

Efficiency of Operations at the Saint Paul Processing and Distribution Center, Eagan, MN

AUDIT REPORT

Report Number 24-031-R24 | January 22, 2024



Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

January 22, 2024

MEMORANDUM FOR: KATHY J. HAND
MIDWEST DIVISION DIRECTOR, PROCESSING OPERATIONS

JOHN A. DARDEN
MIDWEST DIVISION DIRECTOR, LOGISTICS

A handwritten signature in black ink, reading "Sean Balduff", is centered below the recipient names.

FROM: Sean Balduff
Director, Field Operations, Central and Southern

SUBJECT: Audit Report – Efficiency of Operations at the Saint Paul Processing and Distribution Center, Eagan, MN (Project Number 24-031-R24)

This report presents the results of our audit of the Efficiency of Operations at the Saint Paul Processing and Distribution Center.

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

Attachment

cc: Postmaster General
Chief Processing and Distribution Officer and Executive Vice President
Chief Logistics Officer and Executive Vice President
Vice President, Processing and Maintenance Operations
Vice President, Logistics
Vice President, Western Regional Processing Operations
Central Regional Director, Logistics
Corporate Audit Response Management

Results

Background

The U.S. Postal Service needs effective and productive operations to fulfill its mission of providing prompt, reliable, and affordable mail service to the American public. It has a vast transportation network that moves mail and equipment among 217 processing facilities and about 33,500 post offices, stations, and branches. The Postal Service is transforming its processing and logistics networks to become scalable, reliable, visible, efficient, automated, and digitally integrated. This includes modernizing operating plans and aligning the workforce; leveraging emerging technologies to provide world-class visibility and tracking of mail and packages in near real time; and optimizing the surface and air transportation network. The U.S. Postal Service Office of Inspector General (OIG) reviews the efficiency of mail processing operations at facilities across the country and provides management with timely feedback to further the Postal Service's mission.

This report presents the results of our self-initiated audit of the efficiency of operations at the Saint Paul Processing and Distribution Center (P&DC) in Eagan, MN (Project Number 24-031). We selected the Saint Paul P&DC because the delivery area it services had units with multiple poor performance indicators and based on congressional interest. We reviewed mail processing performance indicators including first and last mile failures;¹ workhours; service performance; scanning compliance;² and late, canceled, and extra trips. The Saint Paul P&DC services multiple 3-digit ZIP Codes in urban and rural communities³ (see Table 1).

Table 1. Population Demographics

3-Digit ZIP Codes	Urban Population	Rural Population	Total Population
540	46,367	111,890	158,257
546-548	294,433	420,287	714,720
550-551	1,304,626	238,467	1,543,093
556-559	347,911	301,148	649,059

Source: Postal Service National Distribution Labeling List and 2020 Census Bureau data.

Objective, Scope, and Methodology

Our objective was to evaluate the efficiency of operations at the Saint Paul P&DC.

To accomplish our objective, we focused on five audit areas: mail clearance times;⁴ delayed mail; late, canceled, and extra outbound trips; scan compliance; and security of registry items. We reviewed Surface Visibility Web (SVWeb)⁵ data for late, canceled, and extra trips, as well as scan compliance for the period from October 1, 2022, to September 30, 2023. Further, we identified mail clearance time goals for the Saint Paul P&DC and compared them with operations shown in the Run Plan Generator report.⁶ During our site visit the week of November 13, 2023, we interviewed P&DC management and observed mail processing and dock operations.

During this time, the OIG also audited three delivery units⁷ serviced by the Saint Paul P&DC. We will provide the results of those audits to Minnesota-North Dakota district management in separate reports. See [Appendix A](#) for additional information about our scope and methodology.

1 First mile failures occur when a mailpiece is collected and does not receive a processing scan at the origin processing facility on the day that it was intended. Last mile failures occur after the mailpiece has been processed at a processing facility on a final processing operation and is not delivered to the customer on the day it was intended.

2 Scans include load, depart, unload, close, assign, and arrive.

3 We obtained ZIP Code information related to population and urban/rural classification from 2020 Census Bureau information.

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

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

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

7 The three delivery units are Apple Valley Branch, Saint Paul, MN (project number 24-032-1); Eagan Branch, Eagan, MN (project number 24-032-2); and New Brighton Carrier Annex, Saint Paul, MN (project number 24-032-3).

