



March 28, 2008

JO ANN FEINDT
VICE PRESIDENT, GREAT LAKES AREA OPERATIONS

SUBJECT: Audit Report – Summary Audit on the Timeliness of Mail Processing,
Transportation, and Delivery Operations in the Chicago District
(Report Number NO-AR-08-003)

This report summarizes significant issues identified during our three separate reviews on the timeliness of mail processing, transportation, and delivery operations in the Chicago District located in the Great Lakes Area (Project Number 07XG034NO000). We conducted the reviews based on requests from the Postmaster General/Chief Executive Officer and Congress. Our objectives were to summarize the significant issues discussed in those reviews and provide a progress report. Click [here](#) or go to Appendix A for additional information about this audit.

Conclusion

We concluded the Chicago District made noticeable improvements at the end of fiscal year (FY) 2007 but continues to have difficulty with the timely and efficient processing and delivery of mail, resulting in mail delays, service degradation, and customer complaints. The Postal Service acknowledged these conditions and took a number of important actions to remedy the situation. As a result of recent management efforts, service scores improved in all four First-Class categories as of Quarter 4 FY 2007, compared to the prior three quarters.

In addition to recommendations provided in our prior individual reports, this report identifies more opportunities to improve mail processing and delivery capacity as well as efficiency, and recognizes actions the Postal Service has taken in response to our previous recommendations. In this report, we are further recommending the Cardiss Collins Processing and Distribution Center (P&DC) reduce workhours by 697,245 for an associated economic impact of over \$231 million by FY 2017.¹

¹ We will report these funds as funds put to better use in our *Semiannual Report to Congress*.

Delayed Mail Trends

While the Chicago District made some improvements in the timely processing of mail, it continues to experience significant amounts of delayed mail. Total delayed mail at the Cardiss Collins P&DC increased from 3 million pieces in FY 2004 to 404 million pieces in FY 2007 — a 13,000 percent increase. Delayed mail also increased at Chicago District delivery units, from 9.2 million pieces in FY 2004 to 11.3 million pieces in FY 2007 — a 23 percent increase.

However, we noted the Cardiss Collins P&DC made improvements at the end of FY 2007. For example, delayed First-Class Mail® decreased by 99.13 percent from Quarter 2 FY 2007 to Quarter 4 FY 2007. Click [here](#) or go to Appendix B for our detailed analysis of this issue.

Comparison to Similar-Sized Districts

Compared to similar-sized districts, the Chicago District had more delays in mail processing operations. For example, in FY 2007, the Cardiss Collins P&DC delayed almost 24 percent of mail volume, compared to similar-sized mail processing facilities' average of just over 3 percent. Compared to other Group 1² sites, in FY 2007, the Cardiss Collins P&DC had the highest percentage of delayed First-Class Mail, Standard Mail®, and Package Service mail. The percentage of Periodicals mail delays at the Cardiss Collins P&DC was comparable to other Group 1 sites. This large amount of delayed mail puts revenues at risk since customers may seek alternative delivery options that may provide more timely delivery, especially with regard to package mail services. We estimated the amount of "revenue at risk" from delayed package mail in FY 2007 was \$2.9 million.³ Click [here](#) or go to Appendix C for our detailed analysis.

Mail Processing, Transportation, and Delivery Capacity

The Chicago District generally had sufficient mail processing, transportation, and delivery capacity to process its mail in a timely manner. However, there are opportunities to further increase capacity by adjusting scheduling and staffing to match the workload. For example, we found the Cardiss Collins P&DC had sufficient automated equipment capacity and more than enough employees to process its workload. In addition, the Chicago District used more carriers than the national average, based on the number of routes, indicating that a sufficient carrier workforce also existed. However, a high number of carriers on limited duty and sick leave significantly reduced Chicago's ability to staff the routes. Click [here](#) or go to Appendix D for our detailed analysis of this issue.

² The Cardiss Collins P&DC is a Group 1 processing facility. A Group 1 facility processes the largest amount of volume compared to other P&DCs.

³ We deem revenue at risk to be revenue the Postal Service risks losing due to unreliable service that may convince its customers to seek other providers.

Mail Processing, Transportation, and Delivery Efficiency

We reviewed transportation throughout the Chicago District and did not identify any issues that adversely affected the timely delivery of mail. However, the Chicago District has opportunities to improve efficiencies as well as process and deliver mail in a more timely manner. For example, the Cardiss Collins P&DC did not operate as efficiently as similar-sized facilities. In order to achieve the average productivity of Group 1 sites in FY 2007, the Cardiss Collins P&DC would need to reduce workhours by 697,245 which could produce a cost avoidance of more than \$231 million in labor savings during a 10-year period.

Moreover, we found a strong relationship between efficiency and achievement of above average service scores. For example, processing plants that were the top 10 in first handled piece (FHP) productivity in FY 2007 all had above average overnight service scores. Conversely, seven of the 10 sites lowest in FHP productivity had overnight service scores below the national average. The relationship between efficiency and service scores means those processing plants that efficiently process mail also process it quicker than sites with lower efficiency. The emphasis on efficiency may also set the general overall tone of the processing plant in ensuring that it consistently achieves both performance and time goals.⁴

We also found the Cardiss Collins P&DC had difficulty meeting outgoing mail clearance times, transportation dispatch times, the national average for sorting letter mail into delivery sequence order, and the national productivity average for Delivery Barcode Sorters (DBCS). In addition, we concluded improving office efficiency and street management would also increase the Chicago District's opportunities to deliver mail before 5 p.m. Click [here](#) or go to Appendix E for our detailed analysis of this issue.

Internal Controls

Generally, internal controls concerning the timely processing, transporting, and delivery of mail were functioning as intended. However, we found instances where the Chicago District could improve controls over color-coding, the Address Management System, and integrated operating plans. Click [here](#) or go to Appendix F for our detailed analysis of this issue.

⁴ The Committee of Sponsoring Organizations of the Treadway Commission stated the control environment is the tone of the organization established by management, which greatly impacts the organization's corporate culture and its ability to meet its goals and overcome challenges.

Criteria

Title 39, U.S.C. Part 1, Chapter 1, § 101, states the Postal Service:

. . . shall provide prompt, reliable, and efficient services to patrons in all areas

In the December 2007 Postal Service Strategic Transformation Plan states,

The Postal Service will continue to provide timely, reliable delivery to every address at reasonable rates.

Effects

Mail processing and delivery delays in the Chicago District adversely affected service scores and increased customer complaints. However, recent management efforts have resulted in improvements; for example, service scores increased in all four categories as of Quarter 4 FY 2007, compared to the prior three quarters. However, the Chicago District's Quarter 4 FY 2007 service score ranking was still below the national average in all categories. In addition, the Chicago District ranked last in overnight performance, although scores had improved by the end of FY 2007. Click [here](#) or go to Appendix G to see the Chicago District scores and rankings from Quarter 4 FY 2004, to Quarter 4 FY 2007.

Mail delays also resulted in poor customer service and customer complaints increased. For example, the average number of complaints totaled 493 in FY 2007, compared to the average number of 334 in FY 2006 — an increase of over 47 percent. However, by Quarter 4 of FY 2007, the average number of complaints totaled 150, compared to the average number in Quarter 1 of FY 2007 of 296, a 49 percent decrease.

Another potential effect of longstanding delayed mail is that it puts revenues at risk. As previously stated, we estimated the amount of “revenue at risk” from delayed mail in FY 2007 was \$2.9 million. Click [here](#) or go to Appendix I for our cost analysis.

Causes

Based on our prior work, we concluded several factors contributed to the Chicago District's inability to process and deliver mail in a timely manner. We found:

- Mail processing supervision, accountability, and planning were inadequate. There was significant management turnover and mail processing supervisors did not adequately maintain automated equipment or adjust workhours to changes in workload.

- Management did not always adequately supervise delivery employees, implement delivery standard operating procedures, perform route inspections, or ensure the accuracy of the Address Management System.

We made recommendations to the Vice President, Great Lakes Area Operations; the District Manager/Postmaster, Chicago District; and the Senior Plant Manager, Cardiss Collins P&DC. Management generally agreed with the findings in these reports and has taken or is taking corrective action on our recommendations. Click [here](#) or go to Appendix J for recommendations made in prior reports.

Based on our follow-up work, we identified additional opportunities to improve efficiency in mail processing and delivery. In particular, the Cardiss Collins P&DC needs to substantially reduce workhours. We also found that a sufficient carrier workforce existed in the Chicago District but employees on light duty and sick leave as well as supervisor vacancies reduced the district's ability to adequately staff routes. We concluded management needs to adjust carrier routes to match the workload and improve supervision of carrier office and street time. We also concluded that delivery supervisors did not always conduct safety talks, ensure a safe work environment, and adequately manage limited duty and absences.

