

Efficiency of Operations at the Bismarck Processing and Distribution Center, Bismarck, ND

AUDIT REPORT

Report Number 24-060-R24 | March 21, 2024



Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

March 21, 2024

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

JOHN A. DARDEN
MIDWEST DIVISION DIRECTOR, LOGISTICS OPERATIONS

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 Bismarck Processing and Distribution Center, Bismarck, ND (Report Number 24-060-R24)

This report presents the results of our audit of the Efficiency of Operations at the Bismarck 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 approximately 280 processing facilities and 35,000 post offices, stations, and branches. The Postal Service is transforming its processing and logistics networks to become more 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 audit of the efficiency of operations at the Bismarck Processing and Distribution Center (P&DC) in Bismarck, ND (Project Number 24-060). We selected the Bismarck, ND, P&DC based on congressional requests from U.S. Senators Tina Smith (MN) and Amy Klobuchar (MN), and U.S. Representatives Angie Craig (MN), Pete Stauber (MN), Betty McCollum (MN), Brad Finstad (MN), Tom Emmer (MN), Michelle Fischbach (MN), Dean Phillips (MN), and Ilhan Omar (MN) to conduct a full audit of mail operations in the Minnesota-North Dakota District. We reviewed mail processing performance indicators including first and last mile failures;¹ workhours; scanning compliance;² and

late, canceled, and extra trips. The Bismarck P&DC is in the Midwest Processing Division and processes letters, flats, and packages. The Bismarck 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
576	0	20,308	20,308
585-588	210,995	149,013	360,008

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 Bismarck P&DC.

To accomplish our objective, we focused on five audit areas: mail clearance times;⁴ delayed mail; late and extra outbound trips; dock scanning; 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 January 1 to December 31, 2023. Further, we identified mail clearance time goals for the Bismarck P&DC and compared them with operations shown in the Run Plan Generator report.⁶ During our site visit the week of January 22, 2024, 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 Bismarck P&DC. We will provide the results of those audits to Minnesota-North Dakota District management in separate reports.

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 were Bismarck Carrier Annex, Bismarck, ND (project number 24-032-4); Minot Post Office, Minot, ND (project number 24-032-5); and Mandan Post Office, Mandan, ND (project number 24-032-6).

See [Appendix A](#) for additional information about our scope and methodology.

Results Summary

We identified deficiencies for two of the five areas we reviewed that affected the efficiency of operations at the Bismarck P&DC. We also identified issues related to 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 Trips	X	
Scan Compliance		X
Security of Registry Items		X
Other Issues	X	

Source: Results of OIG data review from fiscal years 2023-2024 and fieldwork conducted from January 23 to 25, 2024.

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.
- Security of Registry Items – We observed registry cage conditions and interviewed personnel to determine if procedures over the handling and security of registered mail were being followed. We did not find any systemic issues.

Finding #1: Delayed Mail

What We Found

On January 23 and 24, 2024, we identified delayed mail in the letter and flat manual operations units (see Figures 1 & 2) and on the workroom floor (see Figure 3). Management properly reported this mail in the Mail Condition Visualization (MCV)⁸ system. In total, 25,339 delayed letters, flats, and packages were reported in the MCV system during our visit (see Table 3).

Figure 1. Examples of Delayed Mail in the Manual Letter Unit



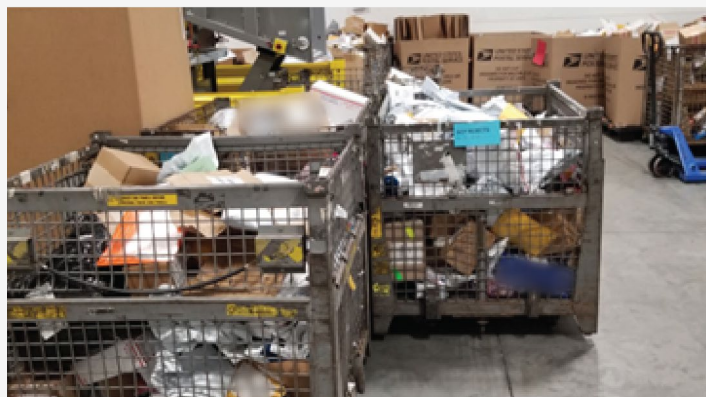
Source: OIG photos taken January 23, 2024.

Figure 2. Delayed Mail in the Manual Flat Unit



Source: OIG photo taken January 24, 2024.

Figure 3. Examples of Delayed Packages on the Workroom Floor



Source: OIG photos taken January 23-24, 2024.

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.

Table 3. Delayed Letters, Flats, and Packages

Date	Delayed Letters Reported in MCV	Delayed Flats Reported in MCV	Delayed Packages Reported in MCV	Total Reported in MCV
January 23	3,030	3,137	9,556	15,723
January 24	1,818	270	7,528	9,616
Total	4,848	3,407	17,084	25,339

Source: MCV system.

Why Did it Occur

The delayed mail in the manual mail operation areas was primarily due to supervisors not allocating and monitoring employees properly. The plant manager stated that the supervisors did not have the necessary experience and training to properly utilize performance tools. During our audit, the plant manager stated she was beginning to provide this training to the supervisors.