Results Summary

We identified deficiencies for three of the five areas we reviewed that affected the efficiency of operations at the Saint Paul P&DC. We also identified issues related to security and safety (see Table 2).

Table 2. Summary of Results

Audit Area	Issues Identified	
	Yes	No
Clearance Times		X
Delayed Mail	X	
Late, Canceled, and Extra Outbound Trips	X	
Scan Compliance		X
Registry Cage	X	
Other Issues	X	

Source: Results of OIG review of mail processing metrics and observations conducted from October 25 through November 16, 2023.

For the audit areas where issues were not identified, we performed the following:

- Clearance Times – We analyzed mail processing schedules and data to verify the plant was meeting the scheduled clearance times. During our visit, we also observed the timely processing of mail.
- Scan Compliance – We analyzed scan data and observed employees scanning containers and trucks. We did not find any systemic issues.

Finding #1: Delayed Mail

What We Found

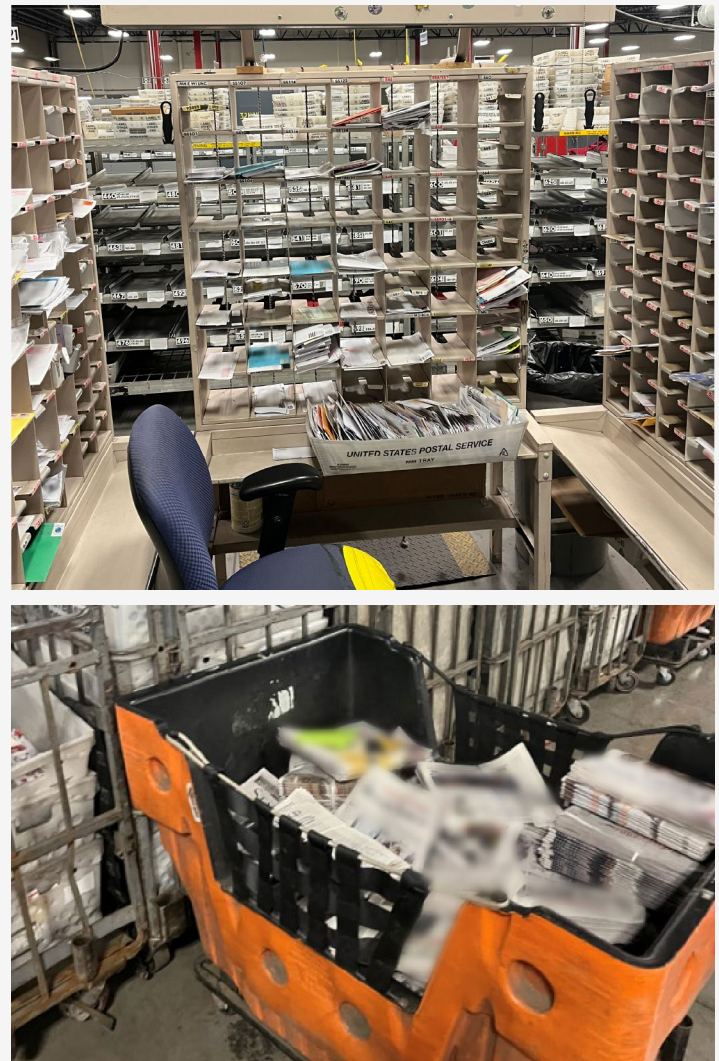
On each day of our observations from November 14 to 16, 2023, we identified delayed mail in the letter and flat manual operation units (see Figure 1). The delayed flats we observed had dates as far back as November 6, 2023, on the placards. Management properly reported this mail in the Mail Condition Visualization (MCV)⁸ system. In total, 56,205 delayed letters and flats were reported in the MCV system during our visit (see Table 3).

Why Did it Occur

The delayed mail was primarily due to inadequate scheduling by management. Specifically, management did not properly staff the manual operation units to sort the mail in time to be dispatched. Further, prior to our visit, management did not have an employee assigned to monitor mail being sent to the manual operations to determine if it could be processed on automated equipment.

In addition, management stated that the Automated Package Processing System⁹ at the Saint Paul National Distribution Center (NDC) was being rebuilt from October 20 to November 10, 2023. During this time, the NDC sent significant flat mail volume to the Saint Paul P&DC for sortation, which contributed to the delayed manual flat mail we identified.