Management Actions

The Chicago District continues to streamline delivery and processing operations to improve service scores and ensure the timely processing of mail. Management has numerous initiatives in place or planned to improve mail timeliness. They conducted a top-to-bottom review of every aspect of mail processing and delivery operations from repairing equipment to improving mail flows to evaluating staffing and scheduling. These actions should increase capacity and efficiency and allow the Chicago District to process and deliver more mail in less time. In addition, the Postal Service has begun to improve efficiency at the Cardiss Collins P&DC by reducing workhours from FYs 2006 to 2007 by 219,000. Click [here](#) or go to Appendix H for Postal Service initiatives in place or planned.

To improve the timely processing and delivery of mail, we recommend the Vice President, Great Lakes Area Operations, ensure:

1. The Chicago District Manager and Senior Plant Manager continue to monitor the processing and delivery of mail, to ensure these operations are timely.
2. The Chicago District Manager and Senior Plant Manager conduct safety talks, correct potential hazards, and follow up on limited duty employees and unscheduled absences.

3. The Chicago District continues to improve mail processing efficiency by reducing workhours by 697,245, with an associated economic impact of over \$231 million by FY 2017.
4. The Chicago District Manager and Senior Plant Manager continue to improve delivery operations efficiency by improving supervision and holding employees accountable.

Click [here](#) or go to Appendix J for recommendations made in prior reports that remain open.

Management Comments

Management agreed with our findings and recommendations and will complete implementation of most corrective actions by March 2009.⁵ Their response explained the Chicago District's strategy to improve the timely distribution and delivery of mail, and identified the Great Lakes Area's plan to monitor and provide support to ensure the Chicago District is able to minimize delays as well as improve service and cost performance. Management also agreed to the \$231,337,397 in funds put to better use and \$2,924,682 in revenue at risk.⁶ We will report these amounts in our *Semiannual Report to Congress*. Click [here](#) or go to Appendix K to read management's comments in their entirety.

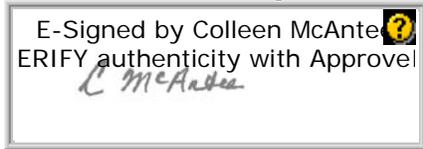
Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendations and management's corrective actions should resolve the issues identified in the report. The OIG considers all recommendations significant and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed. At the request of management, the OIG plans to conduct further follow-up work in the Chicago District later this year.

⁵ Corrective actions for recommendations 1, 4 and most of recommendation 2 will be complete by March 2009. Management plans to review limited duty employees through the National Reassessment Process, and the date for this action is yet to be determined. Management noted that realization of workhour savings could take until FY 2011. Therefore, management set March 2011 as the target implementation date for remaining recommendations. Management provided target completion dates in a subsequent email dated March 19, 2008, and in subsequent discussions on March 28, 2008.

⁶ Management agreed to the revenue at risk figure in the March 19, 2008, email.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Robert J. Batta, Director, Network Processing or me at (703) 248-2100.



Colleen A. McAntee
Deputy Assistant Inspector General
for Mission Operations

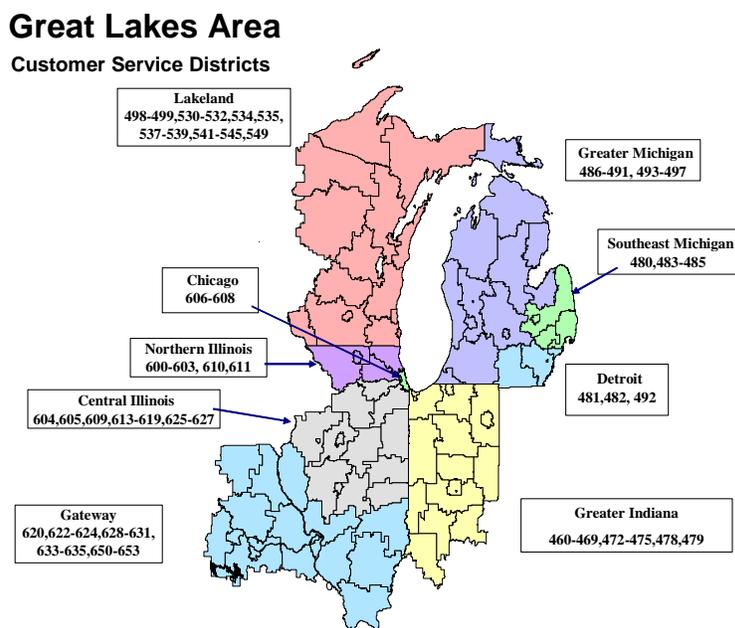
Attachments

cc: Patrick R. Donahoe
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APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

The Chicago District serves ZIP Code areas 606 through 608 and covers over 255 square miles. The Chicago District serves a population of over 3 million and employs approximately 9,000 employees. The Chicago District is located in the Great Lakes Area. The map below shows the Great Lakes Area districts by three-digit ZIP Code.



The Cardiss Collins P&DC opened in April 1996 and covers over 1.7 million square feet. It is the 30th largest mail processing plant in the postal network's 273 plants.

In December 2006, the Chicago District began receiving negative media coverage about mail delays. This negative media attention expanded during FY 2007 and elected representatives requested the Postal Service to take immediate corrective action. In FY 2007, the Postal Service expended approximately \$6.6 million in correcting the delayed mail problems. In addition, the Postmaster General/Chief Executive Officer made a commitment to resolve delayed mail problems in the Chicago District and requested the OIG review.

OBJECTIVES, SCOPE, AND METHODOLOGY

This report summarizes significant issues identified during our three separate reviews on the timeliness of mail processing, transportation, and delivery operations in the Chicago District located in the Great Lakes Area (Project Number 07XG034NO000). We conducted the three reviews based on requests from the Postmaster General/Chief Executive Officer and Congress. The objectives of this audit were to summarize the significant issues discussed in those reviews and provide a progress report. To accomplish the objectives, we reviewed selected processing, transportation, and delivery operations; conducted interviews and observations; and analyzed mail volume, workhours, productivity, service scores, and delayed mail trends.

We used computer-processed data from the National Work Hour Reporting System; Web Enterprise Information System; Web End-of-Run System; Web Mail Condition Reporting System (MCRS); Management Operating Data System (MODS); Origin-Destination Information System; Service Issue Record System; Revenue, Pieces, and Weight System; Transportation Information Management Evaluation System; Vehicle Information Transportation Analysis and Logistics; Web Complement Information System; Delivery Operations Information System (DOIS); Address Management System; and the Enterprise Data Warehouse. We did not test controls over these systems. However, we checked the reasonableness of results by confirming our analyses and results with Postal Service managers and multiple data sources. In addition, an OIG review of MODS concluded that the data in this system was valid and reliable for the uses for which it is intended.⁷

We conducted this performance audit from October 2007 through March 2008 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 objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management on December 21, 2007, and included their comments where appropriate. Click [here](#) to return to report.

⁷ *Management Operating Data System* (Report Number MS-AR-07-003, dated August 21, 2007).

PRIOR AUDIT COVERAGE

Report Title	Report Number	Final Report Date	Monetary Impact
1. Timeliness of Mail Processing at the Chicago, Illinois Cardiss Collins Processing and Distribution Center	NO-AR-07-012	September 28, 2007	None
2. Impact of Transportation on Chicago District Performance	NL-AR-07-008	September 28, 2007	None
3. Timely City Delivery – Chicago District	DR-AR-08-001	October 11, 2007	None
4. Chicago District Financial Accountability	FF-AR-07-254	September 28, 2007	\$121,676 plus \$11,139,248 Non-Monetary

This capping report summarizes the overall findings for the first three reports listed above. The Chicago District Financial Accountability Capping report (the fourth report listed above) disclosed significant weaknesses in the internal controls over financial operations. There are a number of other related reports that are referenced in the issued reports listed above.

**APPENDIX B: DETAILED ANALYSIS OF
DELAYED MAIL TRENDS**

While the Chicago District made some improvements at the end of FY 2007, it continues to experience significant amounts of delayed mail.⁸ For example, total delayed mail at the Cardiss Collins P&DC increased from 3 million pieces in FY 2004 to 404 million pieces in FY 2007 — a 13,000 percent increase. Delayed mail also increased at the Chicago District delivery units, from 9.2 million pieces in FY 2004 to 11.3 million pieces in FY 2007 — a 23 percent increase.

However, we noted the Cardiss Collins P&DC made improvements at the end of FY 2007. For example, from Quarter 2 FY 2007 to Quarter 4 FY 2007, delayed First-Class Mail decreased by 99 percent, delayed Periodicals mail decreased by 97 percent, and delayed Standard Mail decreased by 79 percent. Package Services was the only mail class with increased delays during the period but overall the Postal Service realized a decrease of 80 percent in total delayed mail. See chart below.

