Efficiency of Operations at the Chicago Processing and Distribution Center, Chicago, IL

AUDIT REPORT
Report Number 23-138-R24 | October 11, 2023

OFFICE OF
INSPECTOR
GENERAL
UNITED STATES POSTAL SERVICE

Transmittal Letter

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UNITED STATES POSTAL SERVICE

October 11, 2023

MEMORANDUM FOR: FRANK D. VEAL
WESTSHORES DIVISION DIRECTOR, PROCESSING OPERATIONS

FROM: Sean Balduff
Director, Field Operations

SUBJECT: Audit Report – Efficiency of Operations at the Chicago Processing and Distribution Center, Chicago, IL (Report Number 23-138-R24)

This report presents the results of our audit of the Efficiency of Operations at the Chicago 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 Monica Brym, 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 about 280 processing facilities and 35,000 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 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 Chicago Processing and Distribution Center (P&DC) in Chicago, IL (Project Number 23-138). We judgmentally selected the Chicago P&DC based on a review of first and last mile failures;[1] mail clearance times; workhours; mail volume and productivity; scanning compliance; and late, canceled, and extra trips. The Chicago P&DC is in the Westshores Processing Division and processes letters, flats, and parcels. The Chicago P&DC services multiple 3-digit ZIP Codes in urban communities.[2] (See Table 1.)

Table 1. Population Demographics

3-Digit ZIP Codes	Urban Population	Rural Population	Total Population
606	2,680,110	0	2,680,110
607	108,697	0	108,697
608	154,294	0	154,294

Source: Postal Service National Distribution Labeling List and Esri.

Objective, Scope, and Methodology

Our objective was to evaluate the efficiency of operations at the Chicago P&DC. To accomplish our objective, we focused on five audit areas: mail clearance times;[3] delayed mail; late, canceled, and extra outbound trips; scan compliance; and security of registry items. We reviewed Surface Visibility Web (SVWeb)[4] data for late, canceled, and extra trips, as well as scan compliance[5] for the period from July 1, 2022, to June 30, 2023. Further, we identified mail clearance time goals for the Chicago P&DC and compared them with operations shown in the Run Plan Generator report.[6] During our site visit the week of July 24, 2023, we interviewed P&DC management and observed mail processing and dock operations.

During this time period, the OIG also audited four delivery units[7] serviced by the Chicago P&DC. We will provide the results of those audits to Chicago District management in separate reports. See Appendix A for additional information about our scope and methodology.

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1   First mile failures occur when a mailpiece is collected and does not receive a processing scan at a 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   We obtained ZIP Code information related to population and urban/rural classification from Esri, which is based on Census Bureau information.
3   The latest time committed mail can clear an operation for proper dispatch or delivery.
4   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.
5   Scans include load, depart, unload, close, assign, and arrive.
6   An application mail processing facilities use to plan machine utilization based on volume, clearance times, and other criteria.
7   The four delivery units were Cragin Station, Chicago, IL (project number 23-139-1); Daniel J. Doffyn Station, Chicago, IL (project number 23-139-2); Northtown Station, Chicago, IL (project number 23-139-4); and Roger P. McAuliffe Station, Chicago, IL (project number 23-139-5).

Results Summary

We identified deficiencies for one of the five areas we reviewed that affected the efficiency of operations at the Chicago P&DC. (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

Source: Results of OIG review conducted from July 24 to 27, 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 generally meeting the scheduled clearance times. During our visit, we also observed the timely processing of mail.

- **Late and Extra Outbound Trips** – We observed departing trucks and analyzed data related to late and extra outbound trips. We did not find any systemic issues.

- **Scan Compliance** – We analyzed scan data and observed employees scanning containers loaded onto outgoing trucks. We did not find any systemic issues.

- **Registry Cage** – 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: Delayed Mail

What We Found

On each day of our observations from July 25 to 27, 2023, we identified delayed mail at the facility. For example, on Tuesday, July 25, we observed about 22,860 delayed letters and 9,937 delayed flats (see Figure 1) in manual operation units.[8] On Wednesday, July 26, we observed about 11,657 delayed letters in the manual operation unit and 85 delayed parcels on the workroom floor (see Figure 2). On Thursday, July 27, we observed about 606 delayed letters in the manual operation unit. Further, management did not report any of the delayed mail we found into the Mail Condition Visualization (MCV) system.[9]

In addition, we observed mail that came back from the delivery units labeled "missent" that was potentially delayed. Specifically, from July 25 to July 27, 2023, we observed about 10,674 letters, 2,455 flats, and 686 packages in the manual operation units that were marked "missent" (see Figure 3). We determined that some of these mailpieces had the wrong ZIP Code for the mailing address, but the delivery unit did not indicate on the mailpieces that the ZIP Codes were incorrect. Therefore, the plant manually re-sorted this mail to go back to the same delivery unit.

