they fully coordinate to ensure that local transportation needs were met following implementation, as required by policy.²¹ As a result, local transportation officials had to add an additional weekly HCR trip between the Panama City S&DC and Pensacola P&DC in November 2023 to accommodate growth in weekend mail volume. Based on contract rate per mile, for FY 2024, we estimate that the additional transportation will add approximately \$36,000 in annual transportation costs to the HCR servicing the Panama City S&DC.

Additionally, consolidation of carrier routes was delayed due to construction issues at the Gainesville S&DC while Panama City S&DC parking area construction was not completed as planned. According to the Postal Service, the availability of sufficient parking is critical to its S&DC implementation strategy. The parking areas for both Panama City S&DC and Gainesville S&DC were planned to be completed by December 2023. However, we found the following conditions during our site visits:

- Two sinkholes, an unpaved parking lot, and no fence at the Gainesville S&DC carrier parking lot (see Figure 4). As a result, the Gainesville S&DC absorbed only 15 of 81 (19 percent) carrier routes during FY 2023. In January 2024, the plant manager stated that construction activities on the parking lot had halted again because the contractor damaged a gas line, and he had not

¹⁵ The carrier routes absorbed were from Youngstown and Fountain. In addition, 12 carrier routes from Panama City Beach Station that were not included in the original consolidation plan were absorbed.

¹⁶ TCSS is used to manage highway transportation requirements contracts and payment processes.

¹⁷ This approach consolidated carriers from Micanopy and Newberry into the Gainesville S&DC in February 2023, but did not specify when carriers from the Gainesville Main Post Office were to be consolidated. For the Panama City S&DC, the approach consolidated carriers from Lynn Haven and Youngstown in February 2023, but did not specify when carriers from the Downtown Panama City and Panama City Northside Post Offices were to be consolidated.

¹⁸ Incoming mail arriving for its point of final delivery (destination) through a processing facility.

¹⁹ Mail deposited into a collection box or lobby drop, as well as mail collected by carries on their delivery rounds.

²⁰ The current National Agreement between the U.S. Postal Service and the National Rural Letter Carrier’s Association was entered into as of March 23, 2022, and extends through 2024.

²¹ M-22, *Dispatch and Routing Policies*, Section 215, Vice President, Area Operations, dated July 2013.

received updates about when the project would resume. As of March 2024, construction had not progressed on-site.

Unfinished construction, a missing fence, and a non-operating gate at the Panama City S&DC carrier parking lot. In March 2024, the S&DC plant manager stated that a manual gate and fence had been installed. Although headquarters officials stated that the construction activities did not impact the consolidation of carrier routes at the Panama City S&DC, carrier functions for the final two delivery units²² were not absorbed into the facility until March 2024. As a result, the Panama City S&DC absorbed only 31 of 72²³ (43 percent) carrier routes during FY 2023.

Figure 4. Construction at Gainesville S&DC Parking Lot



Source: OIG photo taken November 27, 2023, at the Gainesville S&DC.

While the Postal Service made some efforts to mitigate impacts and address safety and security concerns, shortcomings in the S&DC implementation planning and communication between internal stakeholders, combined with natural and man-made construction challenges that could occur often in a program as significant as the S&DC implementation, can increase risk to achieving the cost savings and network modernization goals outlined in the Postal Service’s Delivering for America plan. If these challenges continue to occur as more S&DCs are implemented, the result could adversely affect the

Postal Service brand and cause the Postal Service to continue to miss cost projections for future years.

Recommendation #1

We recommend the **Executive Director Sorting and Delivery Center Implementation**, in coordination with the **Vice President, Logistics**, develop detailed lessons-learned reports for Gainesville and Panama City Sorting & Delivery Centers, discussing key challenges involving planning and implementation as a guide for future activations.

Recommendation #2

We recommend the **Vice President, Facilities**, develop and implement an action plan to address the construction challenges at the Gainesville Sorting and Delivery Center, including a timeline to complete the unfinished items.

Postal Service Response

The Postal Service partially agreed with this finding. Management agreed that the S&DC core team determined that overburdened rural routes resulted in the need to leave afternoon HCR trips in place until the routes could be right sized. Management disagreed that local transportation officials had to add an additional weekly HCR trip between the Panama City S&DC and Pensacola P&DC in November 2023 to accommodate growth in weekend mail volume. Management stated that transportation additions made in November 2023 would have been added outside of the purview of the S&DC and may have been related to peak season as trips are regularly added during that time to account for increased holiday volume.

Management agreed with recommendations 1 and 2 and provided a target implementation date for recommendation 1 of May 31, 2024, and recommendation 2 of June 30, 2024. For recommendation 1, management provided a slide presentation documenting lessons learned during the exit meeting on April 13, 2024.

²² Downtown Panama City Station and Panama City Northside Station.

²³ This total includes the eight carrier routes from Panama City Beach Station that were not included in the Decision Analysis Report.

See [Appendix B](#) for Management’s comments in their entirety.

OIG Evaluation

Regarding management’s partial disagreement with finding 1, we recognize that the additional trips added between Panama City S&DC and Pensacola P&DC in FY 2024 began during peak season. However, based on our discussion with local management and analysis of HCR contracts, these trips have continued beyond the end of peak season and were not added to solely account for holiday volume. We highlighted this issue to illustrate that a significant reduction in transportation has not yet occurred following S&DC implementation.

Management’s comments were responsive to recommendation 2, and a development of an action plan by the proposed implementation date should resolve issues identified in the report. We consider management’s comments nonresponsive to recommendation 1.

Specifically, while management provided us with a slide including a bulleted list of lessons learned, we determined that an official documentation of lessons learned as a guide for future implementations is necessary to address the recommendation. As a result, we view the recommendation as unresolved and will work with management through the formal audit resolution process.

Finding #2: Lack of Truck Utilization Data at Panama City S&DC

We found that the Panama City S&DC does not use SV to perform container “load” and “unload” scans. SV is the system of record used to calculate truck utilization.

Load/Unload Scans

When a container is loaded on to a trailer, a Postal Service employee scans a placard with a barcode that is attached to the container. This scan is called a “load” scan (see Figure 5). The “unload” scan records the unloading of a container off a trailer (see Figure 6). These scans are recorded in SV Web²⁴ and provide the Postal Service with data regarding numbers of loaded and unloaded containers and truck utilization.

We found that, for incoming mail, the employees at the Panama City S&DC record truck utilization information by physically counting mail containers as they are unloaded from a trailer rather than scanning the placard’s barcode on the container. At the end of each tour, the employees send the total containers counted in an email to the S&DC plant manager.

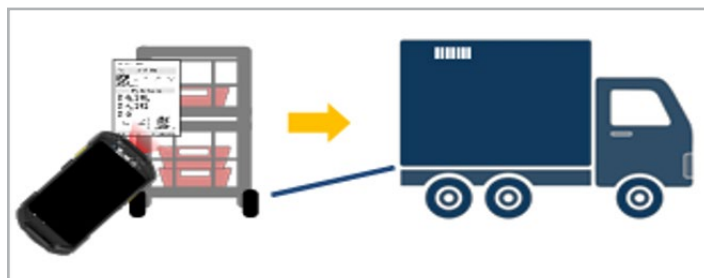
In-House Placards

Further, for outgoing mail, management at the Panama City S&DC created “in-house” placards to sort where mail containers should be sent. In-house placards are used to identify containers that are moving between areas within a facility. Containers with these placards should not be dispatched outside of that facility. These placards do not feature barcodes that can be scanned (see Figure 7).

