

GAO

Report to the Honorable  
Sidney R. Yates, House of  
Representatives

---

October 1997

# U.S. POSTAL SERVICE

## Chicago Main Post Office Cost Overruns and Graceland Station Mail Service



---

---



General Government Division

B-276037

October 31, 1997

The Honorable Sidney R. Yates  
House of Representatives

Dear Mr. Yates:

In recent years, the United States Postal Service (USPS) has attempted to improve the mail service in Chicago, IL, which has experienced some of the lowest ratings in the nation on the percentage of overnight mail delivered on time. One action USPS took was to construct a new main post office in Chicago, a project that experienced a \$133 million cost overrun during construction.

This report responds to your request that we (1) determine the reasons for the \$133 million in cost overruns incurred at the new Chicago Main Post Office; (2) provide a list of procedures that USPS has established to prevent a recurrence of cost overruns experienced with the new Chicago Main Post Office in similar, future capital investment projects; and (3) inquire why the USPS Board of Governors approved some of the budget increases for the new Chicago Main Post Office in closed, rather than open, meetings. You also asked us to review issues relating to complaints you have received regarding mail service in your district (the Ninth Congressional District of Illinois).

With regard to service, you specifically asked us to (1) compare the Postal Service's performance indicators for the Graceland postal station in Chicago to those at a similar station in another city with a higher First-Class, overnight delivery (EXFC) score<sup>1</sup> than Chicago's; and (2) report the results of a 1997 Postal Service survey of the physical condition of postal facilities in your district. Graceland station's customer service was particularly problematic in the Chicago District. Your objective in having us compare the performance indicators of the two stations was to attempt to determine potential causes of problems at Graceland.

---

## Results in Brief

Based on our review of the events that occurred and the results of an investigation conducted by the Postal Inspection Service, the \$133 million in cost overruns that were incurred in the construction of the new Chicago Main Post Office appeared to be due primarily to inadequate planning. The

---

<sup>1</sup>The Postal Service currently uses a measurement known as External First-Class Measurement System (EXFC) as a means of indicating how well it is serving its customers. The quarterly EXFC, administered by Price Waterhouse, measures the delivery time of First-Class mail from deposit to delivery (collection box to mail slot).

---

Postal Service approved construction on a site that was opposed by the city of Chicago and then used a cost estimate for an alternative site that did not adequately reflect the complexity and cost of building over active railroad tracks and other factors. Further, management's incorporation of increased automation plans into the facility while it was being constructed resulted in costly design changes. The Postal Service has implemented procedures aimed at reducing the likelihood of cost overruns occurring in similar, future capital investment projects, including earlier notification of problems to the Board of Governors and more Inspection Service involvement with review of facilities construction.

Postal officials indicated that the USPS Board of Governors approved some of the budget increases for the new Chicago Main Post Office in closed, rather than open, meetings, because it would not have been in the Postal Service's best interest to disclose the amounts requested while negotiating change orders with contractors. An additional reason cited was that the Postal Inspection Service was investigating the project.

At your request, we asked the Postal Service to provide performance data on Chicago's Graceland station, which has been the focus of constituent complaints, and on a station in another city with a higher EXFC score than Chicago's that also served a densely populated area with many high-rise residential units. The Postal Service identified Boston's Brookline station and provided data for performance indicators that the USPS maintains on workload, workforce, timeliness, and complaints during two, 1-week periods in September 1996 and January 1997 for the Graceland and Brookline stations. Those two periods were chosen to compare whether the performance had changed over time, starting with the week that a new manager started working at Graceland and 4 months later.

Our comparison of data provided for the two stations confirmed that differences existed in terms of the performance indicator results, and it also showed that the data provided were not informative about the causes of problems with mail service at Graceland or in Chicago. Postal Service records showed that Graceland delivered about 20 percent more mail than Brookline during the week reviewed in September 1996, but both stations delivered about the same amount of mail during the week reviewed in January 1997. Regarding workforce issues, from September 1996 through January 1997, the number of part-time and temporary carriers increased from 17 to 37, or 118 percent, at Graceland; the number increased from 17 to 20 at Brookline, or 18 percent. In September 1996, Graceland incurred

---

more carrier overtime and sick leave than Brookline, but it incurred less than Brookline in January 1997.

With respect to the timeliness indicators provided, for both time periods, Graceland station had more bulk business mail<sup>2</sup> that was delayed (which occurs when bulk business mail takes more than 48 hours to leave the station) and curtailed (which is mail that is not yet scheduled for delivery) than Brookline. More carriers at Graceland left the station late (foot carriers leaving more than 10 minutes after their scheduled departure times) during the week in September 1996 than at Brookline (17 vs. 9). However, during the week in January 1997, considerably more carriers at Brookline left the station late than at Graceland (48 vs. 15). For the quarter that included the week in September 1996 in our review, Boston's EXFC scores were 3 percentage points higher than in Chicago (87 vs. 84), but Boston's score was only 1 percentage point higher than Chicago's for the quarter that included the week in January 1997 that we reviewed (91 vs. 90).

Brookline received more delivery-related customer complaints than Graceland for the quarters that included the two, 1-week periods reviewed in September 1996 and January 1997. However, Postal officials cautioned that the number of complaints reported may not be reliable and could have been affected by several factors not related to actual performance, such as the availability of customer complaint cards in the station lobbies.

Our analysis of the performance data provided by the Postal Service on the two stations did not suggest that Brookline's performance would be informative for Graceland. This was compounded by the high number of variables affecting the performance indicators, such as the differences in the types of deliveries made by both stations and uncertainty about whether the total number of complaints was accurately reported.

The 1997 USPS review of postal facilities in the Ninth Congressional District of Illinois indicated that the facilities were meeting operational needs.

---

<sup>2</sup>The Postal Service refers to bulk business mail as periodical mail; "Standard A" mail (letters, flats, and parcels that do not require the security of First-Class mail or the speed of Priority Mail); and "Standard B" mail (parcels and bound printed matter), formerly called second-, third-, and fourth-class mail.

---

## Background

Chicago's new Main Post Office, located at 433 W. Harrison Street, opened in May 1996.<sup>3</sup> The Main Post Office contains a two-floor mail processing facility, seven floors of office space, and a retail sales operation. It replaced the old Main Post Office, which was located across the street from the new facility. The old Main Post Office was completed in 1932 and consisted of nine floors of workroom space. In 1990, the USPS Board of Governors approved a plan to construct the new Main Post Office as a means of improving mail service in Chicago, which until this year had EXFC scores that were significantly below the national average.

The new Main Post Office was part of the Postal Service's 1987 Greater Chicago Area Facility Plan, which called for decentralizing postal operations in the Chicago area to accommodate population and mail volume shifts from the city to the suburbs. The new Main Post Office was to be a state-of-the-art mail processing facility, which would be supplemented by six new or expanded mail processing facilities throughout the Chicago area.<sup>4</sup> Although construction of the new Post Office originally was estimated to be complete by April 1993, the new facility did not open until May 1996. In addition, in September 1997, renovation of an annex called the "Sugar House" was completed—work that was done after the Postal Service discovered that the new Main Post Office would not be large enough to house all operations that the Postal Service planned to move into the new facility and that the new facility would not meet operational needs.

About 5,300 employees work at the new Main Post Office, including about 4,900 mail processing and distribution staff, 300 district support staff, and about 100 Postal Inspection Service employees. The new Main Post Office has automated mail handling equipment and occupies about 900,000 square feet of space, compared to about 2.3 million square feet of space at the old facility.

In March 1990, the USPS Board of Governors initially approved \$199.7 million for construction of the new Main Post Office. From December 1991 through February 1996, the Board of Governors approved

---

<sup>3</sup>The new Main Post Office is formally called the Chicago Central Processing and Distribution Center. The move into the new facility began in May 1996 and was completed in September 1996.

<sup>4</sup>These included new Processing and Distribution Centers in Palatine, IL; Carol Stream, IL; Aurora, IL; and at Irving Park Road in Chicago, plus expansions of the Chicago Bulk Mail Center in Forest Park, IL; and the Processing and Distribution Center in Bedford Park, IL.

---

four additional funding requests totaling \$133.2 million. The facility's final projected cost was \$332.9 million, including the annex renovation.<sup>5</sup>