Why Did it Occur

The delayed mail was primarily due to lack of management oversight. The delayed letters and flats in manual operations appeared to be rejected mail from sorting machines. Management did not properly staff the manual operation units to assure that this mail was sorted in time to make the final dispatch. In addition, supervisors did not verify that mail handlers conducted a sweep for mailpieces left behind on the workroom floor after sorting operations were completed. Finally, management did not verify that a daily on-hand mail count was conducted to identify delayed mail and properly report it in the MCV system.

Figure 1. Delayed Mail in Manual Letter and Flat Operation Units

Source: OIG photos taken July 25, 2023.

Figure 2. Delayed Parcels Found on Workroom Floor and on a Sorting Machine
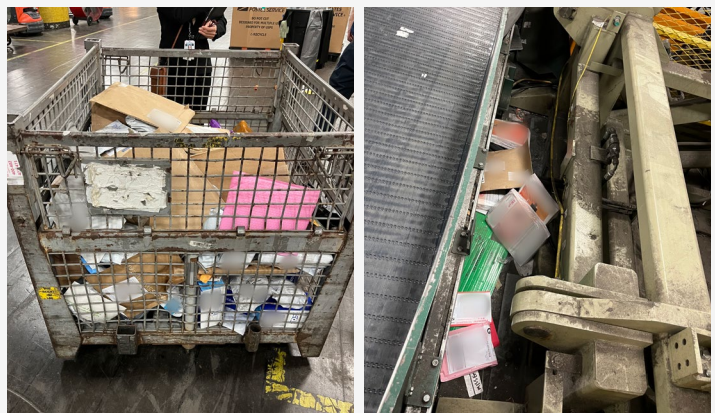
Source: OIG photos taken July 26, 2023.

Figure 3. Example of Missent Parcels

Source: OIG photos taken July 26 and July 27, 2023.

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8   OIG estimate based on Postal Service conversion factors in *Management Condition Visualization Manual Line Item Entry Job Aid*, October 26, 2020.
9   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.

Plant management said they often receive missent mail from the delivery units and assigned a mail handler to conduct a daily count of missent mail. Plant management received the count daily from the mail handler. However, management did not conduct an analysis to determine the reasons for the missent mail and did not report missent mail issues in the Mail Arrival Quality/Plant Arrival Quality (MAQ/PAQ) system.[10]

What Should Have Happened

Postal Service policy[11] states that management should continually gauge how well they are managing the flow of mail and have managerial control over the workload, personnel, and equipment needed for a well-run operation. As part of Postal Service practice, a delayed mail count should be performed and accurately reported in the MCV system daily.[12] Management should use the MAQ/PAQ system to communicate and resolve issues with missent mail returning from the delivery units.

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 delayed mail is not reported correctly in the MCV system, it provides management at the local, district, area, and headquarters levels with an inaccurate status of mail delays and can result in improper — or no — actions taken to address issues. Additionally, missent mail sent back to delivery units has an increased risk of becoming delayed. 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 **Westshores Division Director, Processing Operations**, develop and implement a process to verify mail handlers conduct a sweep for mailpieces left behind on the workroom floor after operations are completed at the Chicago Processing and Distribution Center, and that management reports all delayed mail in the Mail Condition Visualization system daily.

Recommendation #2

We recommend the **Westshores Division Director, Processing Operations**, verify that the manual operation units are properly staffed daily to sort mail rejected on sorting machines in time to make the final dispatch at the Chicago Processing and Distribution Center.

Recommendation #3

We recommend the **Westshores Division Director, Processing Operations**, perform an analysis of missent mail arriving to the Chicago Processing and Distribution Center and document any systemic issues into the Mail Arrival Quality/Plant Arrival Quality system.

Management's Comments

Management agreed with the findings and recommendations in the report. See Appendix B for management's comments in their entirety.

Regarding recommendation 1, management stated they have a process in place to verify daily sweeps are conducted on each tour to ensure mailpieces are not left behind. In addition, they stated that processing personnel perform a workroom floor audit to confirm the status of the facility and to verify that the information reported in MCV is correct. The target implementation date is November 15, 2023.

Regarding recommendation 2, management stated that they have a process in place to staff manual operations on each tour and provided details about this process. The target implementation date is November 15, 2023.

Regarding recommendation 3, management stated they have a process to spot check the containers of missent mail. This process identifies mail that is missent by mailers dropping their mail for delivery at the delivery unit, mail that is to be returned to the sender, and mail that is missent from the Chicago P&DC. They stated that systemic issues are

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10 The MAP/PAQ system facilitates communication and resolution of issues with the movement of mail, including collection mail, between postal facilities.
11 Handbook PO-413, *Platform Operations*, Section 2-1.1.
12 *Mail Condition Visualization Manual Line Item Entry Job Aid*, updated October 26, 2020.

documented and reported daily in the Mail Arrival Quality/Plant Arrival Quality system and discussed on daily calls with District management. To address issues with mail missent from the Chicago P&DC, management stated they perform random bin verification audits (on the processing machines) and report those findings to the Plant Manager. Management said that any machine issues will be addressed by maintenance and manual missorts will be addressed by processing operations. The target implementation date is November 15, 2023.