The lack of scanning results in inaccurate truck utilization data. For example, SV Web data for outbound trips from the Pensacola P&DC²⁵ to the Panama City S&DC indicate that trips had between 66 percent and 79 percent truck utilization from March through September 2023 (see Figure 8). However, SV Web data for inbound trips from the Panama City S&DC to the Pensacola P&DC indicate that the trips had zero percent truck utilization

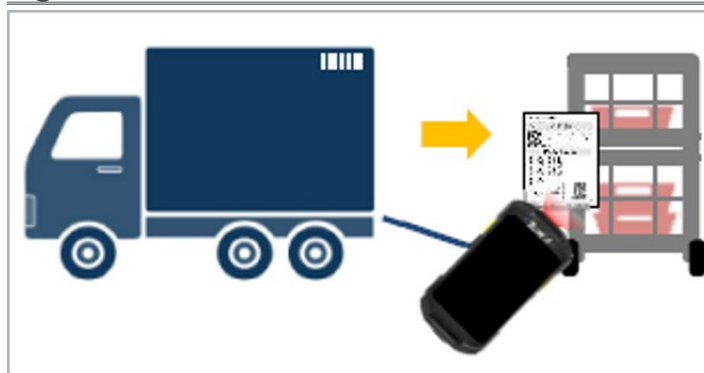
from March through September 2023 because the Panama City S&DC is not an SV scanning site. (see Figure 9).

Figure 5. Picture of a Load Scan



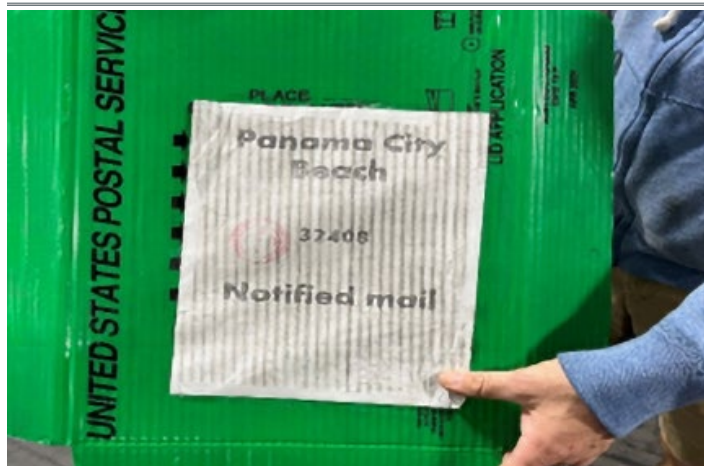
Source: SV User Booklet.

Figure 6. Picture of an Unload Scan



Source: SV User Booklet.

Figure 7. In-house Placard Used at Panama City S&DC



Source: OIG photo taken December 13, 2023.

²⁴ SV Web data provides end-to-end visibility by linking multiple scans of the same mail container as it moves through the Postal Service’s network.

²⁵ Pensacola P&DC is an SV scanning site.

Figure 8. SV Web Utilization Data for Outbound Trips from Pensacola P&DC to Panama City S&DC

Source: OIG analysis of SV Web data.

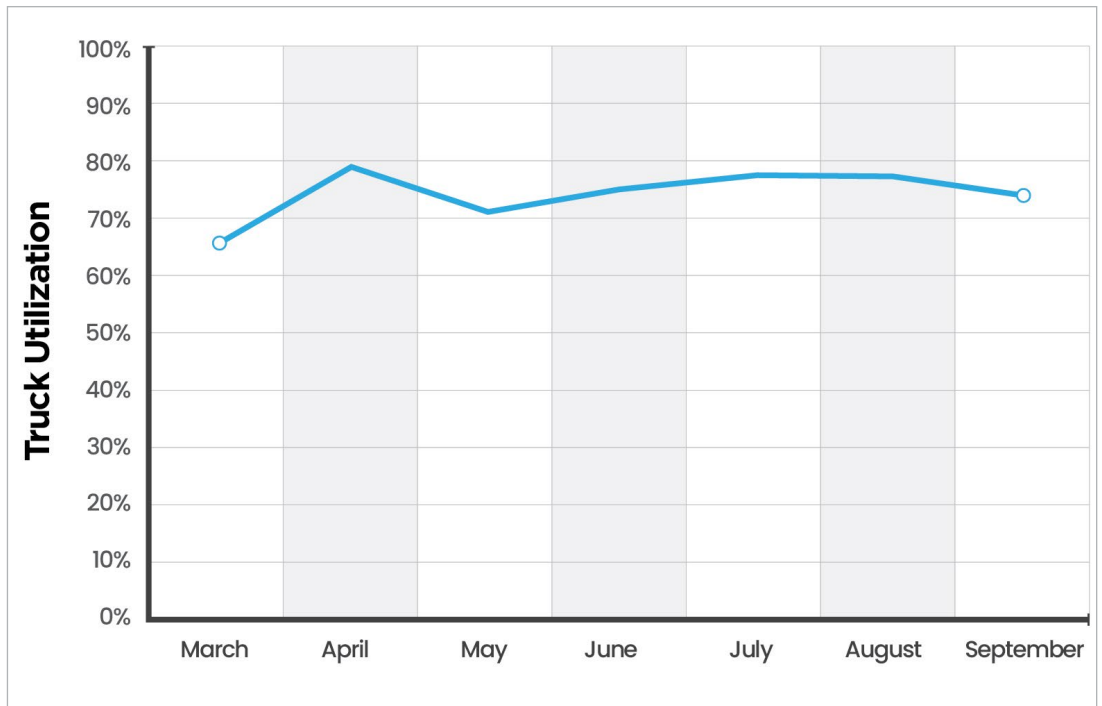
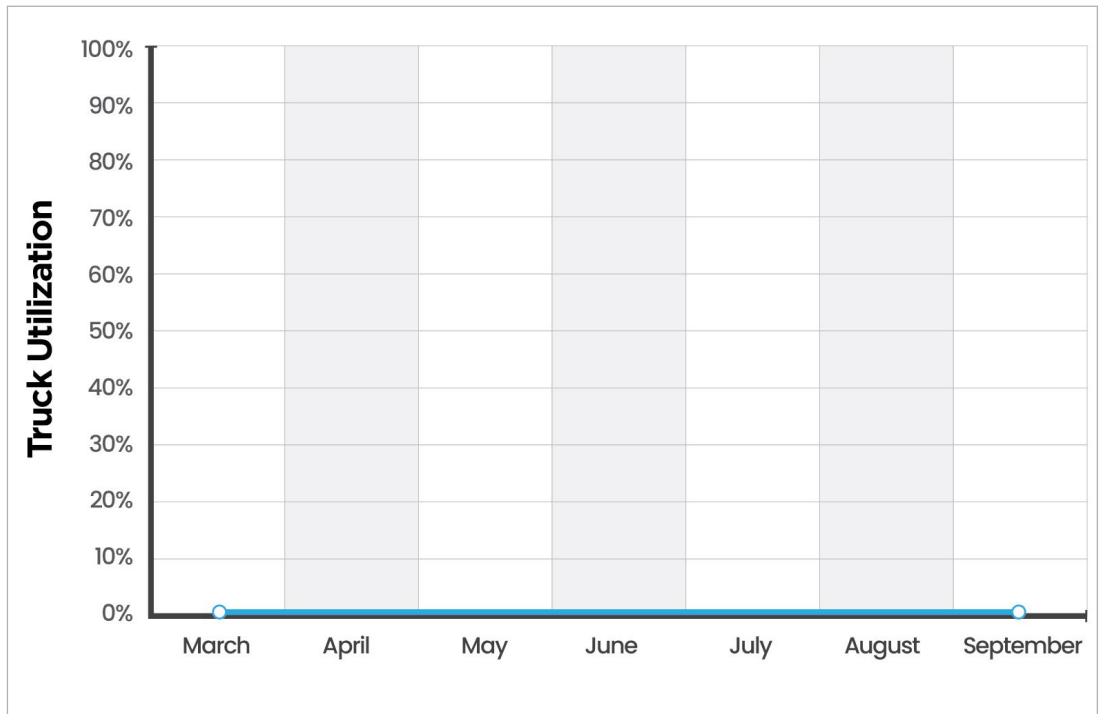