Figure 1. Delayed Mail in the Manual Letters and Flats Areas



Source: Photos taken on November 14, 2023.

Table 3. Delayed Letters and Flats

Date	Delayed Letters Reported in MCV	Delayed Flats Reported in MCV	Total Reported in MCV
November 14	3,636	9,936	13,572
November 15	2,727	18,216	20,943
November 16	1,818	19,872	21,690
Total	8,181	48,024	56,205

Source: MCV system.

⁸ MCV provides near real-time visibility of a facility's on-hand volume, delayed processing volume, delayed dispatch volume, and oldest mail date by mail category and processing operation and stores historical trailer information.

⁹ An automated parcel and bundle sorting system that uses a carousel-type cross belt sorter subsystem.

What Should Have Happened

Postal Service policy¹⁰ states that management should continually gauge how well they are managing the flow of mail and have control over the workload, personnel, and equipment needed for a well-run operation.

Effect on the Postal Service and Its Customers

When mail is delayed, there is an increased risk of customer dissatisfaction, which may adversely affect the Postal Service brand.

Recommendation #1

We recommend the **Midwest Division Director, Processing Operations**, properly allocate resources at the manual operation units to sort mail in time to meet dispatch daily at the Saint Paul Processing and Distribution Center.

¹⁰ Handbook PO-413, *Platform Operations*, Section 2-4.4, dated December 2013.

Finding #2: Late, Canceled, and Extra Trips

What We Found

From October 1, 2022, through September 30, 2023, there was a total of 76,855 outbound trips from the Saint Paul P&DC. Of the total trips, there were 18,555 outbound late trips, 8,835 outbound canceled trips, and 2,442 outbound extra trips. These trips represented about 39 percent of all trips at the facility (see Table 4).

Table 4. Outbound Transportation Metrics

Transportation Metric	Number	Percentage of Total Trips
Late Trips	18,555	24.1%
Canceled Trips	8,835	11.5%
Extra Trips	2,442	3.2%

Source: SVWeb.

Before our audit, transportation management reduced the number of canceled trips by removing duplicates and trips not run regularly from their schedules. We noted a significant decrease in the number of canceled trips in recent months. For example, there were 433 canceled trips in September 2023, compared to 1,312 in March 2023.

Why Did it Occur

Late outbound trips at the Saint Paul P&DC were primarily caused by:

- Highway Contract Route (HCR)¹¹ drivers consolidating mail to fit in their trucks for dispatch to delivery units. Although mail processed from different operations within the P&DC were transported to the dock timely, HCR drivers took an extensive amount of time to consolidate the containers to fit onto many of the trucks prior to loading.
- There was not enough dock space and sometimes trucks had to wait. Management stated that this has been an ongoing issue.

Regarding extra trips, management stated that most of them were intentional and related to an initiative to increase the transportation of mail volume from air to surface and reduce transportation costs.

What Should Have Happened

According to Postal Service policy,¹² key elements to effective dispatch and routing include evaluating transportation performance to planned schedules and ensuring that planned dispatches are compatible with an effective mail arrival profile at the destination.

Effect on the Postal Service and Its Customers

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

Recommendation #2

We recommend the **Midwest Division Director, Logistics Operations**, develop and implement a plan to reduce the number of late trips at the Saint Paul Processing and Distribution Center.

Recommendation #3

We recommend the **Midwest Division Director, Logistics Operations**, analyze current transportation schedules at the Saint Paul Processing and Distribution Center and implement appropriate changes to reduce dock congestion and minimize late trips.

¹¹ Routes serviced by suppliers carrying mail over highways between designated points.

¹² Handbook M-22, *Dispatch and Routing Policies*, dated July 2013.

Finding #3: Registry Cage

What We Found

Employees at the Saint Paul P&DC did not follow procedures for the handling and security of Registered Mail.¹³ On the morning of November 16, 2023, we observed one sealed registry sack unattended on the workroom floor outside the registry cage for approximately five minutes before an employee transported it to the dock platform area. The registry sack was then left unattended on the dock platform for about 20 minutes before it was dispatched to another facility (see Figure 2). In addition, we did not observe hand-to-hand exchanges during the transfer of registry items from the workroom floor to the dock platform.