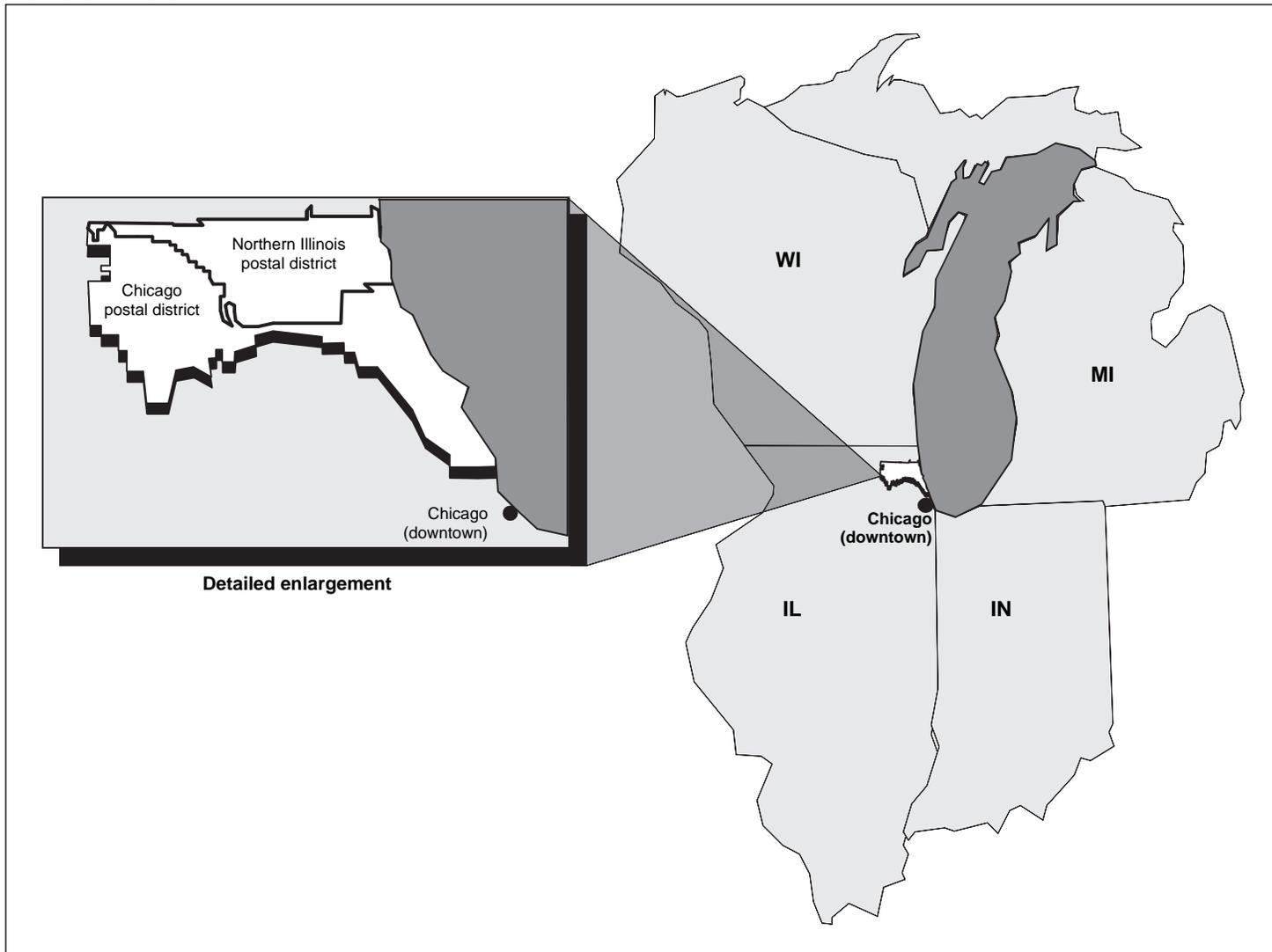
Your congressional district, which consists of the northern part of Chicago and adjacent suburbs, is served by both the Chicago and Northern Illinois postal districts, 2 of 85 nationwide postal districts.<sup>6</sup> The Chicago Postal District, headquartered in the new Main Post Office, serves ZIP Codes beginning with 606, 607, and 608, including the Chicago portion of your congressional district and part of Niles, IL. The Northern Illinois Postal District, headquartered in Carol Stream, IL, serves ZIP Codes beginning with 600, 601, 602, 603, 610, and 611, including the cities of Evanston, Golf, Lincolnwood, Morton Grove, and Skokie and parts of Harwood Heights and Glenview. Appendix I shows which ZIP Codes are served by the two postal districts in the Ninth Illinois Congressional District. Figure 1.1 shows which portions of the Ninth Congressional District are served by the Northern Illinois and Chicago postal districts.

---

<sup>5</sup>The Postal Service recovered \$5 million of this amount from the Chicago Union Station Company.

<sup>6</sup>In addition to 85 districts, the Postal Service is further organized into 95 "performance clusters," which are organizational units used to track performance data. In Boston and Chicago, the postal districts are also performance clusters.

**Figure 1.1: Postal Service Provided by the Chicago and Northern Illinois Postal Districts Within the Ninth Congressional District of Illinois**



Source: USPS.

Mail for your constituents who are served by the Chicago Postal District is processed by the Irving Park Road facility in Chicago, rather than by the new Main Post Office. The Irving Park Road facility, which opened in 1994,<sup>7</sup>

<sup>7</sup>The move into the Irving Park Road facility began in June 1994 and was completed in September 1996.

---

handles an average of 3.5 million pieces of mail a day, and the Main Post Office handles an average of 5.1 million pieces of mail a day. Constituents who are served by the Northern Illinois Postal District receive mail processed in Palatine, IL, which processes about 5.5 million pieces of mail a day.

You indicated that your constituents have complained about mail service in your district for many years. In conversations with your office, we were told that many of the complaints focused on service provided by the Graceland postal station in Chicago. The complaints related to the delivery of mail, including misdelivery and nondelivery, as well as problems with forwarding of mail. Graceland station serves a densely populated area of Chicago that contains many high-rise residential units. According to the Postal Service, Graceland station handles the second-highest volume of mail in Chicago and makes about 40,000 deliveries daily.

Complaints about mail service in Chicago were discussed during USPS appropriations hearings before Congress in 1987 and were the subject of a separate congressional hearing in 1996. In 1990, at your request, we reviewed Postal Service management and operations in your district. This work involved reviewing a lengthy record of correspondence between you and the Postal Service. Letters from the Postal Service contained descriptions of numerous commitments and promised actions that were unfulfilled or did not have a lasting impact on the mail delivery problems. At that time, mail service problems focused on the high-growth areas of your district, such as Lincoln Park. We identified three potential causes of the problems: inadequate postal facilities; improper mail processing and delivery practices; and incomplete addresses on mail, coupled with incomplete information on customers' mail boxes.<sup>8</sup> In response to our work, the Postmaster General provided a list of corrective steps that we believed at the time would address the problems if they were properly implemented.<sup>9</sup>

However, in 1994, continuing complaints about mail service in Chicago prompted the Postmaster General to visit the city and establish a task force to address the problems. The task force found mail that was late, lost, or had been thrown away; a "bunker mentality" when it came to interacting with customers; and facilities without telephone service for customers and staff ill-equipped to answer and respond to simple inquiries. The task force worked to address these problems by helping

---

<sup>8</sup>Letters from GAO to the Postmaster General, dated February 26, 1990, and March 27, 1990.

<sup>9</sup>Letter dated March 15, 1990, from the Postmaster General to GAO.

---

management staffs plan their daily workloads; hiring additional carriers; streamlining processes; and increasing employee training. In addition, a new management team was installed in Chicago.

EXFC scores for Chicago have improved considerably in recent years. The percentage of First-Class, overnight mail delivered on time increased from 66 percent in the second quarter of fiscal year 1994 to 90 percent in the third quarter of fiscal year 1997, 2 percent below the national average. The Chicago Postal District Manager said the improved EXFC scores were the result of (1) more automation, (2) new and expanded facilities throughout the Chicago area, (3) more and better training of employees, (4) better management and more accountability, and (5) dismissal of poor performers and recognition of good employees.

In recent years, the Postal Service has also undertaken a major effort to automate its operations and reduce labor costs, including using more temporary and part-time employees.

---

## Scope and Methodology

In June 1996, you requested that we review the reasons for the cost overruns at the new Chicago Main Post Office. You also indicated that Chicago has been heavily criticized for its poor mail service. In December 1996, we briefed your office on the results of our work to date. At that time, you requested that we perform additional work regarding Graceland station, which is located in your congressional district.

To obtain information on the reasons for the cost overruns at the new Chicago Main Post Office, we interviewed USPS officials; submitted written questions to the Postal Service; reviewed documentation of the cost estimates for the facility, including justifications for cost increases, project planning documents, and Board of Governors meeting minutes; and reviewed Postal Inspection Service reports on the project.<sup>10</sup> We also met with Chicago postal officials, including the Great Lakes Area Operations Vice President, Chicago District Manager, Chicago District Senior Plant Manager, and a Postal Inspection Service official; and we toured the new Main Post Office. We questioned Postal officials about the sequence of events regarding the project and related issues, but we did not repeat work that had already been done by the Inspection Service.

---

<sup>10</sup>From November 1994 to May 1995, the Postal Inspection Service conducted an extensive review of the Chicago Main Post Office project and presented it to the Board of Governors on May 1, 1995. In addition, from 1993 through 1994, the Chicago Division of the Inspection Service prepared six reports on different aspects of the project.

---

We obtained information on the policies and procedures that the Postal Service implemented to prevent a recurrence of cost overruns in similar, future capital investment projects. We did this by reviewing recommendations made by the Inspection Service and Board of Governors' Capital Improvement Committee and by interviewing Postal officials.

To determine why the USPS Board of Governors approved some of the budget increases for the new Chicago Main Post Office in closed, rather than open, meetings, we questioned Postal officials and submitted written questions to the Postal Service.

During the course of our review, Chicago Postal Service officials offered to review the physical condition of postal facilities within your congressional district. This review was performed from February to May 1997 by two teams of operational, retail, and administrative staff from the Chicago and Northern Illinois postal districts serving the Ninth Illinois Congressional District. The teams were supported by a real estate specialist, a design and construction specialist, and an operations analyst from the Chicago Facilities Service Office. In addition, an outside architectural/engineering firm was retained to assist in the review. We reviewed the report that resulted from this facility survey.

To obtain performance data on the Graceland station, we first interviewed postal officials to determine what performance data and indicators are maintained by the Postal Service. We then asked Postal officials to provide data pertaining to workload/workforce issues (the number of deliveries, routes, and carriers, volume of mail delivered, amount of carrier sick leave and overtime); timeliness (EXFC scores, the number of routes with delayed mail, amount of curtailed and delayed mail, and the number of carriers leaving the station late); and the number of delivery-related complaints received during the weeks of September 14 through 20, 1996, and January 18 through 24, 1997.<sup>11</sup> We chose these 2 weeks to compare Graceland station's performance when a new station manager began working there and its performance 4 months later<sup>12</sup> to determine whether change had occurred. According to the Postal Service, the data provided were the best performance measures available on the two stations.