Figure 9. SV Utilization Data for Inbound Trips to Panama City S&DC From Pensacola P&DC

Source: OIG analysis of SV Web data.



We interviewed multiple Postal Service Headquarters and S&DC officials, but they were not aware that the Panama City S&DC is not a designated SV scanning site, even though data collected by SV Web is used to assess S&DC performance. The Postal Service has set 65 percent utilization (the industry target) as a performance metric in its daily S&DC scorecard. Headquarters officials stated that SV scanning does not occur at the Panama City S&DC because it uses Intelligent Mail Device (IMD) scanners to perform scanning activities, such as trailer load and unload.²⁶ However, IMD scan data is not uploaded to SV and cannot be used to calculate truck utilization. Further, the Panama City S&DC relies on the manual count of containers to measure utilization.

One of the Postal Service's key strategies is to leverage real-time, actionable, and predictive insights to prevent underutilized transportation. The Delivering for America plan emphasizes optimization of truck routes and mailpiece tracking to help eliminate unneeded trips and ensure trucks leave facilities with fuller loads while meeting service standards.

Lack of SV scanning at the Panama City S&DC can also create uncertainty about the whereabouts and security of mail and impacts the customer experience. For example, the postmaster at the Panama City Beach delivery unit²⁷ noted that the lack of SV scanning at the Panama City S&DC makes it difficult to know if mailpieces are at the S&DC or in transit to the delivery unit.

Further, when containers do not receive a "load" scan using SV, Postal Service management does not have accurate scan data to measure performance and make operational decisions or determine if trailers are fully utilized. Relying on the manual count of

containers for measuring truck utilization can also lead to inaccurate data about the amount of mail moved between facilities. Use of inaccurate data puts the Postal Service at risk of making operational decisions that are incorrect, which can negatively affect the transportation network.

Recommendation #3

We recommend the **Vice President, Logistics**, in coordination with the **Vice President, Technology Applications**, evaluate whether the Panama City Sorting and Delivery Center should be designated as a Surface Visibility scanning site to accurately track truck utilization and ensure that employees have the appropriate training and resources to conduct scanning to improve data collection and facilitate route optimization.

Recommendation #4

We recommend the **Vice President, Retail and Post Office Operations**, instruct local management to use Mail Transport Equipment Labeler placards as scans are performed.

Postal Service Response

The Postal Service disagreed with this finding. Management stated that the Panama City S&DC will continue to use IMD scanners to perform scanning activities in its role as a "function 4" (F4) site.²⁸

Management also disagreed with recommendation 3, stating that scans using IMD scanners should continue to be used at Panama City because of its status as a Function 4 site. Management agreed with recommendation 4 and provided documentation of mandatory stand-up talks addressing the correct use of scannable placards.

²⁶ IMD scanners upload data into the Postal Service's Regional Intelligent Mail Server system.

²⁷ The Panama City Beach delivery unit is unique compared to other delivery units in the area because some HCR trips on the way from the Panama City S&DC to the Pensacola P&DC stop at the delivery unit.

²⁸ A site that involves mainly manual distribution of mail to carriers and to PO Boxes in a station, branch, or Post Office. Function 4 includes supervisory hours in support of customer service activities that include Post Office window services, and miscellaneous administrative and Computerized Forwarding System operations.

OIG Evaluation

Regarding management's disagreement with finding 2, we believe that Panama City's status as an S&DC warrants its conversion into an SV scan site. As we note in our report, Postal Service uses truck utilization scans from SV Web in its assessment of S&DC performance. Although packages are scanned into SV at the Pensacola P&DC, the Postal Service's methodology to assess truck utilization is to use scans at the originating and destinating facilities to account for errors such as missed scans.²⁹ When containers are not scanned in SV, Postal Service management does not have accurate scan data to measure performance and make operational decisions or determine if trailers are fully utilized.

Regarding the recommendations, we view management's disagreement with recommendation 3 as unresolved and will work with management through the formal

audit resolution process. Specifically, the intent of the recommendation was for the Panama City S&DC to accurately track truck utilization using SV scanning and ensure that employees have the appropriate training and resources to conduct scanning to improve data collection and facilitate route optimization. Although IMD scanners record "load" and "unload" scans, they do not record truck utilization, nor do they interface with SV Web. Further, for incoming mail, employees physically counting mail containers as they are unloaded from a trailer rather than scanning the placard's barcode on the container leaves room for human error in the accuracy of truck utilization data at the Panama City S&DC.

Regarding recommendation 4, the OIG considers management's comments responsive and corrective actions should resolve the issues identified in the report.

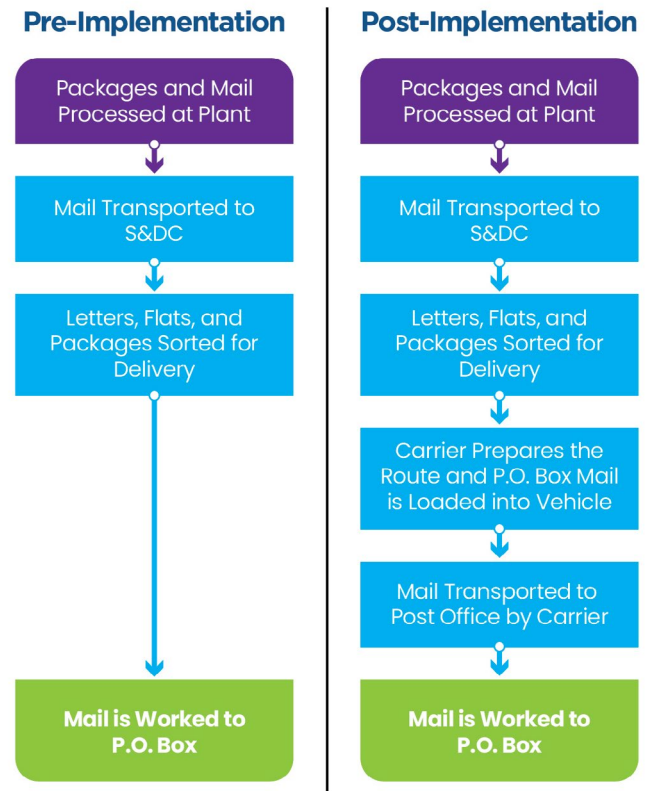
²⁹ Specifically, the Postal Service's National Performance Assessment methodology for truck utilization methodology uses unload scans to correct missing load scans for each leg.

