



January 28, 2010

GLORIA E. TYSON
MANAGER, CHICAGO CUSTOMER SERVICE DISTRICT

SUBJECT: Management Advisory – Handling and Transportation
of Large and Lightweight First-Class Mail Parcels
(Report Number NL-MA-10-001)

This report presents the results of our self-initiated review of the U.S. Postal Service's handling and transportation of large and lightweight First-Class Mail® (FCM) parcels in the Chicago District (Project Number 09XG015NL001).¹ Our objective was to determine whether the Postal Service properly processed, handled, and transported the large and lightweight FCM parcels. This audit addresses financial risk. See [Appendix A](#) for additional information about this audit.

Conclusion

The Postal Service mishandled and improperly processed large and lightweight FCM parcels at two facilities. This resulted in employees incorrectly placing FCM parcels on Federal Express (FedEx) transportation instead of less expensive surface transportation. This occurred because mail processing personnel were not following established procedures and policies for processing, handling, and assigning mail to the proper transportation mode.

Consequently, the Postal Service incurred about \$24,000 in unnecessary transportation costs for a 12-month period. By curtailing these practices, the Postal Service could save approximately \$48,000 over the next 2 years. While management took action during our site visits to address the issue, they still need to reinforce existing policies and procedures to ensure continued compliance. See [Appendix B](#) for our detailed analysis of this topic.

We recommend the manager, Chicago Customer Service District:

1. Reinforce established policies and procedures for processing, dispatching, and assigning First-Class Mail parcels at the Irving Park Road Processing and Distribution Center and the Chicago O'Hare Airport Mail Center.

¹ This report resulted from observations during fieldwork conducted for our *Chicago O'Hare Airport Mail Center Operations* audit (Report Number NL-AR-09-011, dated September 30, 2009).

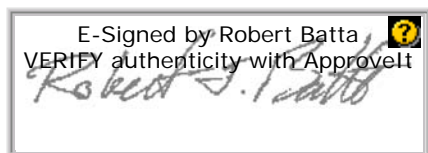
Management's Comments

Management agreed with the finding and recommendation. Management stated they began corrective actions in December 2009 by providing service talks and guidance, instruction, and oversight for handling the specific mail types. In addition, management stated they would place additional signage near mail assignment scan stations on the workroom floor as a visual aid and will conduct random audits to monitor compliance with the procedures. See [Appendix D](#) for 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 recommendation and management's corrective actions should resolve the issues identified in the report.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Jody Troxclair, director, Transportation, or me at (703) 248-2100.



Robert J. Batta
Deputy Assistant Inspector General
for Mission Operations

Attachments

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APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

Customers mail a variety of products through the Postal Service. For example, one customer mails a number of large and lightweight products including:

- FCM parcels – the majority of which are composed of large, lightweight, clear plastic sacks of "packing peanuts."



Sacks of "packing peanuts" from the customer,
August 31, 2009



Close-up of a mailing label,
August 31, 2009

- Priority Mail® parcels – "bubble-wrap" or thin sheets of foam for shipping fragile and semi-fragile items.



Priority Mail parcels from the customer,
August 31, 2009

This mail is typically deposited on most business days at a local mail facility where it's transported and processed at the Irving Park Road Processing and Distribution Center (P&DC), located adjacent to the Chicago O'Hare Airport Mail Center (AMC).

OBJECTIVE, SCOPE, AND METHODOLOGY

Our audit objective was to evaluate whether the Postal Service properly processed, handled, and transported large and lightweight FCM parcels.

We interviewed officials and employees from the Postal Service at the Irving Park Road P&DC and the Chicago O'Hare AMC. We examined relevant Postal Service policies and procedures and other related documents, including:

- *Domestic Mail Manual* (DMM) 300, Notice 123, for FCM parcel postage rates.
- DMM 300, Section 401, Additional Physical Standards by Class of Mail.
- Decoupling of Priority Mail and FCM, dated May 24, 2006.
- National Dispatch Instructions #LO SOP200901, dated March 9, 2009.

We also examined Postal Service computer-generated data and customer-generated data from a third-party postage vendor and used these to analyze dispatch plans, mail volume, and postage payments. We analyzed data in the Networks Intranet, specifically the Distribution Table Maintenance System.

We conducted limited analyses to determine if management could improve processes and, as a result, reduce transportation costs. We did not audit or comprehensively validate the data. However, we supported our audit conclusions by examining source documents. We also observed, inspected, and photographed operations and applied reasonable estimates or approximations to these operations. We talked to local management officials and craft employees throughout our audit, asked for feedback and perspective, and included their comments where appropriate. We applied conservative principles to our cost savings estimates and considered management's comments where appropriate.