---

<sup>11</sup>The Postal Service compiles complaints received by quarter, rather than by week.

<sup>12</sup>Graceland's current station manager was detailed to the station on September 14, 1996. She was promoted to permanent station manager on March 4, 1997.

---

To compare Graceland's performance with a similar station in another city with a higher EXFC score than Chicago's, we reviewed the EXFC scores for 1996 in other U.S. cities and contacted the Postal District Managers in three Northern cities (Philadelphia, New York, and Boston) where the weather conditions and population densities were similar to those in Chicago. We provided the Postal District Managers in those three cities with data on the volume of mail processed and the number of business and residential deliveries at Graceland station and asked them to identify any similar stations in their districts serving densely populated areas with many high-rise residential units. The Boston Postal District Manager identified the Brookline, MA, station and provided performance data on that station for the two time periods in our review. The Postal District Managers in Philadelphia and New York did not identify any stations in their districts that were comparable to Graceland.<sup>13</sup>

We recognized certain limitations of comparing performance data on two stations. These limitations included the number of variables that affect mail delivery, such as the makeup of residential, business, and curbside deliveries being made and the type of terrain covered. We attempted to minimize these limitations by selecting a station similar to Graceland that also served a densely populated area serving many high-rise residential units and, to approximate weather conditions, was located in another northern city.

We also interviewed the Graceland station manager and the Chicago Postal District Manager about mail service complaints and plans for improvement and questioned the Northern Illinois Postal District Manager about mail service in his district.

We did not verify the station workload, workforce, timeliness, and complaint data provided by the Postal Service and the results of its facility review or validate the EXFC scoring system and data.

We did our work in Washington, D.C., and Chicago, IL, in accordance with generally accepted government auditing standards. We did our work from September 1996 through July 1997.

On September 11, 1997, we requested comments on a draft of this report from the Postmaster General. On October 17, 1997, he provided written comments, which are contained in appendix VI and discussed on page 25.

---

<sup>13</sup>Although the New York Postal District Manager identified a station in his district that was similar to Graceland, we determined that it was not comparable, since Graceland had about 10 times the volume of delivered mail as the New York station.

---

## Cost Overruns at the New Chicago Main Post Office

In March 1990, the USPS Board of Governors approved \$199.7 million for the construction of a new Chicago Main Post Office. The Board also approved four subsequent funding requests totaling \$133.2 million, for a total authorization of \$332.9 million.<sup>14</sup> Appendix II summarizes the changes in funding for the facility and the reasons provided to the Board of Governors for making the requests.

---

## Initial Funding

When the Board approved initial funding in March 1990, it authorized the facility to be built at either a developer-owned site on Clark Street in Chicago at a cost of \$211.6 million or at an alternative USPS-owned site on Harrison Street at a cost of \$199.7 million. The estimates for the two sites differed because the developer-owned Clark Street site included \$39 million for land, while the Harrison Street site had no land acquisition costs because it was owned by the Postal Service. However, compared to the Clark Street site, construction costs were higher on Harrison Street because it was a smaller site,<sup>15</sup> and the structure had to be built on piers above the railroad tracks.

The Postal Service preferred constructing on the Clark Street site and only considered the Harrison Street site as an alternative. However, the city of Chicago was opposed to constructing the postal facility on the Clark Street site because it conflicted with the city's long-range plans for the area. Postal officials said that the Board was aware of the city's opposition to constructing on the Clark Street site when it approved the initial funding, but the Board was informed by the Assistant Postmaster General for Facilities that he hoped the Postal Service could solve its problems with the city and conclude negotiations on the Clark Street site.

---

## December 1991 Increase

In December 1991, the Postal Service approved an additional \$41.7 million in funding for the new Main Post Office to cover increased costs associated with constructing the facility on the alternative, Harrison Street site, rather than on Clark Street. According to the USPS Decision Analysis Report (DAR) that was used to justify the funding increase to the Board, negotiations with the city to construct the facility on the Clark Street site were unsuccessful, forcing the Postal Service to build on Harrison Street. The \$41.7 million in additional funding increased the total cost of the project from \$199.7 million, which the Board had approved for the Harrison Street site in March 1990, to \$241.4 million. The December 1991

---

<sup>14</sup>The Postal Service recovered \$5 million of this amount from the Chicago Union Station Company.

<sup>15</sup>The Harrison Street site was about 16 acres in size, and the Clark Street site was over 37 acres.

---

DAR indicated that an additional \$41.7 million was needed to cover construction costs at the Harrison Street site that were not considered adequately in the initial estimate. The DAR stated:

“While the building planned for the Harrison Street site is functionally very similar to the facility planned on Clark Street, there is a marked difference in the site conditions and, therefore, the structure of the building and associated docks, maneuvering area, and parking. The Harrison Street site is interlaced with active railroad tracks, located in the middle of the property. The tracks in question are located two blocks south of Union Station, which handle all commuter rail lines serving the southern and western portions of the city and suburbs. Amtrak also uses the same tracks for interstate passenger service. While we were cognizant that construction on the Harrison Street site would pose some constraints on our ability to keep costs within budget, the extent to which the tracks and overall railroad operation would impact construction was not fully appreciated when initial estimates were made.”

Further, the Harrison Street site was located next to the Chicago River. The DAR indicated that the city opposed constructing the new postal facility along the waterfront portion of the site at Harrison Street to permit space for future high-rise retail and office buildings along the river.

The December 1991 DAR did not break out the additional costs at the Harrison Street site associated with constructing over railroad tracks and away from the riverfront. However, it indicated that construction over the tracks was prohibited during peak rail traffic times, adding an estimated 11 months to the overall length of construction. Further, the DAR indicated that building the facility away from the waterfront increased the complexity of the building structure and therefore its construction cost.

---

## April 1994 Increase

In April 1994, the Board approved another funding increase, raising the total project budget from \$241.4 million to \$286.8 million. According to the DAR, \$45.4 million more was needed to complete construction:

- (1) \$14.3 million for operational changes to accommodate the relocation of mail processing for 17 ZIP Code areas of South Chicago;
- (2) \$14 million in construction changes resulting from solicitation of bids prior to design completion;
- (3) \$7.8 million to repair the adjacent Polk Street bridge; and
- (4) \$9.3 million in contingency and other fees needed to complete construction.

The Postal Service’s 1987 Greater Chicago Area Facility Plan called for 17 ZIP Code areas to be transferred from downtown Chicago to the South

---

Suburban facility in Bedford Park, IL. However, in December 1993, the Postal Service decided to retain mail processing for the 17 ZIP Codes in the new Main Post Office because of political concerns about moving jobs out of the city. According to the April 1994 DAR, about 60 percent of the new Post Office's construction was complete at that time. The DAR indicated that the decision to incorporate processing for the 17 ZIP Codes and automated mail processing plans<sup>16</sup> into the new facility required a complete redesign of the workroom layout. Further, the DAR said that because of incomplete and poor quality contract drawings, the project's structural, mechanical, and electrical costs significantly exceeded original estimates.<sup>17</sup> Other unanticipated costs involved dealing with a water tunnel and an abandoned freight tunnel under the site that were found after construction began.

The DAR also indicated that the adjacent Polk Street bridge, which was closed by the city in 1993 because of safety concerns, was needed to provide access to the new facility. Postal officials believed that the Chicago Union Station Company, an Amtrak subsidiary, took responsibility for maintaining the bridge when it acquired the property. The DAR indicated that the Postal Service was in the process of negotiating an agreement for repairing the Polk Street bridge, that it was confident of recovering the repair costs from the Chicago Union Station Company, and that work on repairing the bridge should proceed to ensure truck access to the new Main Post Office by the time the facility was completed.<sup>18</sup>

---

## June 1995 Increase

In June 1995, the Board approved a third cost increase for the new Main Post Office. The Board approved an additional \$30.1 million for the project, increasing the total budget from \$286.8 million to \$316.9 million.<sup>19</sup> According to the June 1995 additional funding request, the costs of incorporating automation plans and mail processing for 17 postal stations into the facility, which required changes and redesign of the workroom and building systems, were underestimated. The funding request said that the workroom changes in turn affected the layout of office and support space that had to be relocated to provide additional workroom space. The changes required revisions to the heating, ventilation and air-conditioning,

---

<sup>16</sup>The Postal Service's Corporate Automation Plan, issued in January 1990, set a goal of barcoding all mail by 1995.

<sup>17</sup>The solicitation for construction contract was issued in July 1991 and was based on scope documents with incomplete design and allowances. The construction contract was awarded in March 1992.

<sup>18</sup>According to the Postal Service's Facility Manager in Chicago, in 1996, the Postal Service recovered \$5 million from the Chicago Union Station Company in reimbursement for the bridge repair costs.

<sup>19</sup>The Board approved \$30.1 million of \$40.9 million requested.

---

lighting, and electrical systems. The request also included about \$7 million for a conveyor system and related mail processing equipment. The June 1995 funding request also said that in retrospect, the April 1994 DAR should not have been submitted until operational systems layout, design, and definitive construction cost estimates had been completed, but the request also said if that had been done, construction would have stopped, and greater delay claims would have been incurred.

The June 1995 funding request also noted that a special task force had identified a 141,000-square-foot deficiency in the new Main Post Office, which was attributed to the decision to include mail processing for the 17 ZIP Code areas and to incorporate automation plans. As a result, the funding request said that space planned for use in the new Post Office for carriers and parcel post operations would need to be identified and relocated.

---

### February 1996 Increase

Finally, in February 1996, the Board approved an additional \$16 million to renovate an aging postal annex adjacent to the old Main Post Office called the "Sugar House" to house space for carriers and parcel post operations originally planned for the new Post Office. The Sugar House renovation was needed to accommodate the 141,000-square-foot space deficiency identified in the June 1995 funding request. The renovated Sugar House facility, which was completed in September 1997, is also to contain operations that were not originally intended for the Main Post Office, including the Inspection Service Forensic Laboratory and stamp depository functions. The Postal Service also decided to retain the second-class and third-class mail transfer operations and stamp registry located in the Sugar House.