Finding #3: Late Delivery Unit Post Office Box Up-Times

The delivery units whose carrier functions were absorbed into the Gainesville and Panama City S&DCs have not consistently met scheduled up-time³⁰ for PO Box mail since the implementation of the S&DCs in February 2023. Prior to S&DC implementation, PO Box mail was transported directly to the delivery unit from the P&DC by HCR carriers, where it was sorted and distributed to individual PO Boxes at the delivery unit. After the implementation, HCR carriers first transport mail from the P&DC to S&DCs, where it is sorted and then transported by city or rural carriers to delivery units. These additional steps must occur timely to ensure PO Box mail distributed to delivery units meets scheduled PO Box up-times (see Figure 10).

We conducted an analysis of PO Box up-time at delivery units serviced by the Gainesville and Panama City S&DCs from November 25, 2023, through January 31, 2024.³¹ Our analysis found that combined, six facilities missed their posted PO Box up-times, on average, 80 percent of the time (see Table 3).

Figure 10. Pre- and Post-S&DC Implementation PO Box Steps



Source: OIG analysis based on Postal Service data.

Table 3. Comparison of PO Box Up-Times in Gainesville and Panama City Delivery Units Between November 25, 2023, and January 31, 2024

S&DC	Delivery Unit	Total Up-Times	Late Up-Times	Late Percentage
Gainesville	██████████	55	█	█
Gainesville	Micanopy	55	54	98%
Panama City	Youngstown	55	48	87%
Panama City	Fountain	55	50	91%
Panama City	██████████	55	█	█
Panama City	██████████	55	█	█
Average Missed Scans				80%

Source: OIG analysis of Postal Service Performance Measurement System (SPMS)³² data.

³⁰ The PO Box up-time is the time of day customers can expect to collect all committed mail for that day, and mail timeliness is measured with PO Box up-times.
³¹ We reviewed PO Box up-times for the period beginning with our site visits through the period following peak season.
³² An application for internal measurement of specific customer service operations such as PO Box service. SPMS uses scanning technology to compare actual scans of a completed activity to scheduled scans for that activity.

Further, we compared this data with delivery units in the Gainesville and Panama City areas that are not serviced by an S&DC and delivery units in the Florida 1 District as a whole. We found that delivery units that were consolidated as of January 2024 had significantly higher rates of late PO Box up-times compared to the delivery units that are not serviced by an S&DC, as well as compared to the comprehensive PO Box up-times for delivery units in the Florida 1 District (see Table 4).

Table 4. Comparison of PO Box Up-Times in the Florida 1 District Between November 25, 2023, and January 31, 2024

Category/Facility	Total Up-Times	Late Up-Times	Late Percentage
Consolidated Gainesville and Panama City delivery units	330	265	80%
Unconsolidated Gainesville and Panama City delivery units ³³	660	170	26%
All Florida 1 District ³⁴ delivery units	16,330	2,729	17%

Source: OIG analysis of SPMS data.

During our site visits, the postmasters at the consolidated delivery units stated that late mail delivery after the PO Box up-time had been an ongoing issue since the initiation of the S&DCs. Although the posted PO Box up-times at each delivery unit were between 10 and 11 AM,³⁵ Postmasters reported that PO Box mail often does not arrive before noon and can arrive as late at 3 pm. Three of the six Postmasters reported that late PO Box up-times were causing customer complaints or impacting customer service, and two stated that customers had closed PO Boxes because of delayed up-times. Management at the S&DCs stated that was due to staffing issues. For example, they do not have enough clerks to prepare mail and sort packages, which causes carriers to leave late to start mail deliveries.

³³ The delivery units not serviced by Gainesville S&DC, as of January 31, 2024, are Alachua, Archer, Earleton, Hawthorne, High Springs, Gainesville Main Street, Morriston, Reddick, Waldo, and Williston. Those not serviced by Panama City are Downtown Panama City and Northside.

³⁴ The Florida 1 District category includes all delivery units in the district.

³⁵ The delivery units with 10 a.m. PO Box up-times were Youngstown (Panama City), Newberry (Gainesville) and Micanopy (Gainesville); delivery units with 10:30 a.m. up-times were Fountain (Panama City) and Lynn Haven (Panama City); Panama City Beach had an 11 a.m. PO Box up-time.

³⁶ Review of USPS Sorting and Delivery Centers in FY23 Q1 and Q2 (Report Number 23-062-R23 dated September 12, 2023).

As a result, they could not address PO Box delivery timeliness issues for on-time service to customers.

In a follow-up meeting with Post Office management in February 2024, we found continued issues with late PO Box mail. The postmasters at all three Panama City consolidated delivery units reported continued delays because of late arriving mail from the S&DC. One of the postmasters noted that late arriving mail can have a cascading effect if it arrives during peak window hours—during the busy times, window clerks have less opportunity to work the mail, further delaying its availability to the customer.

In our September 2023 audit report³⁶ on S&DCs opened in Quarters 1 and 2 of FY 2023, we reported that none of the delivery units with consolidated delivery and package operations at S&DCs—including Gainesville and Panama City—met PO Box up-times. The report also found that between February and June 2023, over 90 percent of PO Box deliveries to Gainesville-area delivery units and over 60 percent of deliveries to Panama City-area delivery units were delayed, while the national average for late PO Box up-times was approximately 10 percent during the same period. We recommended the Postal Service identify the cause of late PO Box up-times, take necessary action to ensure up-times are met, and develop a plan to mitigate issues with up-times prior to opening future S&DCs. However, the Postal Service in their response indicated no changes were made to PO Box up-times or carrier leave times. Additionally, management stated the initial delays were caused by delivery units and carriers adjusting to the new S&DC process and acknowledged there’s still performance ground to be gained. As a result, the recommendation remains open.

Postal Service policy states each unit must have a scheduled PO Box up-time for committed box mail to be finalized and available to the customers. The local postmaster, with district approval, is responsible for establishing the local PO Box up-time. Postmasters should strive to have all mail in PO Boxes as early

as operationally possible to attract and retain customers to this premium mail service.³⁷

Issues with late PO Box up-times occurred because Postal Service management did not evaluate whether changes in PO Box up-times were necessary following S&DC implementation, despite the additional steps needed for the PO Box mail to arrive at each delivery unit. We reported in September 2023 that Postal Service leadership was aware of the late PO Box up-times at S&DCs, and that they were allowing time after the transition for carriers to adjust to the new process before evaluating if changes were necessary. However, the issues causing late PO Box up-times continue to persist, and Postal Service leadership has not approved changes to local up-times.