In addition, the packages on the workroom floor arrived delayed from another facility due to inclement weather. However, management did not verify that unit employees were processing the packages in the proper order. For example, we observed a mail handler transport a container of packages to a processing machine while leaving a container with older mail behind. The plant manager stated that they have an industrial engineer working to realign the work floor to improve mail flow.

Further, one of the three supervisor of distribution operations positions was vacant, which created extra duties for the other two supervisors. The plant manager stated that the other two supervisors could not complete all the necessary assignments to ensure all mail was processed and dispatched timely. They also deferred necessary administrative duties, such as attendance and disciplinary action, due to time constraints. Management stated that they posted the position on multiple occasions but have been unable to fill it.

What Should Have Happened

Postal Service policy⁹ 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. Additionally, policy¹⁰ states mail should be placed in the order it is received to ensure a first in, first out treatment of the mail.

Effect on the Postal Service and Its Customers

When mail is not processed in accordance with proper procedures, there is an increased likelihood that mail will not be taken to the dock in time for dispatch to delivery units, which can result in delays and service failures. 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 letter and flat operations units and verify the mail is sorted in time to meet dispatch daily at the Bismarck Processing and Distribution Center.

Recommendation #2

We recommend the **Midwest Division Director, Processing Operations**, verify supervisors at the Bismarck Processing and Distribution Center are trained on proper mail flow procedures in processing operations and verify these procedures are followed.

Recommendation #3

We recommend the **Midwest Division Director, Processing Operations**, identify and implement additional strategies to fill the supervisor of distribution operations vacancy.

⁹ Handbook PO-413, *Platform Operations*, Section 2-4.4, dated December 2013.

¹⁰ Stand-up Talk, *The FIFO Treatment*, January 15, 2022.

Finding #2: Late, Canceled, and Extra Trips

What We Found

From January 1 through December 31, 2023, there were 1,513 outbound late trips, 412 outbound canceled trips, and 182 outbound extra trips at the Bismarck P&DC. These trips represented about 15.2 percent of all outbound trips at the facility (see Table 4).

Table 4. Outbound Transportation Metrics

Transportation Metric	Number of Late Trips	Percent of Total Outbound Trips
Late Trips	1,513	10.9%
Canceled Trips	412	3.0%
Extra Trips	182	1.3%

Source: SVWeb.

We further analyzed data related to late outbound trips and determined that there were four main reasons for these late trips in the system. Contractor failure was the predominant reason recorded for the delays (see Table 5).

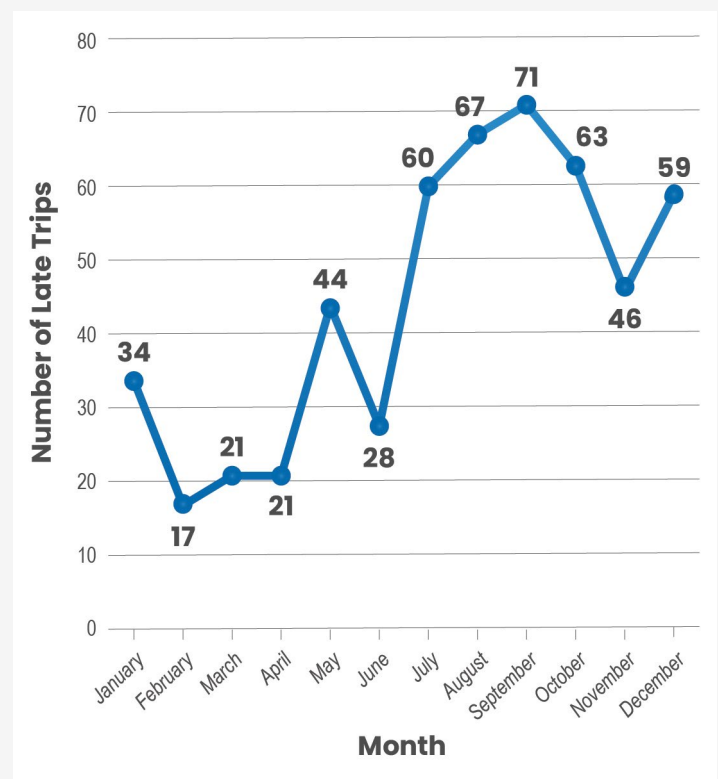
Table 5. Outbound Late Trip Metrics

Late Trip Reason Code	Number of Late Trips	Percent of Total Late Trips
Contractor Failure	531	35.1%
Severe Weather	267	17.6%
Mail Not on Dock / Late Processing	253	16.7%
Dock Personnel Issues	196	13%

Source: SVWeb.

The contractor failures increased starting in July 2023; the month a new supplier began providing transportation service under a new contract (see Figure 4).

Figure 4. Monthly Late Trips due to Contractor Failure



Source: SVWeb

Why Did it Occur

Many of these late trips occurred due to a poor performing contractor. Management provided us with support that they issued Postal Service (PS) Form 5500, *Contract Route Irregularity Report*, for these late trips and stated they were at stage four of a five step discipline process¹¹ for this contractor. Due to these actions, we are not making a recommendation for the late trips.