---

### Postal Inspection Service Review Found Many Reasons for Cost Overruns

In November 1994, at the request of the Board of Governors, the Postal Inspection Service began a review of the cost overruns at the new Chicago Main Post Office. The purpose of the review was to determine whether there was any evidence of fraudulent activity connected with the project; identify process deviations or questionable decisions made by USPS officials in connection with the project; and to make recommendations for improvement. According to the Inspection Service, its review involved over 8,000 investigative hours and interviews with 114 individuals; as well as the review of 6 prior Chicago Division Inspection Service reports on the project and contracts, architect/engineering files, and related documents.

---

In May 1995, the Inspection Service presented the results of its review to the Board of Governors. Although the Inspection Service found no evidence of fraud concerning the project, it identified several reasons for the overruns. These reasons included (1) the city of Chicago's opposition to allowing construction on the preferred site and the lack of a separate DAR for the alternative site; (2) increased costs resulting from having the Postal Service build over active railroad tracks at the alternative site; (3) construction during major changes in Postal Service structure, operations, and management personnel; (4) proceeding with construction despite incomplete designs and automation plans; and (5) an overall lack of coordination between USPS headquarters and the field.

In addition, the Inspection Service reported that continuous turnover of decisionmakers at the Postal Service diminished overall accountability for the project. It also indicated that automation requirements developed by USPS headquarters were not incorporated in the new facility in a timely manner. Further, the Inspection Service said information that had been presented to the Board of Governors in budget requests was inadequate and minimized negative aspects of the project.

In its May 1995 presentation to the Board, the Inspection Service made the following four recommendations<sup>20</sup> about future major capital projects: (1) an on-site Project Manager should be assigned responsibility for all aspects of projects from start to finish; (2) the validation process for large projects should include a thorough review and approval by personnel familiar with operations, equipment, and fixed mechanization issues; (3) recommendations made by the Board of Governors' Capital Improvement Committee should be followed;<sup>21</sup> and (4) the Inspection Service should selectively review projects costing under \$10 million.

The Postal Service indicated that in response to the report, it has made the following changes: (1) a Facility Activation Manager was selected to oversee large projects; (2) the review and validation process for large

---

<sup>20</sup>According to the Postal Service, the first three recommendations were management recommendations that were already under way and subsequently reported by the Inspection Service.

<sup>21</sup>In 1993, the Board of Governors formed the Capital Improvement Committee to examine the review and approval process for capital investment projects. In February 1995, the committee made 10 process improvement recommendations and 4 accountability improvement recommendations, which are listed in appendix III. A postal official said that two of those recommendations had the greatest potential for preventing cost overruns similar to those experienced with the Chicago Main Post Office in future projects—(1) more frequent project updates on capital investment projects and (2) the implementation of an “early warning system” that provides the Board of Governors with prompt and early notification of problems to avoid surprises. The Postal Service's Office of Inspector General also has been given authority to audit facilities construction projects costing over \$10 million.

---

projects has been enhanced through meetings with operating managers, functional staff, and headquarters executives; and (3) the Postal Service is adhering to the recommendations made by the Board of Governors' Capital Improvement Committee (see app. III). With regard to the fourth recommendation, the inspector in charge of the review told us that the Inspection Service began selectively reviewing projects costing under \$10 million in fiscal year 1997 and is now more involved in monitoring major capital projects early in the process, such as by reviewing preliminary DARS, than it was during the new Chicago Main Post Office project.

We asked the Postal Service why the additional funding requests in April 1994 and June 1995 were presented in closed, rather than open, sessions of the Board of Governors. The Postal Service responded that at the time of those two meetings, USPS was negotiating with the architectural firm and general contractor on change orders, and it would not have been in the Postal Service's best interest to disclose the amounts being requested for various changes. An additional reason cited by the Postal Service for closing the meetings was that the Inspection Service was conducting an ongoing investigation of the project.

We also asked Postal officials whether they believed they would have proceeded with the project or pursued an alternative, such as renovating the old Main Post Office, had they initially known the new facility's final cost. An official who was involved in the facility's planning said that the old Main Post Office was too old and large to be feasibly renovated. In a written response, the Postal Service said that it could not speculate what alternatives management and the Board would have chosen in 1990 had the final costs been known at the time. However, USPS indicated that there were not many alternatives, and it could be assumed that the renovation costs for the old Main Post Office, estimated at \$250 million in the March 1990 DAR, were understated, since full engineering studies had not been done.

---

## Mail Service in the Ninth Illinois Congressional District

Your request also concerned complaints from constituents about the quality of mail service in your district for many years. Your office indicated that service provided by the Graceland station, which is part of the Chicago Postal District, was particularly problematic and asked us to compare the performance of Graceland station to that of a similar station in another city with a higher EXFC score than Chicago's to attempt to determine the causes of problems at Graceland. The Postal District

---

Manager for Boston identified the Brookline, MA, station as being similar to Graceland in terms of the type of area served (a densely populated area with many high-rise residences) and volume of mail delivered.

We asked the Postal Service to identify what indicators it compiles regarding the performance of postal stations. Postal Service officials said they did not measure the accuracy of mail delivery. It provided what data it did have on workload/workforce issues (the number of deliveries, routes, carriers, volume of mail delivered, amount of carrier sick leave and overtime); timeliness (EXFC scores, the number of routes with delayed mail, amount of curtailed and delayed mail, and the number of carriers leaving the station late); and the number of delivery-related complaints received. However, the Postal Service's Manager of Delivery Policies and Programs, who provided some of the data, said that measuring the performance of one station against another was affected by variables other than the actual performance of the stations. These other variables include the differences between the makeup of residential, business, and curbside deliveries made and the type of terrain covered. Appendix IV compares the performance measures between Graceland and Brookline stations.

---

## Workload/Workforce Measures

As of May 1997, Graceland station had 37,981 possible daily residential deliveries and 2,026 possible daily business deliveries, or a total of about 40,000 possible daily deliveries. Also as of May 1997, Brookline had 26,085 possible daily residential deliveries and 1,549 possible daily business deliveries, or a total of about 27,600 possible daily deliveries.<sup>22</sup>

We asked USPS to provide workload and performance data on the two stations as of September 14 through 20, 1996, and January 18 through 24, 1997. For both time periods, Graceland had 81 mail routes and Brookline had 80. During the week of September 14 through 20, 1996, Graceland delivered about 8,000 feet of mail, or about 20 percent more than Brookline, which delivered about 6,700 feet of mail. Graceland delivered about the same amount of mail as Brookline during the week of January 18 through 24, 1997 (about 6,500 feet vs. about 6,400 feet). During the week reviewed in September 1996, Graceland employed 108 full-time carriers and 17 part-time and temporary carriers, compared to 128 full-time and 17 part-time and temporary carriers at Brookline. From September 1996 through January 1997, the number of permanent carriers increased by two at Graceland and by eight at Brookline. However, from September 1996 to

---

<sup>22</sup>The Postal Service does not maintain historical data on the number of possible deliveries, so we could not obtain data for the two periods we selected for review. The Chicago and Boston Postal Districts provided data on the number of possible deliveries in May 1997.

---

January 1997, the number of part-time and temporary carriers working at Graceland increased from 17 to 37, or 118 percent; the number of part-time and temporary carriers at Brookline increased from 17 to 20, or 18 percent.

In response to our request for performance data, the Postal Service also provided data on the amount of carrier overtime and sick leave incurred for the two time periods at Graceland and Brookline.<sup>23</sup> During the week of September 14 through 20, 1996, daily overtime averaged about 15 percent of workhours at Graceland, compared to 12 percent at Brookline. For the week of January 18 through 24, 1997, daily overtime averaged about 10 percent at Graceland and 19 percent at Brookline.

During the week of September 14 through 20, 1996, the amount of daily average sick leave incurred at Graceland was about 2 percent, compared to about one-half of 1 percent at Brookline. For the week of January 18 through 24, the amount of daily average sick leave incurred was about 1 percent at Graceland and nearly 4 percent at Brookline.

---

## Timeliness Measures

The Postal Service collects data on on-time delivery of First-Class, overnight mail in 95 major U.S. metropolitan areas, including Chicago and Boston, and assigns EXFC scores, but it does not break down the scores by ZIP Code. Therefore, the Postal Service could not provide EXFC scores for individual ZIP Codes within the Ninth Congressional District of Illinois. For both time periods reviewed, Boston had a higher EXFC score than Chicago. For the first quarter of fiscal year 1997, Chicago had an EXFC score of 84 and Boston had a score of 87, compared to the national average of 91.<sup>24</sup> For the second quarter of fiscal year 1997, Chicago had an EXFC score of 90 and Boston had a score of 91, compared to the national average of 91.<sup>25</sup>

Nearly half of the ZIP Codes within the Ninth Congressional District of Illinois are served by the Northern Illinois Postal District. The Northern

---

<sup>23</sup>According to a Postal Service headquarters official, standards for sick leave and overtime usage are set at the postal district level. In Chicago, the standard is 3.86 percent of total workhours for sick leave and 7.5 percent for overtime at postal stations. In Boston, the standard is 3.5 percent for sick leave and less than 10 percent for overtime usage.

<sup>24</sup>The Postal Service's first quarter of fiscal year 1997 ran from September 14, 1996, through December 6, 1996.

<sup>25</sup>The Postal Service's second quarter of fiscal year 1997 ran from December 7, 1996, through February 28, 1997.

Illinois Postal District had an EXFC score of 86 for both the first and second quarters of fiscal year 1997.