If the Postal Service does not meet PO Box up-times, then there is an increased risk of customer dissatisfaction over delayed time-sensitive mail. This may adversely affect the Postal Service brand and increase the potential for lost PO Box revenue. Additionally, if the Postal Service cannot meet and/or does not change current PO Box up-times to accurately reflect the reality of S&DC operations, it will not meet PO Box customer expectations, and this will negatively impact the customer experience.

Recommendation #5

We recommend the **Vice President, Retail and Post Office Operations**, coordinate activities between the Sorting & Delivery Centers, delivery units, and plants in the Florida 1 District to consider whether to adjust PO Box up-time schedules or determine if other adjustments are necessary to meet PO Box up-times.

Postal Service Response

The Postal Service agreed with this finding but expressed concern about OIG's wording in our original draft for review, that Post Offices missed their PO Box up-times. Management stated that the PO Box up-times listed in the report were not missed but rather were entered beyond the targeted time, and that this wording change was previously acknowledged by the OIG but not corrected in the report.

Management also agreed with recommendation 5 and provided a target implementation date of August 31, 2024. Management is in the process of evaluating PO Box up-time performance and will consider whether to adjust schedules or if other adjustments are necessary to meet PO Box up-times based on their findings.

OIG Evaluation

Regarding finding 3, we altered wording in our report to state that Post Offices were missing their "posted" PO Box up-times. Regarding recommendation 5, we consider management's comments responsive and corrective actions should resolve the issues identified in the report.

³⁷ *The Postal Operations Manual*, Issue 9, Section 841.72 (revised April 30, 2022).

Finding #4: Difficulty Tracking Redelivery Mailpieces

We found that the postmasters and delivery unit clerks had difficulty tracking packages, and the customers were dissatisfied with attempted delivery mail procedures and mail visibility at the Panama City S&DC. During our site visits to the four delivery units with carrier routes that were absorbed by the Panama City S&DC,³⁸ some postmasters and delivery unit clerks stated that customers have been unable to locate mail that should have been available at the delivery unit on the pickup day specified on the redelivery notice.³⁹ Specifically,

- One postmaster stated that there had been between 20 to 40 missing packages daily, resulting in customer complaints.
- Customers feel frustrated and dissatisfied since the implementation of the Panama City S&DC because the mail tracking states the mailpiece is at their local station when it is located at the Panama City S&DC. Clerks must wait for carriers to bring those mailpieces to their facility and that can take time. The issue is particularly acute on Saturdays when the delivery unit closes early.

Additionally, if a customer arrives at the delivery unit before the PO Box mail arrives, that customer may not receive the mail until later that day or the following business day because the attempted delivery mail is transported from the S&DC to the delivery unit with PO Box mail. A clerk stated that late PO Box mail arriving on a Saturday could result in a customer not

“Improper handling of mail and packages resulted in delays and misinformation for customers.”

receiving the attempted delivery mailpiece until the following Monday. Postmasters and clerks stated that the issue is more prominent when carrier assistants⁴⁰ are servicing delivery routes due to their unfamiliarity with the route.

This occurred because Postal Service did not communicate operating procedures outlining the requirements for handling attempted delivery packages at

the delivery units that are consolidated into the S&DCs. The Postal Service issued a standard work instruction in April 2023 outlining procedures for undelivered mail, correctly completing, and scanning PS Form 3849,⁴¹ and staging mail at the S&DCs. Although personnel handling redelivery notices follow procedures for undelivered mail, including correctly completing and scanning PS form 3849, carriers are not staging them in the correct areas of the S&DC where they can be located for the next day's dispatch. In February 2024, we requested guidance or communication provided to employees regarding left mail notices. However, local officials stated that they did not have records of such communications.

Improper handling of mail and packages resulted in delays and misinformation for customers. Delayed mail and inaccurate tracking can impact the Postal Service's reputation and brand. Additionally, customer dissatisfaction may adversely affect the Postal Service brand and send customers and mailers to competitors, causing the Postal Service to lose potential revenue.

³⁸ These delivery units were Lynn Haven, Youngstown, Fountain (a unit remotely managed by Youngstown) and Panama City Beach.

³⁹ According to policy, when a carrier is unable to deliver a mailpiece to a customer, the carrier fills out and leaves a PS Form 3849 - redelivery notice. The notice includes instructions for re-delivery options, including pickup at the local delivery unit with the date and time it will be available. The carrier then scans the barcode on the notice and the barcode on the mailpiece, which allows tracking for customer and delivery unit clerks. Then, carriers return to the S&DC and stage the mail in designated areas. On the next delivery day carriers transport the mailpieces to local delivery units along with PO Box mail for customer pickup.

⁴⁰ Full-time alternates for regular letter carriers.

⁴¹ Handbook M-41, chapter 33, *City Delivery Carriers Duties and Responsibilities* (in subchapter 33) and Handbook PO-603, *Rural Carrier Duties and Responsibilities* chapters 33 and 34.

Recommendation #6

We recommend the **Executive Director, Sorting and Delivery Center Implementation**, ensure that standard work procedures outlining the requirements for handling attempted delivery packages at the delivery units are communicated to employees at the Sorting and Delivery Centers.

Postal Service Response

The Postal Service disagreed with this finding, stating that the staging area for undelivered mail to be dispatched to post offices is clearly marked in each S&DC, and that in-depth conversations and trainings are held with all management and carriers at S&DCs. Management added that Standard Work Instructions are available and are provided to S&DC management teams as additional supporting instruction for handling this mail.

Management agreed with recommendation 6 and set a target implementation date of June 30, 2024. Management stated that the S&DC team will redistribute the applicable Standard Work Instructions and ensure sufficient communication is completed with all S&DC management and applicable employees regarding this process.

OIG Evaluation

Regarding management's disagreement with finding 4, we acknowledge that management has developed Standard Work Instructions for this issue, but that there were not records to confirm that carriers were receiving these instructions.

Regarding recommendation 6, we consider management's comments responsive and corrective actions should resolve the issues identified in the report.

Finding #5: Priority Mail Express Missing Collection Deadline

We identified opportunities for the Postal Service to mitigate risk resulting from Priority Mail Express not meeting its service standard in the Florida 1 district. Specifically, the Postal Service did not meet its [REDACTED] percent on-time delivery target for mail originating and destinating in over 170 ZIP Codes in the Gainesville and Jacksonville service areas.⁴² Further, our review of on-time performance data⁴³ indicates that the on-time delivery rate for Gainesville and Jacksonville were only [REDACTED] percent respectively.

Before Priority Mail Express is processed and dispatched for its destination, it must first be brought to the Gainesville S&DC from retail and delivery units in the Gainesville area. If the piece must be transported by air, it is transported by truck for an hour and 45 minutes to the Jacksonville P&DC, unloaded and loaded onto another truck destined for the Jacksonville PSA before it is sent an additional 20 minutes to the Jacksonville PSA facility. It is then sorted, processed, and dispatched at the Jacksonville PSA to meet the collection deadline of 8:10 p.m.