We conducted this review from May 2009 through January 2010 in accordance with the President's Council on Integrity and Efficiency, *Quality Standards for Inspections*. We discussed our observations and conclusions with management officials on November 3, 2009, and December 16, 2009, and included their comments where appropriate.

PRIOR AUDIT COVERAGE

The OIG issued no previous reports with findings similar to those in this report.

APPENDIX B: DETAILED ANALYSIS

Processing, Handling, and Transportation of FCM Parcels

We observed different occasions where Postal Service personnel mishandled and improperly processed large and lightweight FCM parcels at two facilities. Specifically, we found that:

- In some cases, FCM parcels were incorrectly transported to the Priority Mail “outsides”² operation at the Irving Park Road P&DC where they were subsequently mishandled and improperly processed. Employees mistakenly treated these parcels as Priority Mail and sent them to the Chicago O’Hare AMC for transportation on FedEx.
- In other cases, FCM parcels were not placed (handled) in FCM sacks prior to being sent to the Chicago O’Hare AMC and personnel improperly assigned the mail for transportation on FedEx.

We confirmed with craft employees at both facilities that mail was routinely handled and dispatched in this manner because personnel did not follow established policies and procedures.



FCM parcels in the wrong operation “Priority Outsides Belt Staging Area,” Irving Park Road P&DC, August 31, 2009



Close-up of the overhead sign.

According to established Postal Service policies and procedures, FCM parcels should be processed separately from Priority Mail and placed inside FCM sacks by mail processing operations to avoid the excessive handling and transport costs of providing Priority Mail service while only receiving FCM rates. These parcels should not be placed in Priority Mail sacks or mailed as Priority Mail outside parcels.

² “Outsides” are parcels or packages that will not fit into Priority or FCM sacks.



FCM outside parcels in a mail container that would be flown on FedEx. To ensure proper transportation, the parcels should be placed in FCM sacks.

Photo taken at the Irving Park Road P&DC on August 31, 2009.

As a result of improper handling and processing of mail, the Postal Service incurred unnecessary transportation costs of about \$24,000 by using FedEx rather than less expensive surface transportation. We estimate the Postal Service could save about \$48,000 over the next 2 years by discontinuing the mishandling practices.

See [Appendix C](#).

Management's Actions

Managers at the Irving Park Road P&DC and the Chicago O'Hare AMC recognized these problems and instructed operations supervisors to ensure mail was properly prepared for assignment on the correct mode of transportation. However, our observations and monitoring of operations showed that these practices were not fully curtailed.

APPENDIX C: MONETARY IMPACTS

Finding	Impact Category	Amount
FCM Parcels	Unrecoverable Questioned Costs ³	\$23,945
	Funds Put to Better Use ⁴	\$47,890
	TOTAL	\$71,835

We performed a limited analysis of postage records for a Postal Service customer for the period August 2008 through July 2009. During this period, we estimated that 852 of these large and lightweight FCM parcels were transported on the FedEx Day Turn network as Priority Mail (at a cost of at least \$28.11 each) instead of on existing space-available surface transportation at no additional cost. We estimated that the unnecessary transportation cost for these 852 FCM parcels was \$23,945. By curtailing these practices, the Postal Service could save approximately \$47,890 over the next 2 years.

³ Unrecoverable costs are unnecessary costs, such as the cost of flying mail on FedEx that should have been on surface transportation. (Period covered August 2008 through July 2009. We found 852 parcels at \$28.11 a piece = \$23,945.)

⁴ Funds the Postal Service could use more efficiently for the next 2 years by implementing the recommendation.

APPENDIX D: MANAGEMENT'S COMMENTS

DISTRICT MANAGER/POSTMASTER
CHICAGO PERFORMANCE CLUSTER



January 11, 2010

Lucine M. Willis
Director, Audit Operations

Subject: Transmittal of Draft Management Advisory – Handling and Transportation of Large and Lightweight First Class Mail Parcels – (Report Number NL-MA-10-DRAFT)

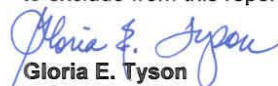
The following response addresses the findings in detail in the Audit Conducted by the OIG regarding handling and transportation of First Class Mail (FCM) parcels for [REDACTED] at both our Irving Park Road P&DC and Chicago O'Hare AMC.

Recommendation 1: Reinforce established policies and procedures for processing, dispatching and assigning First Class Mail parcels at the Irving Park Road Processing and Distribution Center and the Chicago O'Hare Airport Mail Center.