In recent years, EXFC scores for the Chicago and Northern Illinois postal districts have improved considerably, as has the national average. For Chicago, EXFC scores increased from a low of 66 in the second quarter of fiscal year 1994 to 90 in the third quarter of fiscal year 1997. For the Northern Illinois Postal District, the scores increased from 77 in the second quarter of fiscal year 1994 to 91 in the third quarter of fiscal year 1997. The national average also increased from 79 in the second quarter of fiscal year 1994 to 92 for the third quarter of fiscal year 1997.

Since 1994, Boston's EXFC scores have been an average of 3 percentage points higher than Chicago's. As shown in table 1.1, Boston had a higher EXFC score than Chicago in 13 of the last 15 quarters surveyed.

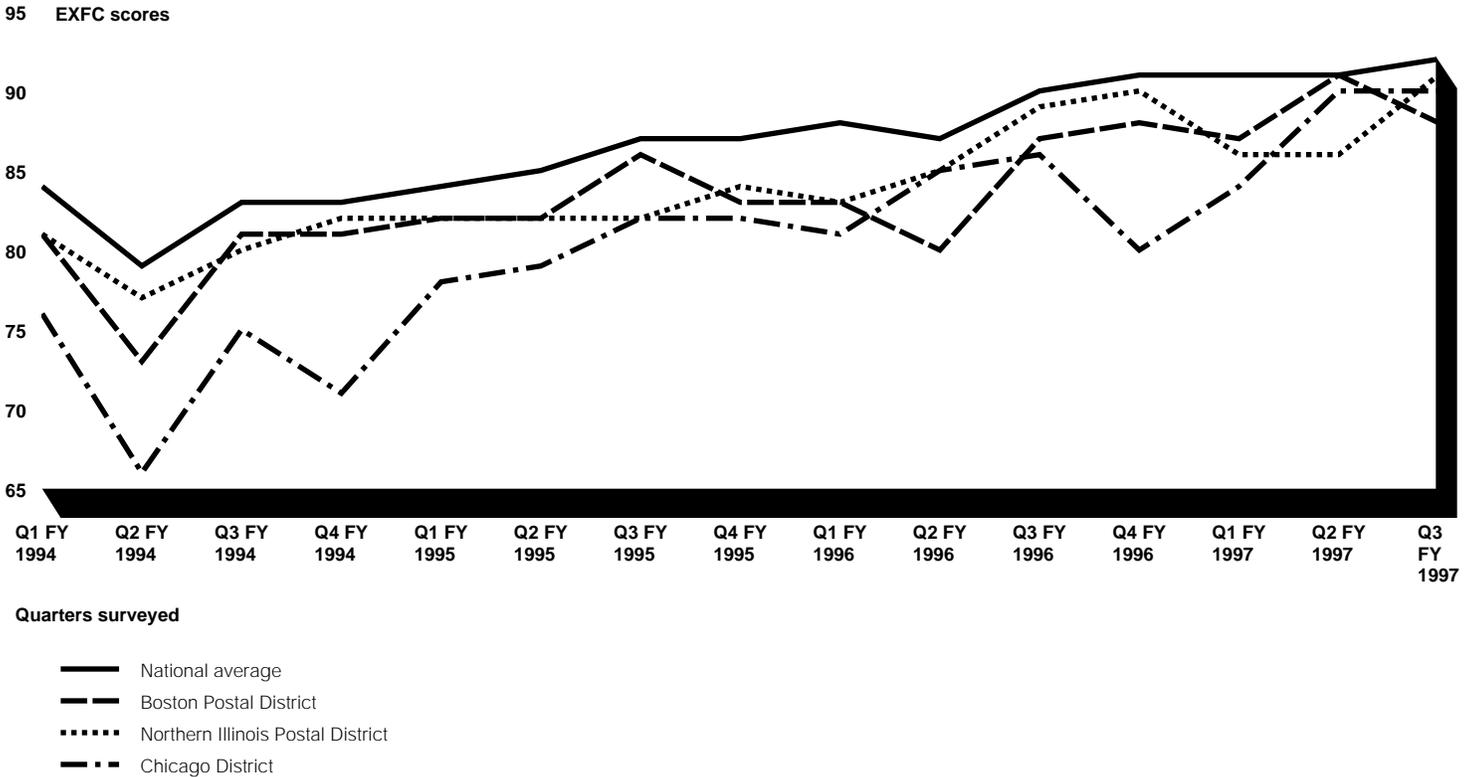
**Table 1.1: Overnight EXFC Scores for the Boston, Chicago, and Northern Illinois Postal Districts and the National Average From FY 1994 Through the Third Quarter of FY 1997**

	Q1 FY 94	Q2 FY 94	Q3 FY 94	Q4 FY 94	Q1 FY 95	Q2 FY 95	Q3 FY 95	Q4 FY 95	Q1 FY 96	Q2 FY 96	Q3 FY 96	Q4 FY 96	Q1 FY 97	Q2 FY 97	Q3 FY 97
Boston	81	73	81	81	82	82	86	83	83	80	87	88	87	91	88
Chicago	76	66	75	71	78	79	82	82	81	85	86	80 <sup>a</sup>	84	90	90
No. IL	81	77	80	82	82	82	82	84	83	85	89	90	86	86	91
National average	84	79	83	83	84	85	87	87	88	87	90	91	91	91	92

<sup>a</sup>Chicago Postal officials attributed the 6 percentage point decline in the EXFC score for the fourth quarter of fiscal year 1996 to the impact of moving into the new Main Post Office from May through September 1996.

Figure 1.2 shows the EXFC scores from fiscal year 1994 through the third quarter of fiscal year 1997 for the Boston, Chicago, and Northern Illinois Postal Districts and the national average.

**Figure 1.2: Overnight EXFC scores for the Boston, Chicago, and Northern Illinois Postal Districts and the National Average From FY 1994 Through the Third Quarter of FY 1997**



Source: USPS.

The Chicago Postal District Manager said the improved EXFC scores were the result of (1) more automation, (2) new and expanded facilities throughout the Chicago area, (3) more and better training of employees, (4) better management and more accountability, and (5) dismissal of poor performers<sup>26</sup> and recognition of good employees.

In response to our request for performance indicators on Graceland and Brookline stations, the Postal Service provided data on the number of

<sup>26</sup>The Postal Service provided data showing that in 1996, 122 of its 13,397 Chicago Postal District career employees were dismissed, or about 0.9 percent of its workforce. In Boston, 27 of 8,645 career employees were dismissed in 1996, or 0.3 percent. Nationally, 2,181 career employees were dismissed in 1996 out of 755,475 employees, or 0.3 percent.

---

routes with delayed mail, amount of curtailed and delayed mail, and number of carriers leaving the station late. For both time periods in our review, Graceland had more routes with delayed mail than Brookline. Bulk business mail is considered delayed if it takes more than 48 hours to leave the station. First-Class mail is considered to be delayed if it does not leave the station on the same day it arrives. During the week of September 14 through 20, 1996, Graceland had a daily average of 26 routes with delayed mail and Brookline had 1. During the week of January 18 through 24, 1997, Graceland had a daily average of six routes with delayed mail, and Brookline had none. For both time periods, Graceland station had more curtailed or delayed bulk business mail than Brookline. Mail is curtailed if it is not yet scheduled for delivery—for example, to coincide with a mailing advertiser's sale, or if the workload is heavy on a particular day. During the week of September 14 through 20, 1996, Graceland had a daily average of 135 feet of curtailed bulk business mail and 171 feet of delayed bulk business mail, compared to a daily average of 120 feet of curtailed mail and no delayed mail at Brookline. During the week of January 18 through 24, 1997, Graceland had a daily average of 211 feet of curtailed bulk business mail and 93 feet of delayed bulk business mail, compared to no curtailed or delayed bulk business mail at Brookline.

Graceland averaged more carriers leaving the station late during the week of September 14 through 20, 1996, than Brookline (17 vs. 9). However, during the week of January 18 through 24, 1997, Brookline averaged considerably more carriers leaving the station late than Graceland (48 vs. 15). A carrier is considered leaving the station late when a foot carrier leaves more than 10 minutes after the scheduled departure time or a motorized carrier leaves the station more than 20 minutes late.

---

## Complaints

The Postal Service compiles complaints received at the station, district office, or USPS headquarters. Postal Service complaint data showed that the Brookline station received more delivery-related customer complaints than Graceland during the quarters that included the 2 weeks we reviewed.<sup>27</sup> For the first quarter of fiscal year 1997, Brookline received 71 delivery-related complaints, compared to 32 for Graceland. For the second quarter of fiscal year 1997, Brookline received 47 delivery-related complaints, and Graceland had 14. Many complaints for both stations concerned delayed and nonreceipt of mail and change of address problems. However, Postal officials cautioned that the number of complaints reported may not be reliable and could be affected by several

---

<sup>27</sup>The Postal Service collects data on complaints by quarter, rather than by week.

---

factors other than performance, such as whether customer complaint cards in the station lobbies were available, whether the station manager accurately reported the number of complaints to the Postal Service, and whether certain customers were more likely to register complaints when they experienced problems.

---

### Service-Related Improvement Efforts at Graceland

We asked the Graceland station manager, who was assigned temporarily to the station in mid-September 1996 and selected permanently for the position in March 1997, what actions she had taken to improve mail service. She said that she has tried to improve customer service by keeping the same substitute carriers on routes, implementing an improved mail-sorting process, and soliciting feedback about service from citizen advisory councils and local officials. She also said that she regularly goes out into the community on Saturdays to meet with customers about their mail service, has established a phone center to receive complaints, and has taken disciplinary action against poor-performing employees. In addition, the District Manager said a new late-night shift to sort mail was added at Graceland in December 1996, and two new supervisors were transferred to the station to monitor carriers.