CARDISS COLLINS P&DC DELAYED MAIL TRENDS QUARTERS 1 TO 4, FY 2007

	Delayed First-Class	Delayed Periodicals	Delayed Standard	Delayed Package Services	Total Delayed Mail
Quarter 1 FY 2007	12,463,847	812,000	93,937,011	1,650,823	108,863,681
Quarter 2 FY 2007	5,075,390	1,411,000	122,295,003	0	128,781,393
Quarter 3 FY 2007	3,646,500	882,000	136,518,056	7,000	141,053,556
Quarter 4 FY 2007	44,000	43,000	25,511,000	31,700	25,629,700
Percent Change From Quarter 2 To Quarter 4	-99.13	-96.95	-79.14	n/a ⁹	-80.10

Similarly, the comparison of delayed mail as a percentage of total mail volume showed the Cardiss Collins P&DC delayed approximately 9 percent of its total mail volume in FY 2006. In FY 2007, delays increased substantially and the Cardiss Collins P&DC delayed 24 percent of mail volume. Delivery units' delayed mail, on the other hand, increased from 1.2 million to 11.3 million pieces from FY 2006 to FY 2007. This increase was primarily the result of Great Lakes Area and Chicago District efforts to improve the accurate and complete reporting of delivery delayed mail. Nevertheless, the amount of delivery delayed only represented less than 1 percent of total delivery volume in both years, indicating that the majority of delays occurred at the Cardiss Collins P&DC.

⁸ Mail delays occur when mail is not processed or dispatched by its programmed delivery day. The Postal Service recognizes that some delayed mail is expected, although no specific targets have been established for large plants.

⁹ The percentage of package services increase cannot be mathematically defined since the amount of the increase is divided by zero.

Our analysis showed the majority of delayed mail was Standard Mail.¹⁰ For example, in FY 2007 delayed Standard Mail accounted for approximately 46 percent of total delayed mail processing volume and almost 97 percent of total delayed delivery volume. We concluded the Chicago District needs to make greater efforts to process this mail in a timely manner. The illustrations below show delayed mail on several occasions at the Cardiss Collins P&DC.



On June 5, 2007, we counted 290 containers of delayed mail.

¹⁰ Standard Mail consists of printed matter, flyers, advertising, and catalogs.



Delayed Standard Letter Mail at the Cardiss Collins P&DC on November 27, 2007. This mailpiece should have been delivered on November 18, 2007.

Click [here](#) to return to report.

APPENDIX C: DETAILED ANALYSIS OF COMPARISONS TO OTHER FACILITIES

Compared to similar-sized facilities, in FY 2007, the Cardiss Collins P&DC had the highest percentage of delayed First-Class Mail, Standard Mail, and Package Service mail of any Group 1 site. The percentage of Periodicals mail delays at the Cardiss Collins P&DC was comparable to other Group 1 sites. The chart below compares total delayed mail in the Cardiss Collins P&DC to the average for Group 1 sites for FY 2006 and FY 2007. In FY 2007, the Cardiss Collins P&DC delayed almost 24 percent of its mail volume, compared to the Group 1 average of over 3 percent.

***Percentage of Delayed Mail
(Cardiss Collins P&DC Compared to Group 1 Sites)***

	FY 2006		FY 2007	
	Cardiss Collins P&DC	Group 1 Sites (Average)	Cardiss Collins P&DC	Group 1 Sites (Average)
Percent Delayed to Total Volume	9.23	4.10	23.75	3.11

The Cardiss Collins P&DC made improvements in the timely processing of mail between Quarter 2 and Quarter 4 of FY 2007. For example, in Quarter 2 FY 2007, the Cardiss Collins P&DC delayed almost 29 percent of total mail compared to the Group 1

average of almost 5 percent. In Quarter 4 FY 2007, the Cardiss Collins P&DC delayed almost 6 percent of the mail, compared to the Group 1 average of slightly over 1 percent. Although the P&DC made improvements, significant efforts were still necessary. For example, in Quarter 4 FY 2007, the Cardiss Collins P&DC delayed over 12 percent of Standard Mail, compared to the Group 1 average of approximately 2 percent. See chart on next page. Click [here](#) to return to report.

**CARDISS COLLINS P&DC
PERCENTAGE OF DELAYED MAIL TRENDS COMPARED TO GROUP 1 AVERAGE
QUARTERS 1 TO 4, FY 2007**

	QUARTER 2 FY 2007		QUARTER 4 FY 2007	
	CARDISS COLLINS P&DC	GROUP 1 AVERAGE	CARDISS COLLINS P&DC	GROUP 1 AVERAGE
Percent Delayed First-Class	2.46	0.53	0.02	0.15
Percent Delayed Priority	0.00	0.45	0.23	0.08
Percent Delayed Periodicals	7.40	7.00	0.23	3.22
Percent Delayed Standard	56.49	8.30	12.27	2.03
Percent Delayed Packages	0.00	0.37	1.33	0.13
Percent Total Delayed	28.86	4.57	5.98	1.19

**APPENDIX D: DETAILED ANALYSIS OF MAIL PROCESSING,
TRANSPORTATION, AND DELIVERY CAPACITY**

The Chicago District generally had sufficient mail processing, transportation and delivery capacity to process its mail in a timely manner, although opportunities existed to further increase capacity.

Mail Processing Capacity

The Cardiss Collins P&DC had sufficient automated equipment capacity. The chart below shows the percent of capacity for the five major automated equipment types used at the Cardiss Collins P&DC. For example, the DBCS and Advanced Flat Sorter Machines (AFSM) operated at approximately 80 and 82 percent, respectively, of available capacity based on target productivity levels during FY 2007.

SELECTED AUTOMATED EQUIPMENT CAPACITY AT CARDISS COLLINS P&DC FY 2007

AUTOMATED EQUIPMENT	FY 2007 TOTAL PIECES HANDLED	TARGET PRODUCTIVITY	CARDISS COLLINS PRODUCTIVITY	CARDISS COLLINS WORKHOURS	POTENTIAL VOLUME	ACTUAL VOLUME	PERCENT OF CAPACITY
DBCS	2,822,235,138	9,274	7,409	414,698	3,845,909,252	3,072,330,695	79.89
AFSM 100	121,087,774	2,113	1,731	57,852	122,241,276	100,163,639	81.94
*SPBS	24,395,554	366	243	29,455	10,780,530	7,166,533	66.48
**APPS	17,248,444	630	564	19,057	12,005,910	10,755,487	89.58
***FSM 1000	15,774,053	744	394	65,882	49,016,208	25,974,421	52.99

*SPBS (Small Parcel Bundle Sorter)

**APPS (Automated Package Processing System)

***FSM (Flat Sorting Machine)

As part of management actions to improve and then maintain mail processing capacity at the Cardiss Collins P&DC, the DBCSs and AFSMs were overhauled and an improved preventive maintenance program was implemented to ensure proper maintenance for all automated equipment.



On November 28, 2007, we observed maintenance being performed at the Cardiss Collins P&DC.

We concluded the Cardiss Collins P&DC also had more than a sufficient number of workhours and, hence, employees to process its workload based on our comparison to similar size sites. For example, in FY 2007, the Cardiss Collins P&DC processed 1.7 billion pieces of mail compared to the Group 1 average of 1.8 billion pieces, yet used almost 3 million workhours compared to the Group 1 average of 2.5 million workhours. This comparison shows that Cardiss Collins P&DC processed less mail volume but used more workhours than its counterparts, indicating that an excessive amount of workhours was being used relative to its workload. This is further discussed in Appendix E under the Mail Processing Efficiency heading.

Transportation Capacity

We reviewed the Cardiss Collins P&DC Postal Vehicle Services' transportation schedules and determined there was more than sufficient transportation to move mail to stations and branches for delivery.



We observed trucks on the dock at the Cardiss Collins P&DC on November 28, 2007. Sufficient transportation was in place to move mail to stations and branches for delivery.

Delivery Capacity

The Chicago District had a sufficient number of carriers to deliver the mail, based on the carrier to route ratio.¹¹ The carrier to route ratio from FYs 2005 to 2007 for the Chicago District ranged from 1.44 in FY 2005 to 1.37 in FY 2007, while the national average for the same period was approximately 1.36.