In addition, management stated the canceled trips were due to expeditors canceling unnecessary trips and contractors not showing up. Management stated that some expeditors did not know the difference between the two reason codes. They coded contractors not showing up as canceled when the trip should have been coded as omitted.

¹¹ The Postal Service has to follow a five-step process if there are issues with the contractor's performance, which includes providing the contractor with a document listing performance issues, completing a review and consulting with the contractor, holding a conference with the contractor, submitting results to the Contracting Officer for appropriate action, and potentially terminating the contract if the issues persist.

What Should Have Happened

Postal Service policy¹² states when a Highway Contract Route trip has an irregularity, a delay reason should be properly documented. Choosing the correct reason is crucial to visibility and for maintaining accurate transportation records.

Effect on the Postal Service and Its Customers

When employees code omitted trips incorrectly, it can increase operating costs and cause the Postal Service to lose revenue.

Recommendation #4

We recommend the **Midwest Division Director, Logistics Operations**, train employees at the Bismarck Processing and Distribution Center on the correct trip classification and verify these procedures are followed.

¹² Standard Operating Procedure for Delay / Irregularity Reasons, November 2019.

Finding #3: Safety

What We Found

During our site observations, we observed trucks and trailers parked at the docks without wheel chocks placed next to the tires to prevent them from rolling away (see Figure 5).

Figure 5. Trailer Without Wheel Chocks



Source: OIG photo taken January 23, 2024.

Why Did it Occur

The inconsistent use of wheel chocks was due to a lack of management oversight. Specifically, supervisors did not verify that drivers were using wheel chocks. Management stated that the supervisors were relatively new and inexperienced, and struggled to focus on all areas of operation under their purview.

What Should Have Happened

Postal Service policy¹³ states that Postal Service drivers must prevent trailers from rolling away from docks by using wheel chocks.

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.

Recommendation #5

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

Management's Comments

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

Management's target implementation date for recommendation 1 is April 30, 2024; for recommendations 2, 4, and 5 is May 31, 2024; and for recommendation 3 is July 31, 2024.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations in the report. 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.

¹³ Handbook EL-803, *Maintenance Employees' Guide to Safety*, Section 1, subsection C dated July 2020.

Appendix A. Additional Information

We conducted this audit from January 2024 through March 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 March 11, 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 Communicating
- 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 communicating, 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, 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.

Appendix B: Management's Comments



March 15, 2024

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Efficiency of Operations at the Bismarck Processing and Distribution Center, Bismarck, ND (Report Number 24-060-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 Bismarck Processing and Distribution Center, Bismarck, ND*.

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

Following are our comments on each of the five recommendations.

Recommendation 1: We recommend the Midwest Division Director, Processing Operations, properly allocate resources at the manual letter and flat operations units and verify the mail is sorted in time to meet dispatch daily at the Bismarck Processing and Distribution Center.

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

The Bismarck P&DC has adequate resources to work the manual volume. Management will have the supervisor initial any volume into manual operations, so they are aware of the staffing needed to clear timely. Additionally, management will monitor for compliance.

Target Implementation Date: 04/30/2024

Responsible Official: Division Director, Processing Operations

Recommendation 2: We recommend the Midwest Division Director, Processing Operations, verify supervisors at the Bismarck Processing and Distribution Center are trained on proper mail flow procedures in processing operations and verify these procedures are followed.

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

Management has begun training supervisors on proper mail flow procedures and will conduct reviews to monitor for compliance.

Target Implementation Date: 05/31/2024

Responsible Official: Division Director, Processing Operations

Recommendation 3: We recommend the Midwest Division Director, Processing Operations, identify and implement additional strategies to fill the supervisor of distribution operations vacancy.

Management Response/Action Plan:

Management agrees with this recommendation.

Management will fill approved vacancies pending the out of the PO-408 review.

Target Implementation Date: 07/31/2024

Responsible Official: Division Director, Processing Operations

Recommendation 4: We recommend the Midwest Division Director, Logistics Operations, train employees at the Bismarck Processing and Distribution Center on the correct trip classification and verify these procedures are followed.

Management Response/Action Plan:

Management agrees with this recommendation.

Management will provide a service talk to responsible employees on proper classification of reason codes for contractors not showing up. Additionally, management will monitor for compliance.

Target Implementation Date: 05/31/2024

Responsible Official: Midwest Division Director, Logistics

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

Management Response/Action Plan:

Management agrees with this recommendation.

Management will email yard instructions to HCR suppliers that trailers are to be secured and that wheel chocks are required to be used. Additionally, instructions will be posted on doors.

Target Implementation Date: 05/31/2024

Responsible Official: Midwest Division Director, Logistics

E-SIGNED by KATHY.J HAND
on 2024-03-18 13:18:08 EDT

Kathy Hand
Division Director, Midwest Processing Operations

E-SIGNED by John.A Darden
on 2024-03-18 10:26:54 EDT

John Darden
Division Director, Midwest Logistics Operations

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

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