In April 1997, the Chicago Postal District distributed 39,000 customer surveys to measure the level of service improvement at Graceland during the previous 3 months. Of the surveys delivered, 2,295 were returned, or about 6 percent. The respondents rated the level of improvement as follows: major improvement, 6 percent; significant improvement, 13 percent; some improvement, 26 percent; little improvement, 16 percent; and no improvement, 39 percent. The surveys also contained 442 comments, including 90 complaints about misdelivery; 58 about delayed delivery; 31 about nondelivery; and 18 about change of address problems. The rest were reports of multiple problems (92), employee compliments (11), miscellaneous matters such as damaged or tampered mail (11), and 131 that were not identified in the survey results.

---

### Facilities Review

During the course of our review, Chicago Postal Service officials offered to review the physical condition of postal facilities within your congressional district. This review was performed during the period from February through May 1997 by two teams of operational, retail, and administrative staff from the Chicago and Northern Illinois Postal Districts serving the Ninth Illinois Congressional District. The teams were supported by a real estate specialist, a design and construction specialist,

---

and an operations analyst from the Chicago Facilities Service Office. In addition, an outside architectural/engineering firm was retained to assist in the review. We reviewed the report that resulted from this facility survey.

The report indicated that the condition of all facilities enabled USPS to meet operational needs. The report identified miscellaneous repairs and alterations and items for customer convenience that could be made at the facilities. The report did not indicate the cost of making the identified improvements; however, it did say that the facilities would have to compete with other sites in the area for very limited funds. With regard to Graceland station, the facilities review team said that signs in and around the station should be replaced and that the station should be upgraded to Postal Store standards, but with closed, rather than open, shelf merchandising of postal products.<sup>28</sup> Appendix V shows the results of the review, by facility.

Postal Service officials said that complaints regarding mail service may not necessarily be caused by facilities problems. They said that the new Chicago Main Post Office, for example, would not be responsible for misdelivery of mail. In addition, they said that more money would not solve problems at the Graceland station, problems they attributed primarily to employee nonperformance.

---

## Conclusions

Based on our review of the events that occurred and the Postal Inspection Service's investigation, the cost overruns at the Chicago Main Post Office appeared to be due primarily to shortcomings in planning the construction project. The Postal Service approved construction on a site that was opposed by the city of Chicago and then used a cost estimate for an alternative site that did not adequately reflect the complexity and cost of building over active railroad tracks and other factors. Further, management's incorporation of increased automation plans into the facility while it was being constructed resulted in costly design changes.

The Postal Service has implemented several process changes that could reduce the likelihood of cost overruns in future capital investment projects, such as more Inspection Service involvement earlier in construction projects and the establishment of an early warning system to alert the Board of Governors to problems.

---

<sup>28</sup>The Postal Store is the Postal Service's name for its new retail operations in post offices offering a variety of postal products, such as sheets and books of postage stamps, mailing supplies, and postal-themed merchandise, which are displayed on open shelves for customer pick-up and selection.

---

Our comparison of data provided for the two stations confirmed that differences existed in terms of the performance indicator results but also showed that the data provided were not informative about the causes of problems with mail service at Graceland or in Chicago. This was partly due to the differences in the types of deliveries made by both stations and uncertainty about whether the total number of complaints was accurately reported.

Although recent EXFC scores suggest that mail service is improving in Chicago, the Postal Service has no way of knowing whether this improvement will be sustained. Further, postal problems that have plagued Chicago, and Graceland station in particular (which receives the second-highest mail volume in the city), have been long-standing.

The Postal Service has made efforts to improve mail service in Chicago by installing a new management team, investing in new facilities and equipment, and taking measures to improve employee performance, and EXFC scores are improving. However, the city of Chicago's EXFC score still could be improved. Further, because EXFC scores are not compiled at the individual ZIP Code level, they do not necessarily reflect whether the quality of service being provided within the Ninth Congressional District of Illinois is improving. Also, whether the current, apparent increased performance will be sustained remains to be seen.

In view of the history of problems experienced at the Graceland station and the limitations of the EXFC scores, which are compiled for the Postal Service by an independent contractor and do not measure individual station performance, it seems appropriate for an entity independent of the Chicago Postal Service management to monitor the performance of the Graceland station to ensure that problems that may arise are identified and resolved.

---

## Recommendation

We recommend that the Postmaster General have an entity independent of Chicago Postal Service management monitor the quality of mail service at the Graceland station by reviewing relevant performance data for the next 2 years. The independent entity should periodically report progress and any problems identified, along with corrective actions taken, to appropriate Postal Service officials.

---

## Agency Comments

The Postmaster General provided written comments on a draft of this report, which are printed in appendix VI.

The Postmaster General said that the report accurately summarized the circumstances and actions that caused the cost overruns at the new Chicago Main Post Office. He also said that the Postal Service has instituted a number of safeguards to strengthen the review process and ensure more management involvement and accountability for large-scale capital investment projects. With respect to mail service in Chicago, the Postmaster General noted that Chicago's EXFC score for the fourth quarter of fiscal year 1997 was 92—a record score for the city. He also said that he will instruct the Inspection Service, as well as postal managers in Chicago and Washington, to periodically review Graceland station's performance and report its findings to appropriate officials. Other Postal Service officials provided clarifying comments, which were incorporated throughout the report, as appropriate.

---

This review was done by John S. Baldwin, Sr., Assistant Director; and Robert Homan, Evaluator-in-Charge. If you have any questions about this report, please call me on (202) 512-8387.

Sincerely yours,



Bernard L. Ungar  
Director, Government Business  
Operations Issues

---

# Contents

---

Letter	1
Appendix I ZIP Codes and Postal Districts Within the Ninth Congressional District of Illinois	30
Appendix II Summary of Cost Overruns at the New Chicago Main Post Office	31
Appendix III USPS Board of Governors' Capital Improvement Committee Recommendations for Process Improvements	32
Appendix IV Workload and Performance Indicators of Graceland and Brookline Stations	33

<p><b>Appendix V</b>  <b>Physical Condition of</b>  <b>Postal Facilities in the</b>  <b>Ninth Illinois</b>  <b>Congressional District</b></p>	<p>36</p>
---	-----------

<p><b>Appendix VI</b>  <b>Comments From the</b>  <b>Postal Service</b></p>	<p>39</p>
--	-----------

<p><b>Tables</b></p>	<p>Table 1.1: Overnight EXFC Scores for the Boston, Chicago, and Northern Illinois Postal Districts and the National Average From FY 1994 Through the Third Quarter of FY 1997 19</p> <p>Table I.1: ZIP Codes of the Ninth Congressional District of Illinois 30</p> <p>Table II.1: Changes in Funding for the New Chicago Main Post Office 31</p> <p>Table III.1: USPS Board of Governors' Capital Improvement Committee Recommendations for Process Improvements 32</p> <p>Table III.2: USPS Board of Governors' Capital Improvement Committee Capital Investments Accountability Improvement Recommendations 32</p> <p>Table IV.1: Comparison of Selected Workload and Performance Indicators for Graceland Station in Chicago and Brookline Station in Boston for the September 14 Through 20, 1996, Period 33</p> <p>Table IV.2: Comparison of Selected Workload and Performance Indicators for Graceland Station in Chicago and Brookline Station in Boston for the January 18 Through 24, 1997, Period 34</p> <p>Table V.1: Repairs/Alterations Identified for Chicago Postal District Facilities Serving the Ninth Congressional District of Illinois 36</p> <p>Table V.2: Repairs/Alterations Identified for Northern Illinois Postal District Facilities Serving the Ninth Congressional District of Illinois 38</p>
----------------------	--

<p><b>Figures</b></p>	<p>Figure 1.1: Postal Service Provided by the Chicago and Northern Illinois Postal Districts Within the Ninth Congressional District of Illinois 6</p>
-----------------------	--

---

**Figure 1.2: Overnight EXFC scores for the Boston, Chicago, and Northern Illinois Postal Districts and the National Average From FY 1994 Through the Third Quarter of FY 1997**

20

---

**Abbreviations**

DAR	Decision Analysis Report
EXFC	External First-Class Measurement System
USPS	United States Postal Service

---

---

# ZIP Codes and Postal Districts Within the Ninth Congressional District of Illinois

The Ninth Congressional District of Illinois is served by two USPS districts: the Chicago District and the Northern Illinois District. Table I.1 shows which ZIP Codes within the congressional district are served by the two postal districts.

**Table I.1: ZIP Codes of the Ninth Congressional District of Illinois**

<b>Chicago Postal District</b>	<b>Northern Illinois Postal District</b>
60613 <sup>a</sup>	60025 <sup>a</sup>
60626	60029
60630 <sup>a</sup>	60053
60631 <sup>a</sup>	60076
60640 <sup>a</sup>	60077
60645	60201
60646 <sup>a</sup>	60202
60648 <sup>a</sup>	60203
60656 <sup>a</sup>	60204
60657 <sup>a</sup>	60208
60659 <sup>a</sup>	60209
60660	60251
60701	
60714 <sup>a</sup>	
60799	

<sup>a</sup>Neighboring congressional districts also include these ZIP Codes.

Source: USPS.

# Summary of Cost Overruns at the New Chicago Main Post Office

From December 1991 through February 1996, the Postal Service Board of Governors approved four requests totalling \$133.2 million for additional funding for the new Chicago Main Post Office. Table II.1 summarizes the major reasons for the funding modifications.