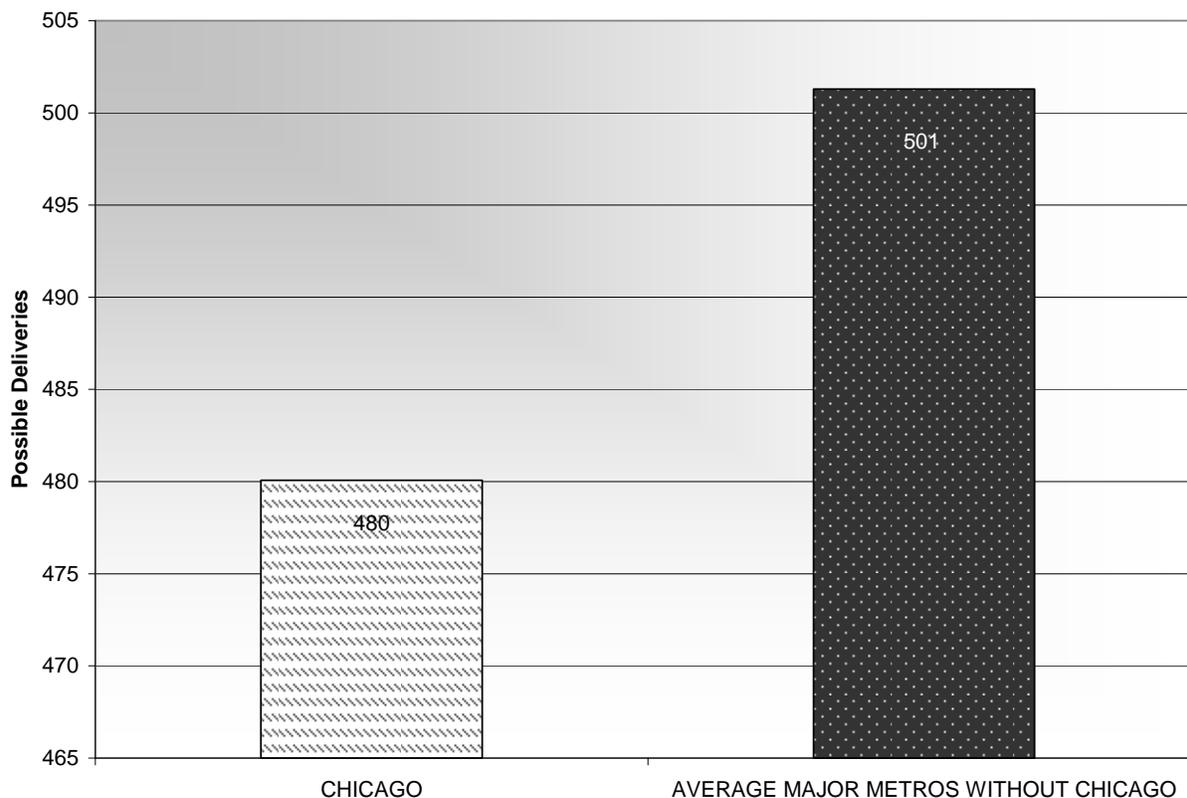
We also noted the number of carrier routes in the Chicago District increased slightly (2 percent) from FYs 2005 to 2007. Nationally, the number of carrier routes decreased almost 2 percent from FYs 2005 to 2007, primarily because of increases in the amount of Delivery Point Sequenced (DPS) mail¹² and the resulting adjustments to routes. In addition, Chicago District routes had fewer possible deliveries per route than the average of the six Major Metro Districts.¹³ In FY 2007, the Chicago District averaged 480 deliveries per carrier route, compared to the Major Metro District average of 501. If the Chicago District had achieved the Major Metro District average number of deliveries per route, 105 fewer delivery routes would have been required. See chart on next page.

¹¹ The number of carriers divided by the number of routes. A higher than a one-to-one ratio is necessary to staff the routes for a 6-day workweek, which provides for carrier absences.

¹² DPS mail does not require the carrier to process this mail in the office and should result in fewer carrier workhours. The Chicago District processed less DPS mail than the national average. (See [Appendix E](#).)

¹³ The Major Metro Districts are Philadelphia, New York, Capital Metro, San Francisco, Los Angeles and Chicago.

DELIVERIES PER ROUTE FY 2007¹⁴



These comparisons indicate the Chicago District has a sufficient carrier workforce, but carrier routes need adjustment¹⁵ to ensure individual carrier workloads are appropriate.

Nevertheless, several factors reduced Chicago District’s ability to staff the routes. We found that:

- The Chicago District had a high number of carriers on limited duty. In FY 2007, nearly 6 percent (or 203) of Chicago District carriers were on limited duty, contrasted with the national average of 4.1 percent. Consequently, Chicago capacity was diminished by 64 carrier positions.

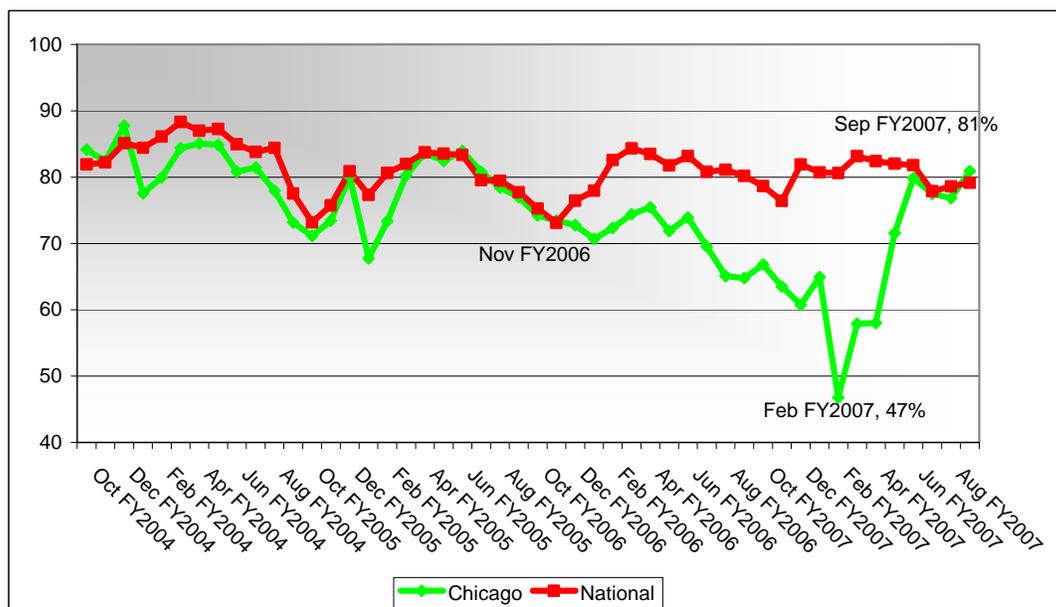
¹⁴ If the Chicago District had achieved the national average number of deliveries per route, it would have required 105 fewer delivery routes, or almost 126 fewer carriers. We divided the average possible deliveries in Chicago in FY 2007 by the Major Metro District average delivery per route of 501 to determine the earned routes and then subtracted the actual routes from this number. To determine the number of carriers required for 6-day delivery, we multiplied 105 by six and divided the total by five.

¹⁵ Performing route inspections, which then can lead to route adjustments, is an outstanding management action that still requires attention.

- Chicago District carriers used a higher percentage of sick leave than their national counterparts. Chicago District carrier sick leave represented 5.04 percent of workhours, compared to the national 4.5 percent. Also, Chicago District delivery supervisors were more frequently absent due to sick leave. For example, Chicago District delivery supervisors used a higher percentage of sick leave hours (4.43 percent) than the average of all other districts (2.82 percent).
- There were fewer carrier supervisors in the Chicago District compared to national averages. The number of delivery supervisors in the Chicago District decreased by over 26 percent from FYs 2003 to 2007 compared to the national decrease of less than 4 percent. Consequently, Chicago District carrier supervisors had more carriers to manage than their national counterparts; there were 23 city carriers per delivery supervisor in the Chicago District in FY 2007, compared to the national ratio of 17 carriers per supervisor.

We did note the Chicago District’s delivery capacity recently improved as was evident by the number of carriers returning by 5 p.m. The percentage of carriers returning from the street to the office by 5 p.m. began to decline in November, FY 2006. By February, FY 2007, only 47 percent of the carriers returned by 5 p.m. However, by the end of FY 2007, 81 percent of carriers returned by 5 p.m. — a significant improvement. Consequently, more mail was being delivered before 5 p.m. than in the past. See chart and photograph below.

CARRIERS RETURNING BEFORE 5 P.M. – CHICAGO DISTRICT COMPARED TO NATIONAL AVERAGE, FYs 2004 TO 2007





On November 26, 2007, we noted that carriers at the Ravenswood Station returned on time.

Click [here](#) to return to report.