Management Response: We agree with the finding and recommendation and are implementing the following actions:

- A service talk explaining the proper handling of this mail will be issued to all employees beginning on January 11, 2010. It will explain the Postal policies and procedures established for the proper handling of First Class parcels in particular, the [REDACTED] parcels.
- Mail processing managers and supervisors were instructed in December 2009 to: 1) handle this mail type using first class mail sacks; 2) transport it through the first class mail stream and 3) route it strictly under the First Class mail assignment process only. Senior Operations Manager Martinez will be following up the week of January 11, 2010.
- All managers and supervisors were advised in December 2009 of their responsibilities for enforcing these procedures and monitoring them daily to ensure compliance.
- Signage will be placed in close proximity to all scanning units in by January 31, 2010 as a visual aid to enhance compliance.
- Transportation and In-Plant Support staff for each facility will conduct random audits and report their findings to the Plant Manager Ruby Branch for Chicago AMC and A/Plant Manager Carl Jones for Irving Park Road P&DC in order to ensure there is oversight and compliance.

Freedom of Information Act Exemption: We do not have any information that we would like to exclude from this report.


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January 7, 2010

So that you know...



Processing Priority and 1st Class Outsides

Every postal employee is responsible for "Revenue Protection". In the Plant this means "processing the right mail on/in the right operation". For example, we all know that it cost more to send a package by Priority than by First Class. However, if we process FCM (First Class Mail) in the Priority mail stream, then we (the Postal Service) have lost money because that company (or individual) did not pay the additional cost for Priority processing.

A further example would be mail [REDACTED], which consist of larger packages of "packing peanuts", and "bubblewrap". The bubblewrap mail was Priority; however the "packing peanuts are First Class. If the First Class mail receives the same service as the Priority, then the company may decide to send all of it as First Class, thereby paying a lower price. This would cost the Postal Service thousands, perhaps millions of dollars in Revenue.

We at IPR can help prevent the lost of revenue by following the correct mail flow procedures:

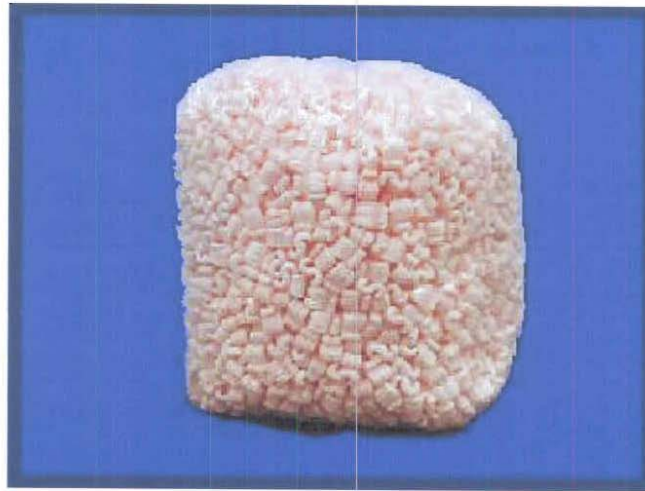
1. Send only Priority outsides to the Priority Outsides Unit.
2. Send FCM outsides to AMC O' Hare.
3. [REDACTED] "packing peanuts" are to be sent to the First Class Pouching Unit, where they are to be put into a First class pouch.
4. [REDACTED] "bubblewrap" is to be sent to the Priority Pouching Unit, where they are to be put into a Priority pouch.

By following these 4 simple steps, we will help to increase our job security by enabling the Postal Service to meet its goals and commitments, and ensure that our customers will continue to use the Postal Service now and in the future.

Date	January 8	2010
To:	From:	
All AMC O'Hare employees		In-Plant Support
<h3>Handling and Transportation of Large and Lightweight First-Class Mail Parcels</h3>		
<p>In a recent audit it was found that the way we handle the [REDACTED] First Class Parcel is incorrect. In order to enforce and correctly process this type of mail the following must be done:</p>		
<p>When receiving any [REDACTED] ("packing peanuts") mailings, correctly identify the class of mail (First Class vs. Priority).</p>		
<p>According to the DMM and established Postal Service policies and procedures, FCM parcels should be processed separately from Priority mail and be placed inside FCM sacks by mail processing operations to avoid the excessive handling and transport cost of providing Priority mail Service while only receiving FCM rates.</p>		
<p>These Parcels should not be placed in Priority sacks or mailed Priority Mail being routed as Priority. These Parcels must be scanned and dispatched on First Class transportation only.</p>		
<p>Your help in correctly processing these mailings is appreciated. Thank you.</p>		



Packing Peanuts



Process in white 1C sacks
(1C Pouch Rack)