**Table II.1: Changes in Funding for the New Chicago Main Post Office**

<b>Date of Board approval</b>	<b>Additional amount approved (in millions)</b>	<b>Total project funding (in millions)</b>	<b>Major reasons for modification</b>
March 1990	N/A	\$199.7	Original estimate
December 1991	\$41.7	\$241.4	The city of Chicago opposed construction on the preferred site. The cost estimate for the alternative site, which involved construction over railroad tracks and restrictions on building near the waterfront, was not based on then-current and complete engineering estimates. Facilities management did not disclose to the Board of Governors that an in-depth analysis was not performed on the Harrison Street site when it was presented for approval.
April 1994	\$45.4	\$286.8	USPS decided to incorporate processing for 17 ZIP Code areas, originally planned for another facility, into the new Main Post Office, requiring a complete redesign of the workroom; and assumed responsibility for repairing the Polk Street bridge, which provided truck access to the new facility. <sup>a</sup>
June 1995	\$30.1	\$316.9	USPS underestimated the costs of adding the 17 postal stations to the facility. USPS also noted a 141,000-square-foot deficiency in the facility caused by adding the 17 stations.
February 1996	\$16	\$332.9	USPS decided to renovate the adjacent Sugar House building to fulfill the 141,000-square-foot space deficiency caused by adding the 17 stations to the new Main Post Office.

<sup>a</sup>Of the \$7.8 million estimated cost to repair the bridge, the Postal Service recovered \$5 million in 1996 from the Chicago Union Station Company, an Amtrak subsidiary.

Source: USPS.

# USPS Board of Governors' Capital Improvement Committee Recommendations for Process Improvements

In 1993, the USPS Board of Governors formed the Capital Improvement Committee to examine the review and approval process for capital investment projects. In February 1995, the Committee made 10 process improvement recommendations and 4 accountability improvement recommendations, which are listed in tables III.1 and III.2. The Postal Service indicated that these recommendations have been implemented.

**Table III.1: USPS Board of Governors' Capital Improvement Committee Recommendations for Process Improvements**

<b>Process improvement recommendations</b>	
1.	Management should standardize Decision Analysis Reports and improve the quality of information provided for management and Board review.
2.	Management should ensure that the facility contracting process and contracting documents fully and consistently protect the interests of the Postal Service. <sup>a</sup>
3.	Management should ensure that the process for participation by minority contractors is followed.
4.	The Finance Department should look at the capital investment process in other organizations to see if any outside processes could be applied within the Postal Service.
5.	Management should continue to use the Inspection Service audit functions to determine if the process can be strengthened in any way.
6.	Project sponsors should carefully consider closed vs. open Board meetings when presenting capital investment projects to ensure that the procurement function is not harmed by disclosure of data.
7.	Project sponsors should provide the Decision Analysis Report to the Board for discussion in the first month and request a vote in the next or a subsequent month.
8.	Project sponsors should provide preliminary briefings to the Board on complex projects.
9.	Management should continually examine the review and approval process for capital projects so that it can act upon continual improvement opportunities.
10.	The Board of Governors should retain the \$10 million approval authority.

<sup>a</sup>According to a Postal official, this recommendation was made to address a concern about too many people being involved in facilities contracting. At the time, facilities contracting was done by both the facilities and procurement offices. As a result of this recommendation, facilities contracting was consolidated in the procurement office.

**Table III.2: USPS Board of Governors' Capital Improvement Committee Capital Investments Accountability Improvement Recommendations**

<b>Accountability improvement recommendations</b>	
1.	Implementing managers should provide more frequent project updates to the Board on the status of projects approved by the Board.
2.	Management should ensure that an "early warning system" exists to alert the Board of any problems that occur on projects.
3.	Finance should provide data to the Board on projects costing under \$10 million and determine if any process improvements are needed for such projects.
4.	Management should reinforce procedures requiring prior approval before funds are reallocated within a project.

Source: USPS Board of Governors.

# Workload and Performance Indicators of Graceland and Brookline Stations

We compared the performance of Graceland station to a similar station in another city with a higher EXFC score than Chicago's. The Postal Service identified Boston's Brookline station as being similar to Graceland in terms of serving a densely populated area with many high-rise residential units. At our request, the Postal Service provided workload/workforce measures (the number of deliveries, routes, and carriers, volume of mail delivered, amount of carrier sick leave and overtime); timeliness measures (EXFC scores, the number of routes with delayed mail, amount of curtailed and delayed bulk business mail, and the number of carriers leaving the station late); and the number of delivery-related complaints received during the weeks of September 14 through 20, 1996, and January 18 through 24, 1997, at the Graceland and Brookline stations. We chose these 2 weeks to compare the Graceland station's performance for the week when the new manager began working at the station and for 4 months later.<sup>29</sup> Tables IV.1 and IV.2 compare the performance of the two stations during the two time periods.

**Table IV.1: Comparison of Selected Workload and Performance Indicators for Graceland Station in Chicago and Brookline Station in Boston for the September 14 Through 20, 1996, Period**

	Graceland	Brookline
<b>Workload/workforce</b>		
Number of possible residential deliveries (May 1997)	37,981	26,085
Number of possible business deliveries (May 1997)	2,026	1,549
Number of routes	81	80
Volume of mail delivered (in feet)	8,012	6,701
Number of permanent carriers	108	128
Number of part-time and temporary carriers	17	17
Carrier overtime (percent of workhours) <sup>a</sup>	15.32	11.99
Carrier sick leave (percent of workhours) <sup>a</sup>	2.1	0.55
<b>Timeliness</b>		
Rate of on-time overnight delivery of First-Class mail for city (EXFC score)	84 (first quarter FY 1997 for Chicago) <sup>b</sup>	87 (first quarter FY 1997 for Boston)
Number of routes with delayed mail <sup>a,c</sup>	26	1
Feet of curtailed bulk business mail <sup>a,d</sup>	135	120
Feet of delayed bulk business mail <sup>a</sup>	171	0
Number of carriers leaving the station late <sup>a,e</sup>	17	9
<b>Number of complaints<sup>f</sup> (first quarter FY 1997)</b>		
Delayed mail	12	22

(continued)

<sup>29</sup>Graceland's current station manager was assigned temporarily to the station on September 14, 1996.

**Appendix IV  
Workload and Performance Indicators of  
Graceland and Brookline Stations**

	<b>Graceland</b>	<b>Brookline</b>
Misdelivery	4	6
General service complaints	4	2
Daily delivery time variation	1	15
Change of address problems	1	7
Improperly returned mail	3	5
Improper delivery/mode of delivery	1	5
Nonreceipt of mail	6	9
<b>Total delivery-related complaints</b>	<b>32</b>	<b>71</b>

<sup>a</sup>Daily average.

<sup>b</sup>The EXFC score for the Northern Illinois Postal District, which serves part of the Ninth Congressional District of Illinois, was 86 for the first quarter of fiscal year 1997.

<sup>c</sup>First-Class mail is considered delayed if it does not leave the station the same day it is received. Bulk business mail is considered delayed if it takes more than 48 hours to leave the station.

<sup>d</sup>Mail is curtailed if it is not yet scheduled for delivery—for example, to coincide with a mailing advertiser's sale, or if workload is heavy on a particular day.

<sup>e</sup>A carrier is considered as leaving the station late when a foot carrier leaves more than 10 minutes after the scheduled departure time, or a motorized carrier leaves the station more than 20 minutes late.

<sup>f</sup>Delivery-related complaints received at the postal station, district office, or USPS headquarters. The "delayed mail" and "general service complaints" categories could include some other types of complaints that are not delivery related. Nondelivery complaints are those concerning no delivery of any mail, whereas nonreceipt of mail pertains to a complaint about a specific piece of mail not being received.

Source: USPS.

**Table IV.2: Comparison of Selected Workload and Performance Indicators for Graceland Station in Chicago and Brookline Station in Boston for the January 18 Through 24, 1997, Period**

	<b>Graceland</b>	<b>Brookline</b>
<b>Workload/workforce</b>		
Number of possible residential deliveries (May 1997)	37,981	26,085
Number of possible business deliveries (May 1997)	2,026	1,549
Number of routes	81	80
Volume of mail delivered (in feet)	6,540	6,428
Number of permanent carriers	110	136
Number of part-time and temporary carriers	37	20
Carrier overtime (percent of workhours) <sup>a</sup>	9.84	18.66
Sick leave (percent of workhours) <sup>a</sup>	1.49	3.69

**Timeliness**

(continued)

**Appendix IV  
Workload and Performance Indicators of  
Graceland and Brookline Stations**

	<b>Graceland</b>	<b>Brookline</b>
Rate of on-time overnight delivery of First-Class mail for city (EXFC)	90 (second quarter FY 1997 for Chicago) <sup>b</sup>	91 (second quarter FY 1997 for Boston)
Number of routes with delayed mail <sup>a,c</sup>	6	0
Feet of curtailed bulk business mail <sup>a,d</sup>	211	0
Feet of delayed bulk business mail <sup>a</sup>	93	0
Number of carriers leaving the station late <sup>a,e</sup>	15	48
<b>Number of complaints<sup>f</sup> (second quarter FY 1997)</b>		
Delayed mail	2	13
Misdelivery	0	3
General service complaints	1	1
Daily delivery time variation	1	3
Change of address problems	1	6
Improperly returned mail	2	4
Nondelivery	0	1
Improper or attempted delivery	2	4
Hold order problem	0	2
Nonreceipt of mail	5	10
<b>Total delivery-related complaints</b>	<b>14</b>	<b>47</b>

<sup>a</sup>Daily average.

<sup>b</sup>The EXFC score for the Northern Illinois Postal District, which serves part of the Ninth Congressional District of Illinois, was 85 for the second quarter of fiscal year 1997.

<sup>c</sup>First-Class mail is considered delayed if it does not leave the station the same day it is received. Bulk business mail is considered delayed if it takes more than 48 hours to leave the station.

<sup>d</sup>Mail is curtailed if it is not yet scheduled for delivery—for example, to coincide with a mailing advertiser's sale, or if workload is heavy on a particular day.