According to current transportation schedules, the truck departing the Gainesville S&DC at 6:00 p.m. arrives at the Jacksonville P&DC at 7:45 p.m., leaving only 25 minutes for the mail to be transported to the Jacksonville PSA for sorting and processing to meet the collection deadline. According to Postal Service officials, the originating critical entry time for the Jacksonville PSA is 8 p.m. However, if transportation from the Gainesville S&DC does not arrive at the Jacksonville P&DC by 7:15 p.m. or earlier, Priority Mail Express will not make its guaranteed next-day delivery service commitment.

For example, given the best possible scenario,⁴⁴ the current transportation schedule does not allow for sufficient processing time to meet the collection deadline of 8:10 p.m. (see Table 5).

Table 5. Express Mail Transit Scenario

Step	Beginning Time	Approximate Duration
Depart Gainesville S&DC to Jacksonville P&DC	6 p.m.	1 hour, 45 minutes
Arrive at Jacksonville P&DC, unload and load to PSA	7:45 p.m.	15 minutes
Depart to PSA	8:00 p.m.	20 minutes
Collection deadline	8:10 p.m.	
Unload	8:20 p.m.	15 minutes
Processing/Sorting	8:35 p.m.	10 minutes
Load onto truck to airport transportation	8:45 p.m.	

Source: OIG analysis of HCR schedules.

This occurred because Postal Service management in the Florida 1 district did not [REDACTED]. The cut-off time that retail units⁴⁶ can accept Priority Mail Express Mail for next day delivery can be affected by various factors, including changes to local networks resulting from S&DC implementation. Postal Service officials stated that they have not [REDACTED].

The Postal Service national target for Priority Mail Express is [REDACTED] percent. The Postal Service Dispatch and Routing policy⁴⁷ states that if multiple mail classes are being transported, the transportation window is the time necessary to achieve service commitments for the class of mail with the highest service commitment.

When Priority Mail Express is not delivered timely, the customer is entitled to a full postage refund. Specifically, in FYs 2022 and 2023, there were Express

⁴² Priority Mail Express composite scores for origin and destination 320, 322, 326, and 344 ZIP Codes.

⁴³ Service performance is defined by the Postal Service as the time it takes to deliver a mailpiece or package from its acceptance through its delivery, as measured against published service standards. Mail is considered delivered on time when it arrives by the published service standard for that mail type and product.

⁴⁴ Scenario uses 24-foot box truck load/unload times.

⁴⁵ The latest time that mail can be accepted to meet service standards for the specific mail class or product.

⁴⁶ A postal facility such as a post office, station, or branch designated as a pickup location for Parcel Return Service parcels.

⁴⁷ Handbook M-22, *Dispatch and Routing Policies, Section Planned Dispatches*, Page 4, dated July 2013.

“When Priority Mail Express is not delivered timely, the customer is entitled to a full postage refund.”

Mail refunds of approximately [REDACTED] in Gainesville and [REDACTED] in the Jacksonville area. As a result, we estimated the Postal Service incurred [REDACTED] in questioned costs⁴⁸ for FYs 2022 and 2023, due to postage refunds to customers for the Priority Mail Express mailpieces that were not delivered timely.⁴⁹ Further, the Postal Service faced greater potential revenue losses due to late Priority Mail Express mailpieces that were eligible for refunds that were not issued. Specifically, we identified approximately [REDACTED] in refunds for late Priority Express Mail in Gainesville area and approximately [REDACTED] for Jacksonville area. As a result, we estimated the postal service faced a potential loss of approximately [REDACTED] in refundable revenue.⁵⁰ Further, there is an increased risk to the Postal Service brand.

Recommendation #7

We recommend the **Vice President, Logistics**, in coordination with the **Vice President, Retail and Postal Office Operations**, conduct a review of Priority Mail Express operating times and retail unit acceptance cut-off times in the Jacksonville and Gainesville service areas and determine if updates are needed for the Express Mail tables.

Postal Service Response

The Postal Service partially agreed with this finding. Management agreed there are opportunities for improving Priority Mail Express performance but expressed concern about the information presented in the report and how it reflects on Priority Mail Express performance. Among other things, management expressed concern that the OIG changed the scope of the finding following issuance of the draft report, and

that presentation of the finding is misleading with respect to the impact of the Gainesville S&DC on Priority Mail Express performance.

Regarding the monetary impact, management disagreed with the methodology the OIG used to calculate the over [REDACTED] in refundable revenue. Specifically, management disagreed that we should include refunds for destinating pieces in our calculations, refundable revenue for Jacksonville in addition to Gainesville, and revenue amounts for FY 2022 in addition to FY 2023. Management also disagreed with our methodology in determining that Gainesville and Jacksonville’s on-time delivery rate missed the Postal Service’s [REDACTED] percent on-time delivery target. Specifically, management stated that the OIG should have narrowed its scope to the [REDACTED] percent difference between Gainesville and Jacksonville’s on-time scores and the Postal Service’s target.

Regardless of the disagreements, management agreed with recommendation 7 and set a target implementation date of October 31, 2024.

OIG Evaluation

Regarding management’s partial agreement with finding 5, we adjusted language in our initial draft report to clarify that we do not attribute missed Priority Mail Express deadlines to S&DC implementation. During our audit, we identified this issue as one of concern and presented it as an opportunity to mitigate risk to the Postal Service brand and improve service. We included the scenario for a package originating from the Gainesville area as an example to illustrate that there was not service-responsive transportation to support a one-day service standard. Regarding recommendation 7, we consider management’s comments responsive and corrective actions should resolve the issues identified in the report.

⁴⁸ A cost the OIG believes is unnecessary, unreasonable, or an alleged violation of law, regulation, or contract.

⁴⁹ These refunds were processed at Gainesville and Jacksonville retail windows for customers with failed pieces regardless of the origin of the mail.

⁵⁰ Amounts which the Postal Service may owe to customers who have overpaid for a service or product. Actually, a negative cash flow for Postal Service, but counts as a positive for monetary impact purposes.

Regarding the disagreement on the monetary impact, our position is that late Priority Mail Express mail fails to meet the customer's on-time expectation and is therefore subject to a refund regardless of whether it is originating or destinating. Additionally, we did not exclude destinating pieces because we wanted management to examine the root causes for all Priority Mail Express failures, not just the originating volume. We arrived at our refundable revenue estimate by evaluating failed Priority Mail Express volume in the Gainesville and Jacksonville areas and compared potential package refunds to actual package refunds. We included FY 2022 because the Priority Mail Express failures were not related to the S&DC initiative, which occurred in February 2023. Also, we did not focus on the [REDACTED] percent margin between the on-time delivery score and the target because that margin is not reflective of the customer experience and does not align with customer complaints on Priority Mail Express we received during the audit. We consider that our characterization of Gainesville and Jacksonville's performance with respect to the Postal Service's on-time target highlights that almost a quarter of Priority Mail Express mail service purchased at either facility could result in a refund to the customer.

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PANAMA CITY

GAINESVILLE

Appendix A: Additional Information

Scope and Methodology

The scope of this audit was to evaluate S&DC transportation and related issues in the Florida 1 District.