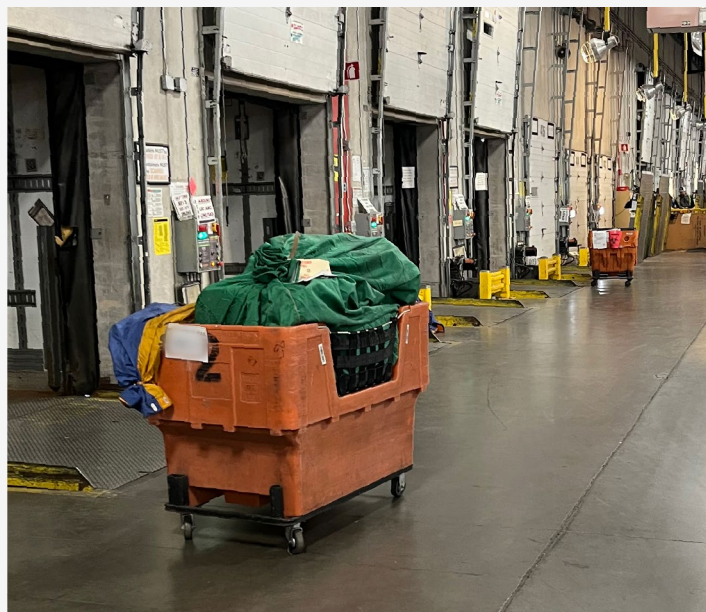
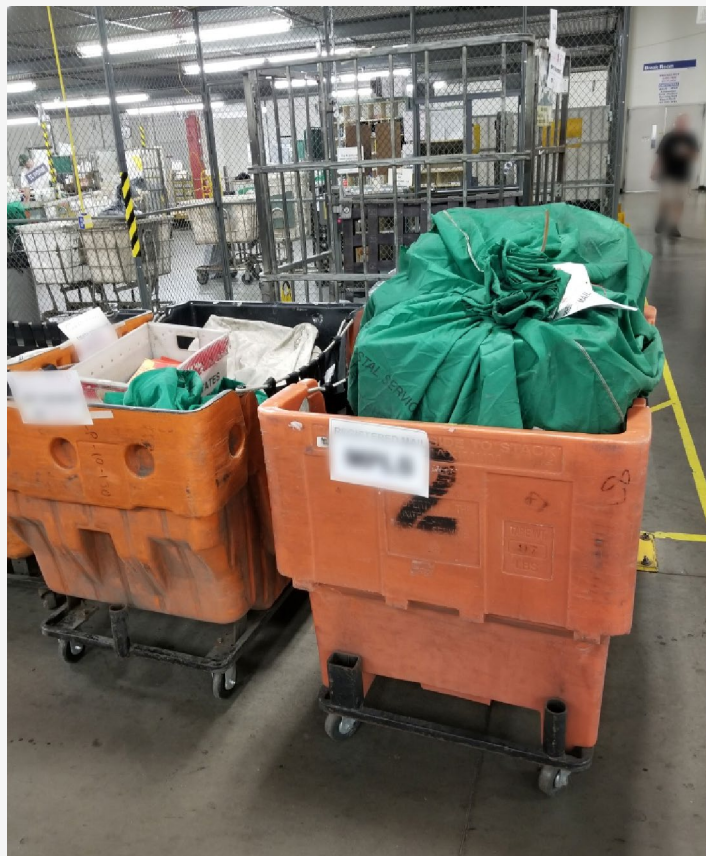
Why Did it Occur

Postal Service employees did not secure registry items nor maintain accountability for individuals with transfer due to a lack of management oversight. Specifically, management did not monitor and ensure employees properly safeguarded registry items moving throughout the facility. In addition, a registry clerk stated that he could see the registry bag from the cage, so he considered it secure, even though the registry sack was outside of the registry cage. He could not see the bag when it was on the dock platform.

What Should Have Happened

Postal Service policy¹⁴ requires hand-to-hand exchanges during the transfer of registry items from one individual to another and both parties must remain present until the transfer is completed.

Figure 2. Unattended Registry Sack at the Cage and on the Dock



Source: OIG photos taken November 16, 2023.

¹³ Registered Mail provides added protection for valuable and important customer and internal mail with evidence of mailing and delivery.

¹⁴ Handbook DM-901, Section 4-1.1, dated January 2016.