<sup>e</sup>A carrier is considered as leaving the station late when a foot carrier leaves more than 10 minutes after the scheduled departure time, or a motorized carrier leaves the station more than 20 minutes late.

<sup>f</sup>Delivery-related complaints received at the postal station, district office, or USPS headquarters. The "delayed mail" and "general service complaints" categories could include some other types of complaints that are not delivery related. Nondelivery complaints are those concerning no delivery of any mail, whereas nonreceipt of mail pertains to a complaint about a specific piece of mail not being received.

Source: USPS.

# Physical Condition of Postal Facilities in the Ninth Illinois Congressional District

In November 1996, Postal officials offered to review the physical condition of postal facilities in Congressman Yates' district. This review was performed by two teams of operational, retail, and administrative staff from the Chicago and Northern Illinois Postal Districts serving the Ninth Illinois Congressional District. The teams were supported by a real estate specialist, a design and construction specialist, and an operations analyst from the Chicago Facilities Service Office. In addition, an outside architectural/engineering firm was retained to assist in the review. Tables V.1 and V.2 summarize the review findings, by postal facility, in the Chicago and Northern Illinois Postal Districts, respectively.

**Table V.1: Repairs/Alterations Identified for Chicago Postal District Facilities Serving the Ninth Congressional District of Illinois**

Postal facility and ZIP Code(s)	Repairs/alterations identified, comments
Niles Branch, Niles, IL, 60714	New signage needed to identify the facility from the street. Minor repairs needed. A new Postal Store is planned. <sup>a</sup>
Harwood Heights Branch, Chicago, 60656	Recommend converting existing facility into a carrier annex. <sup>b</sup> Incorporate safety items into carrier annex conversion. Recommend relocation of finance portion into a finance unit <sup>c</sup> to include a Postal Store, with open merchandising. <sup>d</sup>
Norwood Park Branch, Chicago, 60631	Provide exterior signage to better identify facility from the street. Minor interior repairs are needed. New Postal Store completed in March 1995.
Edgebrook Finance Station, Chicago, 60646	Facility is served by an adjacent carrier annex, which has noticeable overcrowding. Facility needs interior housekeeping. New Postal Store with open merchandising was completed in July 1995.
Jefferson Park Finance Station, Chicago, 60630	The facility is supported by a leased garage that services postal vehicles. Exterior repairs and remodeling are needed. Facility is served by a carrier annex and a parking lot, which is located across the street. Customers park at the carrier annex. Major remodeling for a new Postal Store with open merchandising is planned for completion in the spring of 1998.
Ravenswood Station, Chicago, 60625	Additional objective is to relocate post office boxes into this facility from the detached post office box unit, <sup>e</sup> which is located across the street from this station. Provide new exterior signage. Minor interior repair and alterations. This facility is also served by a second detached post office box unit in the delivery area. Consider conversion to Postal Store with open merchandising.
Station Q, Chicago, 60625	Add exterior signage. Minor repairs and alterations. Convert to Postal Store standards with closed merchandising.
Uptown Station, Chicago, 60640	Minor roof repairs are needed. Add stamp vending in customer service lobby. Upgrade appearance of interior customer and support areas.

(continued)

**Appendix V  
Physical Condition of Postal Facilities in the  
Ninth Illinois Congressional District**

<b>Postal facility and ZIP Code(s)</b>	<b>Repairs/alterations identified, comments</b>
Northtown Station, Chicago, 60645/59	Provide new exterior signage. Reconfigure post office box lobby stamp vending. Reconfigure rest rooms. Install modified Postal Store with open merchandising.
Rogers Park Station, Chicago, 60626/60	Station recently expanded for carrier and retail operations. New Postal Store with open merchandising was completed in May 1995. Repairs and upgrading of the flooring and lighting are currently under way in this facility. Recommend working with the city to increase customer street parking. Make minor repairs and alterations. Provide exterior signage.
Station M, Chicago, 60626/60	Relocate finance unit and upgrade to Postal Store standards with closed merchandising.
Station F, Chicago, 60626/60	Upgrade entrance accessibility. Provide exterior signage. Add Postal Store with closed merchandising.
Lakeview Station, Chicago, 60613	Minor exterior and interior repair and alterations are needed. Add Postal Store with open merchandising to the lobby.
Graceland Finance Station, Chicago, 60657	Replace exterior signage. Add pylon sign at Ashland Ave. Upgrade lobby signage. Upgrade to Postal Store standards with closed merchandising.
Lincoln Park Finance Station, Chicago, 60614	Replace exterior signage. Provide safety devices on mechanical lifts. Customer parking is provided by validated parking across the street.

<sup>a</sup>The Postal Store is the Postal Service's name for its new retail operations in post offices offering a variety of postal products, such as sheets and books of postage stamps, mailing supplies, and postal-themed merchandise, which are displayed on open shelves for customer pick-up and selection.

<sup>b</sup>A carrier annex is a facility that houses the carrier routes without a retail or post office box operation. Retail and post office boxes are provided at finance stations.

<sup>c</sup>A finance unit is a nondelivery postal branch or station for financial services and acceptance of mail.

<sup>d</sup>Open merchandising refers to displaying items for sale on open shelves, rather than behind the counter.

<sup>e</sup>A detached Post Office Box Unit is usually established to augment a station or branch post office where additional post office boxes are needed to satisfy customer demand for this service. Stamp vending is also provided at these locations so that customers can purchase stamps.

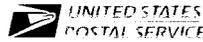
**Appendix V  
Physical Condition of Postal Facilities in the  
Ninth Illinois Congressional District**

**Table V.2: Repairs/Alterations Identified for Northern Illinois Postal District Facilities Serving the Ninth Congressional District of Illinois**

<b>Postal facility and ZIP Code(s)</b>	<b>Repairs/alterations identified, comments</b>
Morton Grove, IL, Main Post Office, 60053	Add building signage. Minor interior and exterior repairs needed. Asphalt repairs in parking lot and maneuvering area needed. Consider conversion to Postal Store.
Golf, IL, Main Post Office, 60029	Add post office boxes. Consider conversion to Postal Store.
Glenview, IL, Main Post Office, 60025	Make needed safety improvements. Replacement facility currently in progress. Facility is supported by leased parking and a detached post office box unit.
Skokie, IL, Old Orchard Branch, 60077	New Postal Store recently completed. Modify rear door hardware.
Skokie, IL, Main Post Office, 60076	Upgrade safety items. Interior repairs needed. This facility is supported by leased parking and a detached post office box unit. Consider conversion to Postal Store, which would enlarge lobby.
Evanston, IL, Main Post Office, 60201	Refurbish historic lobby. Remodel rest rooms. This facility is supported by leased parking and a detached post office box unit, as well as a vehicle maintenance facility. Consider adding merchandising cases.
Evanston, IL, South Station, 60202	Contact lessor to perform deferred maintenance on the facility. Remodel dock. Make safety improvements. Consider converting to Postal Store standards.
Evanston, IL, North Station, 60201	Upgrade building systems and address deferred maintenance. Consider converting to Postal Store standards.

Source: USPS.

# Comments From the Postal Service



October 17, 1997

Mr. Bernard L. Ungar  
Director, Government Business  
Operations Issues  
United States General Accounting Office  
Washington, DC 20548-0001

Dear Mr. Ungar:

Thank you for providing us an opportunity to review the draft report entitled, U.S. Postal Service: Chicago Main Post Office Cost Overruns and Graceland Station Mail Service.

The report gives an accurate summary of the circumstances and actions that caused the construction of the new Chicago Main Post Office to significantly exceed the project's original cost estimate. To prevent the recurrence of such cost overruns on future large-scale capital investment projects, Postal Service management, in conjunction with the Board of Governors, has instituted a number of safeguards that strengthen the review process and assure more management involvement and accountability for such projects. As the report notes, these enhancements to the approval and oversight process provide the Board with more frequent and complete updates on the progress of major capital projects. This process also serves as an early warning system for senior management, requiring prompt notification when problems inevitably arise on future projects. The Board has also transferred from the Inspection Service to the newly established Office of the Inspector General the responsibility to audit facility construction projects over \$10 million. This safeguards the review process and ensures that our capital spending is tightly controlled.

The remainder of your report clearly shows that mail delivery in Chicago has improved significantly over just a short time ago. That trend is continuing. For the postal quarter that just ended (Quarter IV, fiscal year 1997), our External First-Class measurement system shows that Chicago had a score of 92 percent for overnight delivery of mail, the highest score ever for Chicago. This continuous improvement is a direct result of the hard work and dedication of every postal worker in the Chicago area.

In response to the report's recommendation, I will have postal management, both in Chicago and in Washington, closely monitor the level and quality of Chicago's mail service and pay particular attention to the service provided by the Graceland Station. We will not let service slip. I will also instruct the Postal Inspection Service to periodically review Graceland's performance and report its findings to the appropriate officials.

If you wish to discuss any of these comments, my staff is available at your convenience.

Best regards,

A handwritten signature in black ink that reads "Marvin Runyon".

---

## Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. VISA and MasterCard credit cards are accepted, also. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

### Orders by mail:

U.S. General Accounting Office  
P.O. Box 37050  
Washington, DC 20013

### or visit:

Room 1100  
700 4th St. NW (corner of 4th and G Sts. NW)  
U.S. General Accounting Office  
Washington, DC

Orders may also be placed by calling (202) 512-6000 or by using fax number (202) 512-6061, or TDD (202) 512-2537.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

[info@www.gao.gov](mailto:info@www.gao.gov)

or visit GAO's World Wide Web Home Page at:

<http://www.gao.gov>

---

**United States  
General Accounting Office  
Washington, D.C. 20548-0001**

**Bulk Rate  
Postage & Fees Paid  
GAO  
Permit No. G100**

**Official Business  
Penalty for Private Use \$300**

**Address Correction Requested**

---