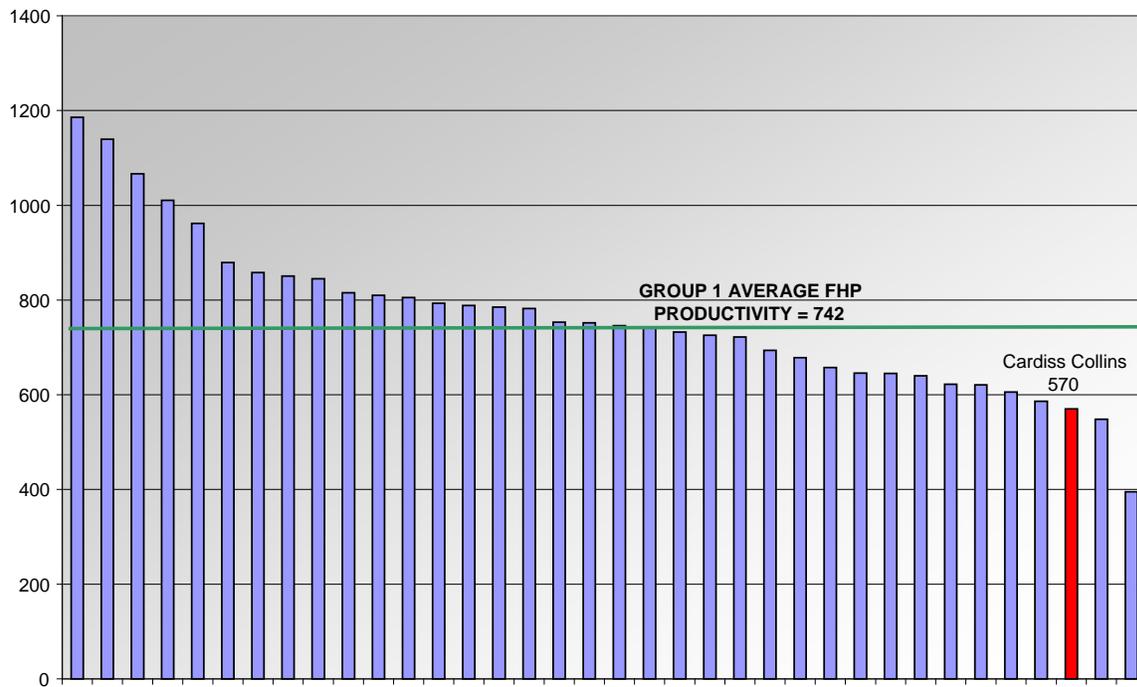
**APPENDIX E: DETAILED ANALYSIS OF MAIL PROCESSING,
TRANSPORTATION, AND DELIVERY EFFICIENCY**

Mail Processing Efficiency

Cardiss Collins P&DC productivity has historically been below the average of Group 1 sites. In addition, while average productivity increased from FYs 2005 to 2007, productivity at the Cardiss Collins P&DC declined. See charts below.¹⁶

FISCAL YEAR	CARDISS COLLINS FHP PRODUCTIVITY	AVERAGE GROUP 1 FHP PRODUCTIVITY	CARDISS COLLINS RANKING
2005	603	685	28TH
2006	469	720	35TH
2007	570	742	34TH

FY 2007 GROUP 1 FHP PRODUCTIVITY



¹⁶ We computed FHP productivity by dividing FHP volume by workhours for FY 2007 for all Group 1 plants. The average does not include Cardiss Collins P&DC data.

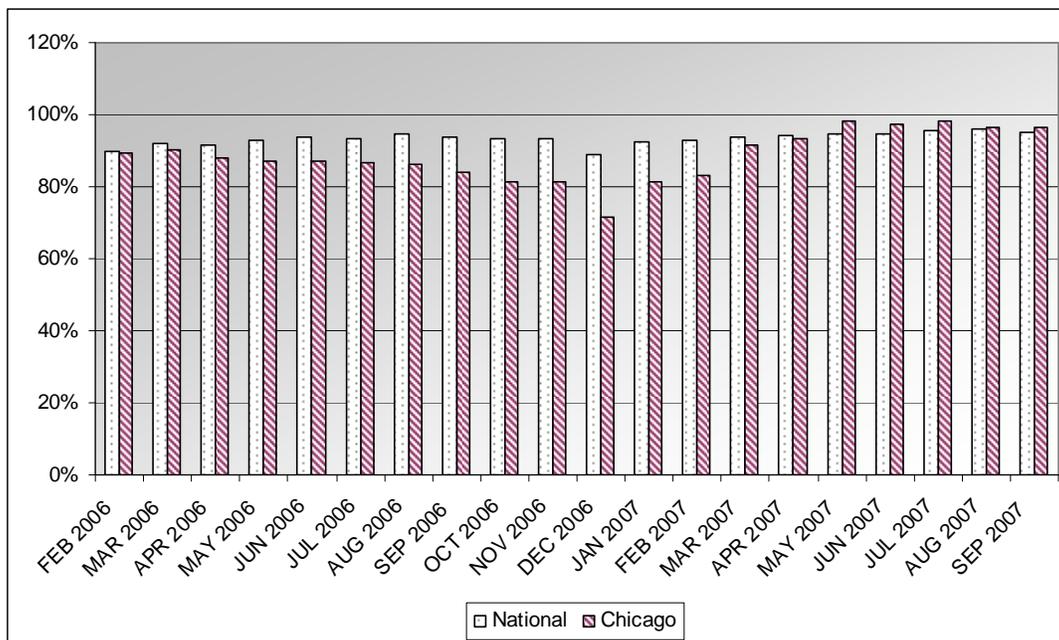
In order to achieve the average FY 2007 FHP productivity, the Cardiss Collins P&DC would need to reduce workhours by 697,245,¹⁷ which could produce a cost avoidance of more than \$231 million in labor savings during a 10-year period. An improvement in productivity would also improve the timeliness of mail processing. Our analysis of the most efficient Group 1 sites showed the 10 best sites achieved an overnight service score above the Group 1 average. In contrast, seven of the 10 poorest performing sites had overnight scores below the average overnight service scores. In addition, our observations also found that numerous opportunities existed to reduce workhours based on time wasting practices. For example, we found numerous instances of employees not actively engaged in processing the mail and not reporting to their assigned workstations timely. We also found employees were not always using automated equipment properly resulting in machine jams, and some did not display a sense of urgency to process mail timely.

We identified several opportunities to improve efficiencies and process mail in a timely manner. For example, we found the Cardiss Collins P&DC had difficulty meeting outgoing mail clearance times, the national average for sorting letter mail into delivery sequence order, and the national productivity average for DBCS.

Outgoing Clearance Times. From February to December 2006, the Cardiss Collins P&DC met its 11 p.m. outgoing clearance target approximately 85 percent of the time, which was significantly below the national average of 92.5 percent. Outgoing mail cleared by 11 p.m. improved in FY 2007 and remained above the national average after May 2007. This improvement reduced mail delays and enhanced service scores. See chart on next page.

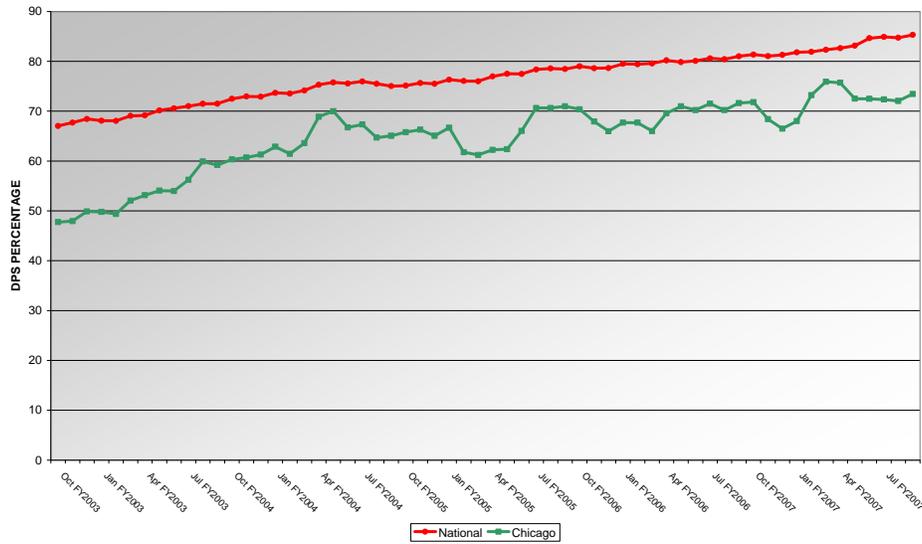
¹⁷ By the end of FY 2007, the Cardiss Collins P&DC reduced workhours by almost 7 percent (or over 219,000); indicating management could accomplish this reduction well within the 10-year period.