Effect on the Postal Service and Its Customers

Registered Mail provides added protection to the customer by providing evidence of secure mail and delivery for valuable and important items. When Registered Mail is not secured in accordance with proper procedures, there is an increased risk of loss or theft of items that customers have entrusted the Postal Service to provide added protection for secure delivery. When Registered Mail is not secured, there is an increased risk of insurance claims and customer dissatisfaction with the Registered Mail service, potentially impacting the brand.

Recommendation #4

We recommend the **Midwest Division Director, Processing Operations**, retrain all personnel responsible for Registered Mail on hand-to-hand registry item policies at the Saint Paul Processing and Distribution Center and verify their compliance.

Finding #4: Safety and Security

What We Found

During our site observations, we observed several safety and security issues. Specifically, we observed the following:

- Trucks and trailers were parked at the docks without wheel chocks placed next to the tire to prevent them from rolling away (see Figure 3).
- Drivers were using the wheel chocks to prop open a dock entry and exit door to bypass the badge scanner (see Figure 4).
- Drivers were not always securing trailer doors when departing from the facility (see Figure 5).

Figure 3. Trailer Without Wheel Chocks



Source: OIG photo taken November 14, 2023.

Figure 4. Wheel Chock Incorrectly Used as Door Prop



Source: OIG photo taken November 14, 2023.

Figure 5. Unsecure Doors Upon Departing



Source: OIG Photo taken November 15, 2023.

Why Did it Occur

The inconsistent and incorrect use of wheel chocks and locks was due to a lack of management oversight. Supervisors were not verifying that drivers were using wheel chocks or locks. In addition, the facility did not have enough available locks because drivers kept losing them. Management stated they ordered replacement locks and will re-enforce their use when they are received. However, management did not provide supporting documentation for the order.

What Should Have Happened

The Postal Service must preserve the security of the mail and ensure drivers comply with security policies regarding the transportation of mail in trailers. Postal Service policy¹⁵ states that all doors to the cargo compartment must be equipped with locks and kept locked while en route. Additionally, Postal Service policy¹⁶ states that drivers must prevent trailers from rolling away from docks by using wheel chocks. In addition, Postal Service policy states that door locks must not be disabled or doors propped open.¹⁷

Effect on the Postal Service and Its Customers

When employees do not observe safe working practices and safety rules, there is an increased risk of employee accidents and injuries. Also, when the Postal Service does not preserve and protect the security of the mail in its custody there is an increased risk of unauthorized opening, inspection, reading, tampering, delaying, or committing other unauthorized acts.

Recommendation #5

We recommend the **Midwest Division Director, Logistics**, verify all drivers are securing trailers and are using wheel chocks at the Saint Paul Processing and Distribution Center.

Recommendation #6

We recommend the **Midwest Division Director, Logistics**, reiterate policy regarding the use of locks on trailer doors and keeping facility doors secured at the Saint Paul Processing and Distribution Center.

Management's Comments

Management generally agreed with all the findings in the report. Management agreed with recommendations 2 through 6 and disagreed with recommendation 1. See [Appendix B](#) for management's comments in their entirety.

Regarding recommendation 1, management stated supervisors are now overseeing the manual operating unit for letters and flats and are required to check volumes to be aware of staffing needs. The target implementation date for corrective action was January 12, 2024.

Regarding recommendations 2 through 6, management agreed, and the target implementation date for corrective action is March 31, 2024.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations, and corrective actions should resolve the issues identified in the report.

Although management disagreed with recommendation 1, their actions satisfy the intent of the recommendation. Management will need to provide documentation showing that supervisors are overseeing and initialing volume going into manual operations to close this recommendation.

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

¹⁵ Postal Operations Manual Issue 9, *Sealing Program and Procedures*, Section 476.2, Item H, updated August 31, 2023, and Handbook PO-515, *Highway Contractor Safety*, Section 448.2, dated July 2010.

¹⁶ Handbook EL-803, *Maintenance Employee's Guide to Safety*, Section 1-C dated July 2020 and Handbook PO-515, *Highway Contractor Safety*, section 32, Item I, dated July 2010.

¹⁷ Handbook EL-801, *Supervisor's Safety Handbook*, Section 8-16, dated July 2020.

Appendix A: Additional Information

We conducted this audit from November 2023 through January 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 January 4, 2024, and included their comments where appropriate.