To accomplish our objective, we:

- Identified, reviewed, and evaluated Postal Service policies, procedures, manuals, and the Delivering for America plan and its updates.
- Interviewed Postal Service management to gain an understanding of management responsibilities, metrics for success, the internal control environment, and the establishment of the S&DCs in the Florida 1 District.
- Reviewed Decision Analysis Reports for the Gainesville and Panama City S&DCs and supporting documentation to understand Postal Service estimates for cost savings and trip reductions.
- Collected and analyzed transportation-related performance, scheduling, and contract data from TCSS to determine estimated vs. actual HCR cost savings.
- Collected and analyzed the Service Change Request System to determine the mileage changes and extra service costs.
- Collected and analyzed Integrated Operating Plans to determine Mail Processing and Customer Service deliverables.
- Collected and analyzed Priority Mail Express composite scores to determine on-time performance in the Florida 1 District.
- Collected and analyzed Postal Service SV scan data for FY 2023 to determine scanning scores and truck utilization.
- Visited the Gainesville and Panama City S&DCs, Pensacola P&DC, Jacksonville P&DC, Jacksonville PSA, and Jacksonville National Distribution Center to observe dock operations and truck utilization. We also visited nine delivery units in the Gainesville and Panama City areas that have or will have their carrier functions consolidated into S&DCs.
- Interviewed 26 local management officials, including plant managers, in-plant support managers, postal operations managers, station managers, postmasters, clerks, and logistics personnel to understand:
 - HCR cost and mileage changes.
 - Management oversight of SV scanning operations.
 - PO Box up-time performance.
 - The effects organizational changes had on mail processing, logistics, and customer service.

We conducted this performance audit from October 2023 through May 2024 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 April 19, 2024, and included their comments where appropriate.

In planning and conducting the audit, we obtained an understanding of the S&DC internal control structure to help determine the nature, timing, and extent of our audit procedures. We reviewed the management controls for overseeing the program and mitigating associated risks. Additionally, we assessed the internal control components and underlying principles, and we determined that the following three components were significant to our audit objective:

- Control Activities
- Information and Communication
- Monitoring

We developed audit work to ensure that we assessed these controls. Based on the work performed, we identified internal control deficiencies related to control activities, information and communication, and monitoring that were significant within the context of our objectives. Our recommendations, if implemented, should correct the weaknesses we identified.

We used data from the SV, TCSS, Service Change Request System, Facility Database, and SPMS. We assessed the reliability by testing for completeness, accuracy, and validity; evaluated differences in the data; interviewed agency and Postal Service officials knowledgeable about the data; and compared data across systems. 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>Review of USPS Sorting and Delivery Centers Opened in Quarters 1 and 2 of FY 2023</i>	To assess the effectiveness of communications with stakeholders and identify successes, opportunities, and lessons learned during the launch of the new S&DCs.	23-062-R23	September 12, 2023	N/A

Appendix B: Management's Comments



May 16, 2024

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response (Project Number 23-171)
Sorting and Delivery Center Impacts in the Florida 1 District

Thank you for providing the Postal Service an opportunity to review and comment on the Monetary Impact, the Findings and the Recommendations contained in the draft audit report titled: Sorting and Delivery Center Impacts in the Florida 1 District.

Monetary Impact - Management disagrees.

The Monetary Impact (MI) for Sorting and Delivery Center Impacts in the Florida 1 District (Project Number 23-171) was based on opportunities for the Postal Service to mitigate risks resulting from Priority Mail Express not meeting its service standard in the Florida 1 District. To that end, Management disputes the dollar amount of the MI and contends it was significantly inflated by flawed analysis and a change in scope by the OIG.

The original draft report shared by the OIG indicated the MI was specifically related to the 3-digit ZIP Codes of 320 and 326 and that the data sets were pulled from only FY23. Subsequently, however, the OIG changed the scope in a revised draft to also include all the PME data for FY22, and Management was only made aware of these changes after receipt of a revised draft. Management was not successful in timely obtaining the data specifics back from the OIG in order to provide a meaningful review of OIG's methodology.

Both the OIG draft report and the MI state the Postal Service has [REDACTED] on-time delivery target for Priority Mail Express (PME). Gainesville/Jacksonville areas were called out in the report for only achieving [REDACTED] respectively for FY22 and FY23 years for on-time service performance. This represents a difference of [REDACTED] of PME mail pieces not meeting the USPS on-time delivery performance goal. However, when determining the MI, the OIG based their formula on all pieces not making their delivery cut off or 23.5% of total PME pieces - not the [REDACTED] difference for those not meeting the USPS PME target. Management contends this significantly overstates the Monetary Impact by approximately [REDACTED] in potential refundable PME.

Putting the [REDACTED] service target aside, and looking from another perspective of consequence, is the fact that the OIG utilized composite data in their MI formula – which included both originating and destinating mail pieces. This resulted in pieces being factored into the MI that had already missed their on-time delivery target prior to arriving at the Gainesville and Jacksonville service areas. Since the MI is specifically tied to Recommendation #7 and asks Management to review/adjust PME originating acceptance times, the data supporting the impact should likewise align with that request. Year to date originating failures represent about 58% of the failure mix in the Gainesville and Jacksonville area. By removing the destinating failures, the MI would be reduced by approximately [REDACTED] in potential refundable PME.

Management is committed to ensuring its customers receive the very best service at all times – include delivering PME mail pieces on time. Customers are made fully aware of the option for a refund any time their PME mail pieces do not meet our service commitment time.

The following are our comments to the Findings.

Finding #1: Limited Cost and Trip Reduction – Management partially agrees.

The S&DC Core Team Official evaluated transportation changes to the S&DC and the incoming spoke offices. Both morning and afternoon trips were evaluated for potential elimination based on volume needing to be transported to/from the appropriate facility. Additionally, factors such as overburdened rural routes were included in the evaluation, which resulted in the need for afternoon trips to remain in place temporarily until routes could be right sized. Incoming/outgoing volume from the Panama City S&DC did not increase dramatically based on the S&DC activation as all but one spoke office's (Youngstown – 8 routes) volume was already transferred through the S&DC via the Panama City SCF operation. Transportation additions made in November 2023 between Panama City S&DC and Pensacola P&DC would have been added outside of the purview of the S&DC and may have been related to the upcoming peak season as trips are regularly added during that time to account for increased holiday volume.

Finding #2: Lack of Truck Utilization Data at Panama City S&DC and In-House Placards – Management disagrees.

Headquarters officials stated that SV scanning does not occur at the Panama City S&DC because it uses Mobile Delivery Device – In-Office (MDDIO) scanners to perform scanning activities, such as trailer load and unload. The OIG utilized the SV scanning performance indicators, while we have MDDIO scanning systems reporting the same type of data to properly show the load and unload scans that were actually performed. SV Scanning is not required in the S&DCs while MDDIO scanners are capable of capturing the same type of information. Additional supporting Standard Work Instructions (SWIs) have been shared with the OIG for reference moving forward with MDDIO scanners' capability of capturing the essential load and unload scan data for our reporting databases.

Finding #3: Late Delivery Unit Post Office Box Up-Times – Management agrees.