**OUTGOING MAIL CLEARED BY 11 P.M. —
NATIONAL VERSUS CARDISS COLLINS P&DC
FEBRUARY 2006 TO SEPTEMBER 2007**



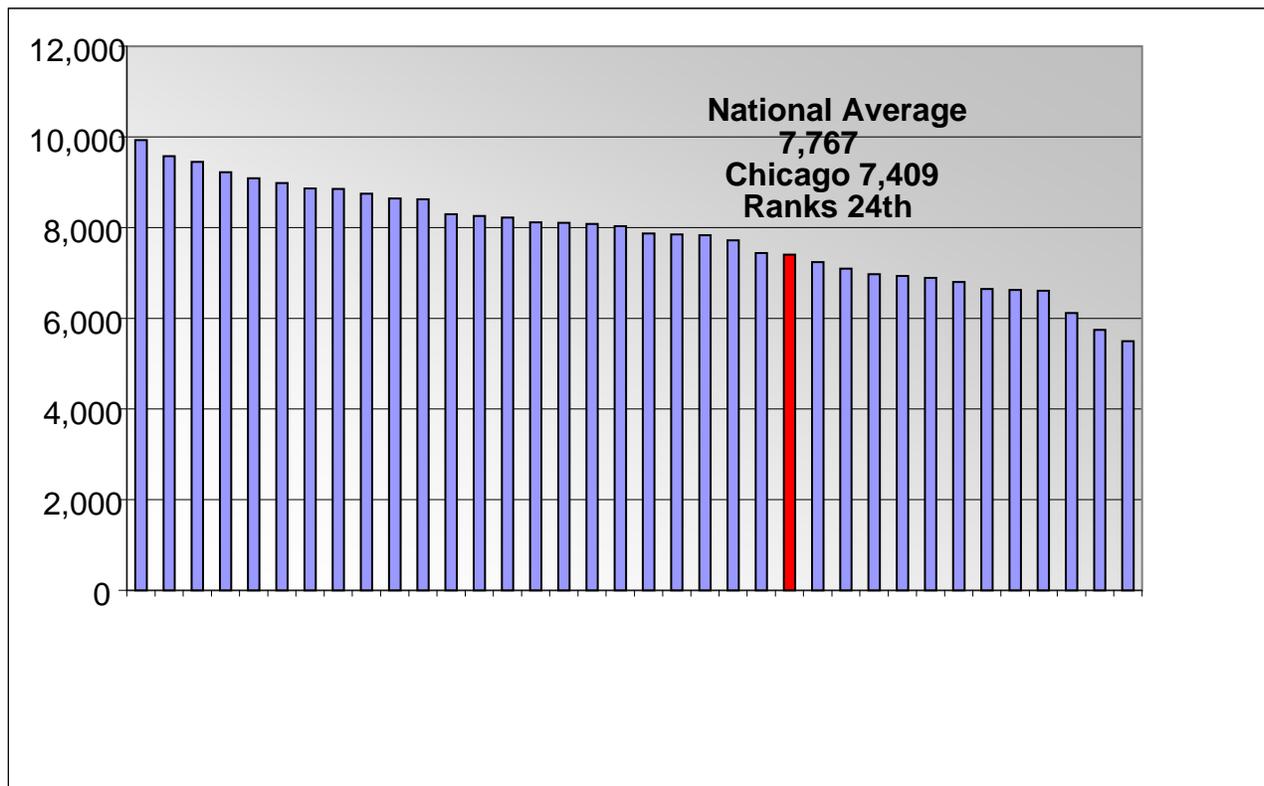
Delivery Point Sequencing. The Cardiss Collins P&DC consistently ranked below the national average for letters sorted in DPS. During FYs 2006 and 2007, the Cardiss Collins P&DC processed letter mail in DPS an average of 69 and 72 percent of the time, respectively. Although the percentage of DPS mail increased during FY 2007, the percentage continues to be well below the national average of 83 percent. Consequently, we concluded Chicago District mail carriers manually case a higher percentage of mail than their national counterparts do, resulting in increased office time and possible mail delays. See chart on the next page.

**PERCENTAGE OF DELIVERY POINT SEQUENCING —
NATIONAL VERSUS CARDISS COLLINS P&DC
FYs 2003 TO 2007**



DBCS Productivity. In FY 2007, the Cardiss Collins P&DC processed 7,409 pieces per hour on a DBCS, compared to the national average of 7,767 pieces. See chart on next page.

**BREAKTHROUGH PRODUCTIVITY INDEX PERFORMANCE FOR DBCS –
CARDISS COLLINS P&DC, FY 2007**



DBCS productivity at the Cardiss Collins P&DC improved slightly during FY 2007, as did its ranking among Group 1 sites, due to overhaul of the machines. Improving DBCS productivity will increase the Cardiss Collins P&DC's ability to sort mail in DPS and process letter mail within the operational window.

Transportation Efficiency

We reviewed transportation throughout the Chicago District and did not identify any issues that affected the timely delivery of mail.

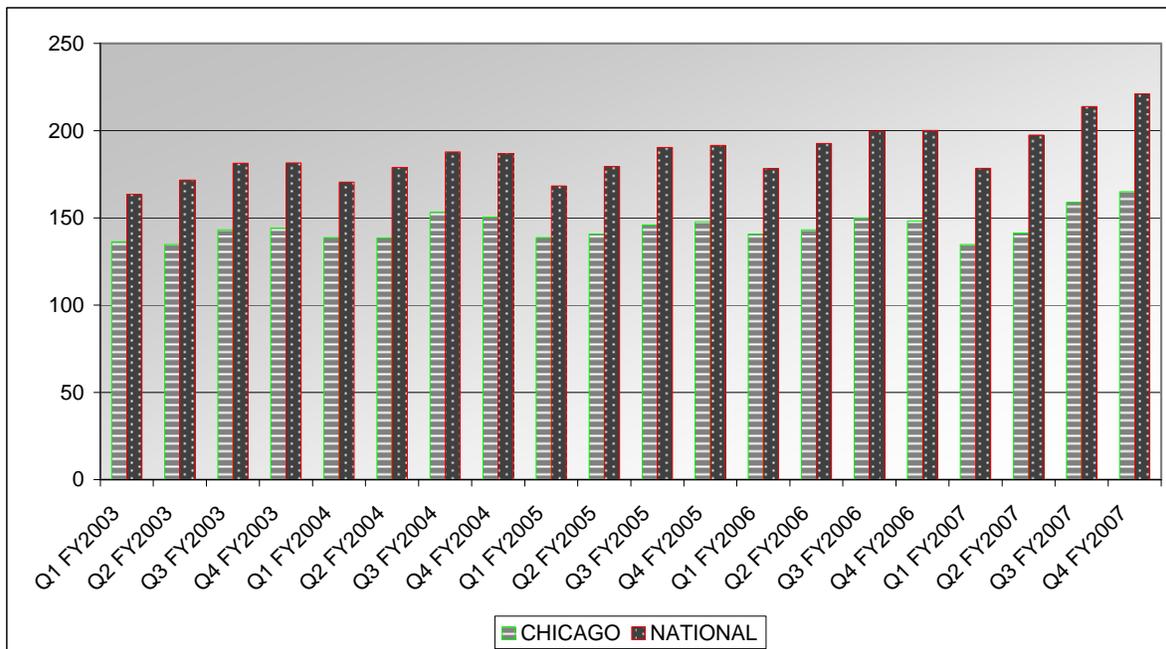
Delivery Efficiency

The Chicago District had opportunities to improve efficiencies both in the office and on the street that would allow it to deliver mail in a timelier manner. We found that improving office efficiency would allow carriers additional street time to complete delivery by 5 p.m. For example, the Chicago District Office Efficiency Index (OEI)¹⁸ has

¹⁸ The Postal Service uses the OEI to measure office performance. OEI is calculated by dividing the possible deliveries by the office time.

been well below the national average since FY 2003. Consequently, the Chicago District city carriers used more time in the office than necessary. See chart below.

**OFFICE EFFICIENCY INDEX —
CHICAGO DISTRICT COMPARED TO NATIONAL AVERAGE
QUARTER 1 FY 2003 TO QUARTER 4 FY 2007**



In addition, in spite of DPS mail increases, office time in the Chicago District did not decrease to the same degree as the national average. For example, from FYs 2003 to 2007, the Chicago District’s DPS mail volume increased 34 percent but office time only decreased 6 percent. Nationally, DPS mail increased approximately 18 percent, resulting in a 10 percent office hour decrease. Consequently, Chicago District delivery units used more time in the office than their national counterparts.

Improving street efficiency would also increase the Chicago District’s opportunities to deliver mail before 5 p.m. Nationally, in FY 2007, letter carriers spent approximately 32 percent of their time in the office and 68 percent of their time on the street delivering mail. During the same period, letter carriers in the Chicago District spent 38 percent of their time in the office and 62 percent of their time on the street. Click [here](#) to return to report.

[APPENDIX F: DETAILED ANALYSIS INTERNAL CONTROLS](#)

Generally, internal controls concerning the timely processing, transporting, and delivery of mail were functioning as intended. However, we found instances where the Chicago District could improve controls.

- The Cardiss Collins P&DC needed to improve controls over color-coding. Our initial observations conducted in April 2007 indicated that 29 percent of the containers examined were not properly color-coded. However, during our observations in November 2007, we found that color-coding had improved and less than 5 percent of the containers did not have a color code. Improved color-coding will allow the Cardiss Collins P&DC to prioritize its workload and ensure first-in, first-out mail processing.
- Our initial observations conducted in April 2007 indicated the Chicago District Address Management System had not been updated or corrected and consequently was not accurate. Management stated they are updating and correcting the database. Updating the Address Management System will allow better sequencing of mail and reduce carrier office time. We also noted in our initial observations that there were no integrated operating plans at the delivery units. Management stated they are still in the process of implementing these plans at the delivery units.

Click [here](#) to return to report.