In planning and conducting the audit, we obtained an understanding of the mail processing operations 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 assessed the reliability of Web End of Run (WebEOR),¹⁸ MCV, and SVWeb data by reviewing existing information, comparing data from other sources, observing operations, and interviewing Postal Service officials knowledgeable about the data. We determined that the data were sufficiently reliable for the purposes of this report.

¹⁸ WebEOR is a Web-based application used in collecting operational data from automated and mechanized mail processing equipment.

Appendix B: Management's Comments



January 12, 2024

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Efficiency of Operations at the Saint Paul MN Processing and Distribution Center, Saint Paul, MN (Report Number 24-031-DRAFT)

Thank you for providing the Postal Service an opportunity to review and comment on the findings contained in the draft audit report, *Efficiency of Operations at the Saint Paul Processing and Distribution Center, Saint Paul, MN*.

Management generally agrees with the findings on Delayed Mail, Late, Canceled, and Extra Trips, Registry Cage, and Security and Safety.

Following are our comments on each of the six recommendations.

Recommendation 1: We recommend the Midwest Division Director, Processing Operations, properly allocate resources at the manual operation units to sort mail in time to meet dispatch daily at the Saint Paul Processing and Distribution Center.

Management Response/Action Plan:
Management **disagrees** with this recommendation.

The Saint Paul P&DC has adequate resources to work the manual volume. The Supervisor for flats/letters now oversees their manual units. The supervisor is required to initial any volume into manual operations, so they are aware of the staffing needed to clear timely.

Target Implementation Date: N/A

Responsible Official: N/A

Recommendation 2: We recommend the Midwest Division Director, Logistics Operations, develop and implement a plan to reduce the number of late trips at the Saint Paul Processing and Distribution Center.

Management Response/Action Plan:
Management **agrees** with this recommendation.

Management will work with Processing to ensure mail is dispatched to the dock timely as well as work with HCR suppliers to ensure they have adequate resources to sort the mail on the dock timely.

Target Implementation Date: 03/31/2024

Responsible Official: Division Director, Mid-West Logistics Operations

Recommendation 3: We recommend the Midwest Division Director, Logistics Operations, analyze current transportation schedules at the Saint Paul Processing and Distribution Center and implement appropriate changes to reduce dock congestion and minimize late trips.

Management Response/Action Plan:
Management **agrees** with this recommendation.

Logistics and Processing are working with Transportation Plan Generator (TPG) to maximize underutilized doors and reduce dock congestion.

Target Implementation Date: 03/31/2024

Responsible Official: Division Director, Mid-West Logistics Operations

Recommendation 4: We recommend the Midwest Division Director, Processing Operations, retrain all personnel responsible for Registered Mail on hand-to-hand registry item policies at the Saint Paul Processing and Distribution Center and verify their compliance.

Management Response/Action Plan:
Management **agrees** with this recommendation.

Saint Paul P&DC provided registry training to all bid registry clerks and non-bargaining responsible for registry the room.

Target Implementation Date: 03/31/2024

Responsible Official: Division Director, Mid-West Processing Operations

Recommendation 5: We recommend the Midwest Division Director, Logistics, verify all drivers are securing trailers and are using wheel chocks at the Saint Paul Processing and Distribution Center.

Management Response/Action Plan:
Management **agrees** with this recommendation.

Management conducted service talks with PVS drivers and emailed yard instructions to HCR suppliers that trailers are to be secured and that wheel chocks are required to be used.

Target Implementation Date: 03/31/2024

Responsible Official: Division Director, Mid-West Logistics

Recommendation 6: We recommend the Midwest Division Director, Logistics, reiterate policy regarding the use of locks on trailer doors and keeping facility doors secured at the Saint Paul Processing and Distribution Center.

Management Response/Action Plan:
Management **agrees** with this recommendation.

Management conducted service talks with PVS drivers and emailed yard instructions to HCR suppliers that locks on trailers doors are required to be used. Maintenance resolved the security issue with doors.

Target Implementation Date: 03/31/2024

Responsible Official: Division Director, Mid-West Logistics Operations

E-SIGNED by KATHY.J HAND
on 2024-01-12 16:29:41 EST

Kathy Hand
Division Director, Midwest Processing Operations

E-SIGNED by John.A Darden
on 2024-01-12 17:22:42 EST

John Darden
Division Director, Midwest Logistics Operations

cc: Vice President, Regional Processing Operations (Western)
Corporate Audit & Response Management

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