Evaluation of Management's Comments

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

Management provided documentation that supports they are performing daily sweeps for any mailpieces left behind after operations, and that they are performing workroom floor audits to verify the amount of delayed mail reported in the MCV system. Management also provided documentation of current staffing for manual letter and flat units. In addition, management provided documentation that supports they are conducting checks of missent mail containers and communicating any identified issues to the delivery units using the Mail Arrival Quality/Plant Arrival Quality system. Management also provided documentation that supports they are conducting bin verification audits to identify any mail missorted for the wrong delivery unit. Therefore, we consider all recommendations closed with the issuance of this report.

Appendix A: Additional Information

We conducted this audit from July through October 2023, 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 September 20, 2023, 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 all three internal control deficiencies were significant within the context of our objectives. Our recommendations, if implemented, should correct the weaknesses we identified.

We assessed the reliability of Enterprise Data Warehouse (EDW)[13] 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.

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13   A repository intended for all data and the central source for information on retail, financial, and operational performance. Mission-critical information comes to Enterprise Data Warehouse from transactions that occur across the mail delivery system, points-of-sale, and other sources.

UNITED STATES POSTAL SERVICE

September 25, 2023

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Efficiency of Operations at the Chicago
Processing and Distribution Center, Chicago IL (Project #23-138)

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

Management agrees with the finding in the report related to Delayed Mail and provide the following responses to the three recommendations.

<u>Recommendation #1:</u> We recommend the **Westshores Division Director, Processing Operations**, develop and implement a process to verify mail handlers conduct a sweep for mailpieces left behind on the workroom floor after operations are completed at the Chicago Processing and Distribution Center, and that management reports all delayed mail in the Mail Condition Visualization system daily.

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

Management has a process in place to verify daily sweeps are conducted on each tour to ensure mailpieces are not left. Maintenance performs mail sweeps and any mailpieces found are given to the Supervisor of Distribution Operations (SDO) to process and clear by that same day; the Supervisor of Maintenance Operations then sends an email out as confirmation. Additionally, Processing Support performs a workroom floor audit to confirm the status of the facility and that the information in MCV is correct. Processing Support takes pictures and sends an email with the details.

Support is provided to close this recommendation with issuance of the final report.

Target Implementation Date: 11/15/2023

Responsible Official: Executive Plant Manager

<u>Recommendation #2:</u> We recommend the **Westshores Division Director, Processing Operations**, verify that the manual operation units are properly staffed daily to sort mail rejected on sorting machines in time to make the final dispatch at the Chicago Processing and Distribution Center.

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

Management has a process in place to staff manual operations on each tour.

- Tour 2: Solicit volunteers first; then place clerks from the APBS.
- Tour 3: Staff with the bid employees; then—based on juniority—staff from automation.
- Tour 1: Staff with the bid employees; then—based on juniority—staff from automation and flats operations.

Support is provided to close this recommendation with issuance of the final report.

Target Implementation Date: 11/15/2023

Responsible Official: Executive Plant Manager

<u>Recommendation #3:</u> We recommend the **Westshores Division Director, Processing Operations**, perform an analysis of missent mail arriving to the Chicago Processing and Distribution Center and document any systemic issues into the Mail Arrival Quality/Plant Arrival Quality system.

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

Processing Support spot checks the containers of missent mail and focuses on repeat offenders to identify the following:
- Destinating Delivery Unit (DDU) missent from the mailers
- Return to sender due to packages with wrong Zip, incorrect address, crossed out addresses.
- Actual missents from Chicago P&DC

Processing Support is documenting and reporting systemic issues daily via MaqPaq, which is also discussed on our daily district call.

For Chicago P&DC's actual missents:
- Processing Support performs a random bin verification, ensuring that the piece fell in the correct bin, and emails audit findings to the Plant Manager.
- Based on Processing Support bin verification findings, Maintenance will address any machine issues and Mail Processing will address any manual missorts.

Support is provided to close this recommendation with issuance of the final report.

Target Implementation Date: 11/15/2023

Responsible Official: Executive Plant Manager

E-SIGNED by Frank.D Veal
on 2023-09-25 13:28:03 CDT

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Frank Veal
Sr. Dir Division Processing Operations (Westshores)

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

Contact us via our Hotline and FOIA forms. Follow us on social networks. Stay informed.

1735 North Lynn Street, Arlington, VA 22209-2020
(703) 248-2100

For media inquiries, please email press@uspsoig.gov or call (703) 248-2100