APPENDIX G: DETAILED ANALYSIS
CHICAGO DISTRICT'S SERVICE PERFORMANCE IN COMPARISON TO
NATIONAL AVERAGE SERVICE TRENDS,
QUARTER 4 FY 2004 TO QUARTER 4 FY 2007

Service Category	Quarter	Fiscal Year	Chicago Ranking Compared to National	Chicago Service Score	National Average Service Score
Overnight	4	2007	79 of 79	93.67	96.04
	3	2007	79 of 79	92.36	95.80
	2	2007	79 of 79	89.84	95.16
	1	2007	79 of 79	88.88	95.06
	4	2006	79 of 79	91.12	95.42
	4	2005	74 of 79	93.89	95.21
	4	2004	58 of 79	94.87	95.40
Two- and Three-Day	4	2007	78 of 80	91.45	93.19
	3	2007	78 of 80	87.51	92.13
	2	2007	80 of 80	76.35	89.44
	1	2007	78 of 80	77.17	88.36
	4	2006	78 of 80	83.62	90.85
	4	2005	72 of 80	88.25	90.53
	4	2004	46 of 80	91.14	91.23
Two-Day	4	2007	72 of 78	92.8	93.91
	3	2007	77 of 78	89.65	93.09
	2	2007	78 of 78	80.99	91.17
	1	2007	78 of 78	81.41	90.79
	4	2006	78 of 78	85.86	91.71
	4	2005	64 of 78	90.14	91.49
	4	2004	30 of 78	92.86	91.98
Three-Day	4	2007	76 of 80	89.38	92.53
	3	2007	78 of 80	84.21	91.25
	2	2007	80 of 80	69.10	87.57
	1	2007	79 of 80	70.58	86.17
	4	2006	77 of 80	80.44	90.24
	4	2005	76 of 80	85.46	89.80
	4	2004	67 of 80	88.81	90.62

Click [here](#) to return to report.

APPENDIX H: DETAILED ANALYSIS POSTAL SERVICE INITIATIVES IN PLACE OR PLANNED

MAIL PROCESSING

Overhauled mail processing equipment.

Retrained maintenance employees.

Retrained machine operators.

Identified and addressed performance issues.

Implemented random audits of operators and maintenance employees to ensure compliance with procedures.

Trained all management on improvement processes in automation.

Improved communication and coordination between the plant and delivery stations.

Increased management structure to create more consistency throughout the plant.

Established tour turnover meetings for daily accountability for supervisors and increased cross-functional accountability.

Established a standard operating procedure to address overtime usage.

Completing a scheduling and staffing study for the plant to ensure they schedule the proper number of employees for each shift.

Developed a facility off-load plan by mail category, shape, and processing window in the event that actual volume exceeds capacity or there is a power or equipment loss.

Streamlined mail sort plans for better mail flow.

Trained mail processing personnel on how to properly record on hand mail in the MCRS and properly color code mail.

DELIVERY

Completed Walk Every Route Project and 2,464 Address Management System Quality Reviews. Began executing a plan to walk every route on an annual basis.

Developed and established a system to track and record late mail arrivals from other facilities and missent mail from stations.

Created a team to follow up on quality reviews and standardize and improve the Address Management System database process.

Completed delivery management training for 238 supervisors/managers.

Hired 335 city carriers.

Executed a plan to ensure Delivery Standard Operating Procedures and Integrated Operating Plan are in place and effective.

Implemented Missent Mail and Hot Case standard operating procedures.

Executed a plan to increase DPS mail.

Executed a plan to match workhours to workload through the use of DOIS and the City Delivery Pivoting Opportunity Model application.

Increased Customer Service Operations management structure to allow focus that is more concentrated.

Implemented daily meetings between Post Office Operations, Plant Operations, Maintenance, and Transportation.

TRANSPORTATION

Working to identify excess PVS resources and analyze transportation resources once Cardiss Collins P&DC completes reorganization of their processing structure.

Monitoring the Cardiss Collins P&DC plan for improving communication and coordination between the plant and delivery stations.

Reviewed scheduled transportation between the Cardiss Collins P&DC and the Chicago Bulk Mail Center and discontinued the "as-needed" trips.

Improved data collection activities associated with systems such as Surface Visibility and Vehicle Information Transportation Analysis and Logistics.

Continuing to train and supervise employees who work with transportation systems.

Click [here](#) to return to report.

**APPENDIX I: CALCULATION OF FUNDS PUT TO BETTER USE
AND REVENUE AT RISK**

Click [here](#) to return to report. Click [here](#) to return to Appendix B.
Click [here](#) to return to Appendix D.

FUNDS PUT TO BETTER USE

Employee Category Impacted	Workhour Reduction	Undiscounted Savings	Timeframe: 10 Fiscal Years
			Discounted Savings (Net Present Value)
Function 1 Mail Processing Clerk and Mail Handler Hours	697,245	\$287,860,656	\$231,337,397

NOTES

- We based the 697,245 workhour reduction on management’s plan to reduce workhours over a 10-year period, based on FY 2007 usage of approximately 3 million workhours.
- We calculated the cost avoidance using the savings in hours multiplied by the escalated labor rate over a 10-year period.
- We calculated the net present value using the December 6, 2007, discount rate of 4.5 percent over a 10-year period.
- We based labor rates on the Postal Service’s March 6, 2006, published rates for a level 05 (PS-05) mail processing clerk.
- The yearly escalation factor is 2.2 percent, based on the Postal Service’s Decision Analysis Factors, effective December 6, 2007.

FUNDS PUT TO BETTER USE — Funds management can use more efficiently by implementing recommended actions.

**REVENUE AT RISK (NON-MONETARY IMPACT)
AMOUNT OF DELAYED MAIL AT THE CARDISS COLLINS P&DC IN FY 2007**

	Revenue	Pieces	Revenue per Piece	Total Delayed	1/2 of Delayed	Revenue at Risk
Package Services	\$541,198	294,556	\$1.84	3,183,613	1,591,807	\$2,924,682

NOTES

- We calculated the revenue per piece amount by using the reported revenue and pieces by mail classification on the Quarter 4 FY 2006 Revenue, Pieces, and Weight report.
- We multiplied the revenue per piece amount times the amount of delayed mail reported at the Cardiss Collins P&DC in FY 2007, and then divided it in half to allow for mailpieces that were more than one day old.
- We included Package Service mail in this calculation, as it is the most vulnerable to competition from other package delivery companies.

REVENUE AT RISK — Revenue deemed to be at risk of loss due to unreliable service that may convince our customers to seek other providers. Although the Private Express statutes allow the Postal Service a monopoly on the carriage and delivery of letters, the statutes can be suspended for private services that support the interests of the general public. For example, revisions to the statutes made in 1979 gave rise to delivery services such as Federal Express.

APPENDIX J: PRIOR RECOMMENDATIONS THAT REMAIN OPEN

Management generally agreed with the findings in the reports listed below and has or is taking corrective action on our recommendations.

Recommendations made in *Timely City Delivery—Chicago District* (Report Number DR-AR-08-001, dated October 11, 2007)

We recommended the District Manager/Postmaster, Chicago District:

1. Implement Delivery Standard Operating Procedures in all delivery units.
2. Provide appropriate oversight to ensure delivery unit Standard Operating Procedures are in place, operating as intended, and achieving desired results.

We recommended the Vice President, Great Lakes Area:

3. Validate that the Chicago District has implemented Delivery Standard Operating Procedures in all delivery units.
4. Provide appropriate oversight to ensure the Chicago District is monitoring delivery unit performance.

Recommendations made in *Timeliness of Mail Processing at the Chicago, Illinois Cardiss Collins Processing and Distribution Center* (Report Number NO-AR-07-012, dated September 28, 2007)

To improve the timely processing of mail, we recommended the District Manager/Postmaster, Chicago District, and the Senior Plant Manager, Cardiss Collins P&DC:

1. Monitor delayed mail on a daily basis and develop action plans, if necessary, to ensure the timely processing of mail.
2. Improve supervision by ensuring that supervisors are properly trained and held accountable for results in their operation.
3. Ensure that employees are held accountable by establishing performance goals, monitoring achievement of those goals, and rating performance based on goals.
4. Ensure that timely and proper preventive maintenance is conducted on mail processing equipment.

5. Ensure proper staffing and use of overtime in relation to workload.
6. Ensure that proper plans are developed and followed for events that will affect mail processing operations, such as flat sorter refurbishment, removal of equipment, sort plan changes, retrofits, new equipment installations, and employee attrition.
7. Develop contingency plans in the event that mail cannot be processed timely at the Cardiss Collins Processing and Distribution Center, including the redirection of the mail processing to other facilities.
8. Provide consistent supervision.

Recommendations made in *Impact of Transportation on Chicago District Performance* (Report Number NL-AR-07-008, dated September 28, 2007)

We recommended the District Manager/Postmaster, Chicago District, and the Senior Plant Manager, Cardiss Collins Processing and Distribution Center, coordinate to:

1. Analyze Chicago District PVS operations to identify excess PVS resources they can reduce and apply to other critical requirements.
2. Improve communication and coordination between processing facilities and local post offices by improving local transportation planning and scheduling.