Management agrees and realizes there are opportunities that exist with meeting PO Box up-times and is evaluating transportation and performance information to determine if changes are necessary.

Management would like to comment, however, that the OIG misstated the following observation by saying, "Our analysis found that combined, six facilities missed their posted PO Box up-times, on average, 80 percent of the time (see Table 3)." The PO Box up-times listed in the report were not *missed* but rather were entered beyond the targeted time. This wording was previously acknowledged by the OIG but not corrected in the report.

Finding #4: Difficulty Tracking Redelivery Mailpieces – Management disagrees.

The staging area for undelivered mail to be dispatched to spoke offices is clearly marked in each S&DC. Color coding systems are used to identify where mail should be staged, and in-depth conversations and trainings are held with all management and carriers at S&DCs based on these

procedural needs. Standard Work Instructions are available and are provided to S&DC management teams as additional supporting instruction for handling this mail.

Finding #5: Priority Mail Express Missing Collection Deadline – Management partially agrees.

Management agrees there are opportunities for improving Priority Mail Express performance and is committed to ensuring customers receive the very best service at all times. However, Management has significant concerns about the accuracy of information presented in the OIG report and how it negatively skews actual PME performance and processes.

The OIG report being published is not the one originally shared with Management and discussed during the Exit Conference. Not only did OIG change the scope and data sets in the revised version, but they failed to address discrepancies noted by Management in later discussions.

- The original draft only included PME data pulled from FY23. In the revised draft, OIG included an additional year (FY22) into the scope of review without discussing prior with Management.
- OIG went to great lengths to outline the dispatch and logistics processes for PME traveling through the Gainesville S&DC. When challenged by Management, the OIG acknowledged that the Gainesville S&DC actually had little impact on PME performance as a whole and that how the information was presented in the report could easily be misinterpreted by the reader. OIG failed to correct or remove the reference from the report.

The following are our comments to the recommendations:

Recommendation 1: We recommend the Executive Director Sorting and Delivery Center Implementation, in coordination with the Vice President, Logistics, develop detailed lessons-learned reports for Gainesville and Panama City Sorting & Delivery Centers, discussing key challenges involving planning and implementation as a guide for future activations.

Management Response/Action Plan:

Management agrees with this recommendation.

Management provided documentation of the lessons learned to the OIG on April 13, 2024. We request the closure of this recommendation with issuance of the final report.

Target Implementation Date: 05/31/2024

Responsible Official: Executive Director Sorting and Delivery Center Implementation and Vice President, Logistics

Recommendation 2: We recommend the Vice President, Facilities, develop and implement an action plan to address the construction challenges at the Gainesville Sorting and Delivery Center, including a timeline to complete the unfinished items.

Management Response/Action Plan:

Management agrees with this recommendation.

Facilities Management will continue to emphasize the importance of working with local staff, meeting deadlines, and documenting scope of work changes and justifiable reasons for delays. The contractor has since re-mobilized upon issuance of St John's River Water Management District (SJRWMD) permit and work order modification is being processed that includes a time extension with a new construction completion date. The team is in the process of evaluating schedule impacts due to construction delays resulting from unforeseen conditions and will consider adjusting schedule as necessary to expedite construction completion. The work will be completed in phases, and as each phase is completed, it will be turned over to facility to use. Anticipated construction completion June 2025

Target Implementation Date: 06/30/2024

Responsible Official:

Director, Repair & Alterations

Recommendation 3: We recommend the Vice President, Logistics, in coordination with the Vice President, Technology Applications, evaluate whether the Panama City Sorting and Delivery Center should be designated as a Surface Visibility scanning site to accurately track truck utilization and ensure that employees have the appropriate training and resources to conduct scanning to improve data collection and facilitate route optimization.

Management Response/Action Plan:

Management disagrees with this recommendation.

While the OIG suggests the use of Surface Visibility scanning, the scanning is currently being performed via the MDDIO scanners, which are used in F4. The SWI on scanning was provided and shared with the OIG during the Exit interview. Logistics management has distributed the applicable standard work instructions with emphasis on scanning compliance. Request to close with issuance.

Target Implementation Date: 05/31/24

Responsible Official: Vice President, Logistics and Vice President, Technology Applications

Recommendation 4: We recommend the Vice President, Retail and Post Office Operations, instruct local management to use Mail Transport Equipment Labeler placards as scans are performed.

Management Response/Action Plan:

Management agrees with this recommendation.

Management will remind Field Offices to use 99S for dispatch and utilize 99P placards when mail comes in from the plants. Instructions were sent to the Field. Request to close with issuance.

Target Implementation Date: 05/31/2024

Responsible Official: Vice President, Retail and Post Office Operations

Recommendation 5: We recommend the Vice President, Retail and Post Office Operations, coordinate activities between the Sorting & Delivery Centers, delivery units, and plants in the Florida 1 District to consider whether to adjust PO Box up-time schedules or determine if other adjustments are necessary to meet PO Box up-times.

Management Response/Action Plan:

Management agrees with this recommendation.

Management is in the process of evaluating PO Box up-time performance and will consider whether to adjust schedules or if other adjustments are necessary to meet PO Box up-times based on their findings.

Target Implementation Date: 08/31/2024

Responsible Official: Vice President, Retail and Post Office Operations

Recommendation 6: We recommend the Executive Director, Sorting and Delivery Center Implementation, ensure that standard work procedures outlining the requirements for handling attempted delivery packages at the delivery units are communicated to employees at the Sorting and Delivery Centers.

Management Response/Action Plan:

Management agrees with this recommendation.

The S&DC team will redistribute the applicable standard work instructions with emphasis on handling attempted delivery packages and ensure sufficient communication is completed with all S&DC management and applicable employees regarding this process.

Target Implementation Date: 6/30/2024

Responsible Official:

Executive Director, Sorting and Delivery Center Implementation

Recommendation 7: We recommend the Vice President, Logistics, in coordination with the Vice President, Retail and Postal Office Operations, conduct a review of Priority Mail Express operating times and retail unit acceptance cut-off times in the Jacksonville and Gainesville service areas and determine if updates are needed for the Express Mail tables.

Management Response/Action Plan:

Management agrees with this recommendation.

Logistics and Retail & Post Office Operations Management will work collaboratively to review Priority Mail operating times/retail unit cut-off times in the Jacksonville and Gainesville service areas to determine if updates are needed.

Target Implementation Date: 10/31/2024

Responsible Official: Division Director, Logistics and Vice President, Retail and Postal Office Operations

E-SIGNED by ANGELA.D LAWSON
on 2024-05-17 10:03:09 EDT

Angela D. Lawson
Vice President, Technology Applications

E-SIGNED by BENJAMIN.P KUO
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Benjamin P. Kuo
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E-SIGNED by JOHN.M DUNLOP
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John M. Dunlop
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E-SIGNED by ROBERT CINTRON
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Robert Cintron
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E-SIGNED by TRACY.R RAYMOND
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Tracy Raymond for Elvin Mercado
Vice President, Retail and Post Officer Operations

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on 2024-05-16 14:33:18 EDT

Leslie Johnson-Frick
Executive Director, Sorting and Delivery Center Implementation

cc: Corporate Audit Response Management

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