We recommended the Vice President, Great Lakes Area Operations:

3. Require managers at the Cardiss Collins Processing and Distribution Center and the Chicago Bulk Mail Center to properly plan transportation between the two facilities and properly account for mail in trailers.
4. Require managers to improve data collection by properly training and supervising employees on transportation systems, such as Surface Visibility.

Click [here](#) to return to report. Click [here](#) to return to new recommendations.

APPENDIX K: MANAGEMENT'S COMMENTS

JO ANN FEINDT
VICE PRESIDENT, GREAT LAKES AREA OPERATIONS



March 10, 2008

COLLEEN A. McANTEE
DEPUTY ASSISTANT INSPECTOR GENERAL
FOR MISSION OPERATIONS

SUBJECT: Timeliness of Mail Processing, Transportation, and Delivery
Operations in the Chicago District (Report Number NO-AR-080 DRAFT)

I am encouraged with the service and financial improvements to date in the Chicago cluster. As shown in the tables below, significant improvements have already been realized.

Service Performance

	PQ 1 FY 07	PQ 1 FY 08	Improvement To SPLY
Overnight	88.9	94.3	+ 5.4
2 Day	81.4	92.4	+ 11.0
3 Day	70.6	86.1	+ 15.5

Workhour Performance

	WK 22 YTD FY 07	WK 22 YTD FY 08	Variance	% to SPLY
DPS	69.6	76.4	6.8	9.8
F1 hours to SPLY	2,574,145	2,358,544	-215,601	-8.4
F 1 OT %	3,101,256	3,056,896	-44,360	-1.4
F2B hours to SPLY	1,214,865	1,144,677	-70,188	-5.8
F2B OT %	15.8	11.6	-4.2	-26.7
F4 hours to SPLY	22.8	19.9	-2.9	-12.7
F4 OT %	13.4	11.9	-1.5	-11.0
Penalty OT %	1.8	1.1	-0.7	-37.7

244 KNOLLWOOD DRIVE FLOOR 4
BLOOMINGDALE, IL 60117-1000
630/539-5858
FAX: 630/539-7171

- 2 -

Quality/Management	
AMS Database	143,162 errors corrected
Delivery Supervision	196 supervisors/managers trained
	4 additional CSOM positions
	336 carriers hired

Chicago's leadership is continuing to focus on efficient operations, equipment maintenance, and employee accountability. I expect continued improvement in service and cost performance in Chicago.

The Chicago District has outlined a plan to improve timely distribution and delivery. The district plan includes the following action items which the Great Lakes Area office monitors and provides support to accomplish. I have a tracking tool in place, which I utilize to monitor the progress and results of each action that Chicago committed to in their response to the OIG mail processing, transportation, and delivery operations audits.

The following responses address the recommendations made in the subject capping report.

To improve the timely processing and delivery of mail, we recommend the Vice President, Great Lakes Area Operations ensure:

- 1. The Chicago District Manager and Senior Plant Manager continue to monitor the processing and delivery of mail, to ensure these operations are timely.**

I concur with this recommendation.

Below is a subset of Chicago's actions, submitted in their response to the OIGs FY 2007 mail processing audit, that pertain to this recommendation:

- Chicago will institute a formal volume projection, machine scheduling, and operational follow up process. The processes shall be discussed and reviewed during daily tour turnover meetings.
- MDOs will ensure all Supervisors Distribution Operations (SDOs) and craft employees are working the mail according to the Operating Plan and in the proper order based on commitment to prevent delayed volumes.
- The Chicago District will update IOP agreements between the plant and delivery units.

- 3 -

- Chicago will ensure equipment and operators are performing at requisite levels.

The Chicago District Manager and Senior Plant Manager must discuss performance on regular conference calls with my staff and me on indicators which fall below expected performance thresholds. They discuss, in detail, all indicators reported on the Area scorecard (safety, service, operational efficiencies, and revenue growth). Chicago must provide root causes and actions to improve performance. The Great Lakes Area support staffs are in regular contact with Chicago's executives and managers providing analysis, ideas, and actions needed.

2. The Chicago District Manager and Senior Plant Manager conduct safety talks, correct potential hazards, and follow up on limited duty employees and unscheduled absences.

I concur with this recommendation.

The Chicago District Manager and Senior Plant Manager will ensure that managers conduct regular safety talks as required. Maintenance and the Safety staff will correct identified hazards in a timely manner.

In addition, Chicago will implement a regular walkthrough on each tour for all SDOs, MDOs, and maintenance to identify unsafe conditions and take corrective action. Employees involved in unsafe acts and those managers who are failing to address safety issues will be issued corrective action.

Chicago executives and managers will review limited duty employees through the National Reassessment Process. District and plant supervisors will address unscheduled absences.

The Chicago District Manager and Senior Plant Manager must discuss performance on regular conference calls with my staff and me on indicators which fall below expected performance thresholds. They discuss, in detail, all indicators reported on the Area scorecard (safety, service, operational efficiencies, and revenue growth). Chicago must provide root causes and measures to improve performance. The Great Lakes Area support staffs are in regular contact with Chicago's executives and managers providing analysis, ideas, and actions needed.

3. The Chicago District continues to improve mail processing efficiency by reducing 691,779 work hours with an associated economic impact of \$220 million by FY 2017.

- 4 -

I concur with this recommendation.

The Chicago District has outlined a plan to capture savings by improving operational efficiency and accountability. The district plan, submitted in response to the mail processing audit, includes the following action items:

- Proper staffing and the use of overtime to ensure timely mail processing will be based on volume projections by operation. Each work unit's SDO and MDO will be responsible for managing their operation(s) to the workhours and OT appropriate for the projected/actual workload.
- Standard Operating Procedure (SOP) has been created to address overtime approval procedures. The monitoring of OT utilization relative to the budgeted hours as well as compliance to the overtime SOP is owned by the Sr. Plant Manager and Sr. Lead MDO with support of the Chicago Finance Manager.
- The Sr. Plant Manager, Sr. Lead MDO, and Human Resources Manager will complete and implement a scheduling and staffing study for Cardiss Collins to ensure the proper number of employees with the right skills at the right times of day are in place to ensure timely and accurate mail processing.
- All employees will be provided with the goals that relate specifically to their work unit or operation. Core goals established for FY08 are appropriate for each EAS employee using the HQ core operational indicators. The Sr. Plant Manager and District Manager are responsible for ensuring that appropriate core goals are established, monitored, and driven.

The Great Lakes Area budgeting process reduces plant budgets based on: equipment provided, workload reductions and efficiency improvement opportunities. In FY 08, the Cardiss Collins P & DC budget was reduced by 621,106 hours to SPLY.

The Chicago District Manager and Senior Plant Manager must discuss performance on regular conference calls with my staff and me on indicators which fall below expected performance thresholds. They discuss, in detail, all indicators reported on the Area scorecard (safety, service, operational efficiencies, and revenue growth). Chicago must provide root causes and measures to improve performance. The Great Lakes Area support staffs are in regular contact with Chicago's executives and managers providing analysis, ideas, and actions needed.

- 5 -

4. The Chicago District Manager and Senior Plant Manager continue to improve delivery operations efficiency by improving supervision and holding employees accountable.

I concur with this recommendation.

The Chicago District has outlined a plan to improve delivery operation and accountability. The district plan, which was submitted in response to the OIG delivery audit, includes the following action items:

- The Chicago District will proceed with activities in support of achieving AMSOP certification for select stations in FY 08.
- Chicago will hold weekly "opportunity" meetings to discuss performance improvement opportunities.
- Route Inspections are planned in FY 2008 for select routes in Chicago to ensure maximum efficiency and timely delivery.
- Chicago District management will provide appropriate oversight is given to ensure that SOPs are in place and effective.
- DPS improvements will be made in Chicago to reduce office time and improve service performance. The following goals have been set: Qtr 1: 77% Qtr 2: 78%, Qtr 3: 79% and Qtr 4: 80%.
- AMS database errors are to be identified, corrected and a process is to be established to accurately maintain the database.
- Chicago delivery supervisors require additional delivery training to maximize their units' efficiency and timeliness of delivery.
- A threshold number of city carriers for Chicago was determined to ensure timely delivery.
- Structural changes were made to enhance accountability in the stations/branches.

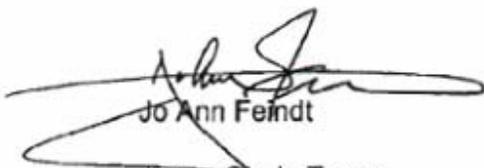
Chicago's service has improved while improving their efficiencies.

The Chicago District Manager and Senior Plant Manager must discuss performance on regular conference calls with the Area Vice President. They are expected to discuss, in detail, all indicators reported on the Area scorecard

- 6 -

(safety, service, operational efficiencies, and revenue growth). Chicago must provide root causes and measures to improve performance. The Great Lakes Area support staffs are in regular contact with Chicago's executives and managers providing analysis, ideas, and actions needed.

If you need additional information, please contact [REDACTED]



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