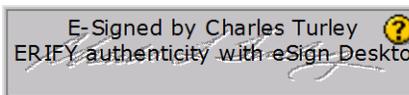




December 7, 2016

MEMORANDUM FOR: EDWARD F. PHELAN JR.
VICE PRESIDENT, NORTHEAST AREA OPERATIONS

FROM: Charles L. Turley
Deputy Assistant Inspector General
for Supply Management and Facilities



SUBJECT: Management Alert – Security of Mail Transported on Trailers
(Report Number HR-MT-17-001)

This management alert presents concerns regarding mail on a contractor's trailer that was missing for 25 days (Project Number 16SMG005HR001). We identified these concerns during our review of U.S. Postal Inspection Service Vulnerability Risk Assessment Tool Assessments (Project Number 16SMG005HR000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Monique P. Colter, director, Human Resources and Support, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

Introduction

This management alert presents concerns regarding mail on a U.S. Postal Service contractor's trailer that was missing for 25 days (Project Number 16SMG005HR001). We identified these concerns during a review of the U.S. Postal Inspection Service Vulnerability Risk Assessment Tool Assessments¹ (Project Number 16SMG005HR000).

The Postal Service uses highway contract routes (HCR) to transport mail between postal processing facilities, including network distribution center (NDC) and terminal handling service (THS) contract facilities. THS suppliers provide consolidation² and deconsolidation³ services to fill HCR trailers from top to bottom to optimize space and reduce costs.

On June 20, 2016, while conducting fieldwork at the Pittsburgh NDC, postal managers informed U.S. Postal Service Office of Inspector General (OIG) auditors of a pending investigation of customer complaints. On June 14, 2016, the New England District notified the Pittsburgh NDC it was investigating 14 customer complaints regarding non-delivery of mail processed at the NDC on May 25 and 26, 2016. On June 17, 2016, Pittsburgh NDC managers initiated a search for the trailer of mail based on these complaints. Records indicate that the trailer departed the Pittsburgh NDC, in Warrendale, PA, on May 26, 2016, to arrive at the Springfield NDC, in Springfield, MA, on May 27, 2016. The trailer did not arrive at the Springfield NDC until June 21, 2016 — 25 days later than expected.

Summary

Mail processed at the Pittsburgh NDC (originating facility) and transported on a contractor's trailer was missing for 25 days⁴ while Springfield NDC (destination facility) transportation personnel were not aware of the missing trailer for 21 days.⁵ Additionally, Springfield NDC employees did not notify the Postal Inspection Service of the loss of mail.

¹ Vulnerability Risk Assessment Tool is a single tool that identifies security risks and vulnerabilities at postal facilities.

² The process of taking mail from individual containers and filling the bed of the trailer from top to bottom to optimize space. This process is intended to save money on transportation costs by maximizing use of cargo space. Other couriers also use a method called "bed-loading".

³ Process that requires contractor facilities to unload in-bound long-haul transportation consolidated at origin.

⁴ May 28, 2016 (day after missed arrival) to June 21, 2016 (day trailer found and delivered).

⁵ May 28 to June 17, 2016 (search initiated).

This occurred because:

- Springfield NDC transportation employees did not monitor incomplete trips in the Transportation Information Management Evaluation System (TIMES),⁶ as required. These employees did not receive the daily logs of mail deliveries by HCR to verify data accuracy in the trip reports to account for incomplete trips.
- The Springfield NDC transportation manager and employees who were responsible for investigating missed arrivals were not included in the email distribution that contained the daily logs.
- Officials at the Bradley THS in East Granby, CT did not complete a Postal Service (PS) Form 5500, Contract Route Irregularity Report, to report the incomplete trip.
- Springfield NDC managers overlooked the requirement to notify the Postal Inspection Service.

Missing Trailer of Mail

Mail processed at the Pittsburgh NDC (originating facility) and transported on a contractor's trailer was missing for 25 days while responsible personnel at the Springfield NDC (destination facility) were not aware of the missing trailer for 21 days.

Specifically:

- On May 26, 2016, the Pittsburgh NDC processed the mail and sent it to the local THS contractor for consolidation. On the same day, an HCR driver transported the mail to an exchange point⁷ in Kearny, NJ, for transport to the Bradley THS for deconsolidation and delivery to the Springfield NDC on the morning of May 27, 2016. However, on May 26, 2016, the driver scheduled to transport the mail from Kearny, NJ, to the Bradley THS called in sick.
- On May 26, 2016, the HCR dispatcher emailed Bradley THS supervisors to inform them that the driver was sick and the replacement driver would be late. Subsequently, the trailer of mail did not arrive on May 27, 2016, as scheduled. Bradley THS supervisors noted this in their daily log and emailed the log to Springfield NDC mail processing managers and Northeast Area officials, as appropriate.
- Bradley THS supervisors stated that they called and spoke with Springfield NDC transportation employees on May 27, 2016, but those employees did not take any action to locate the trailer. The Northeast Area transportation manager performed an

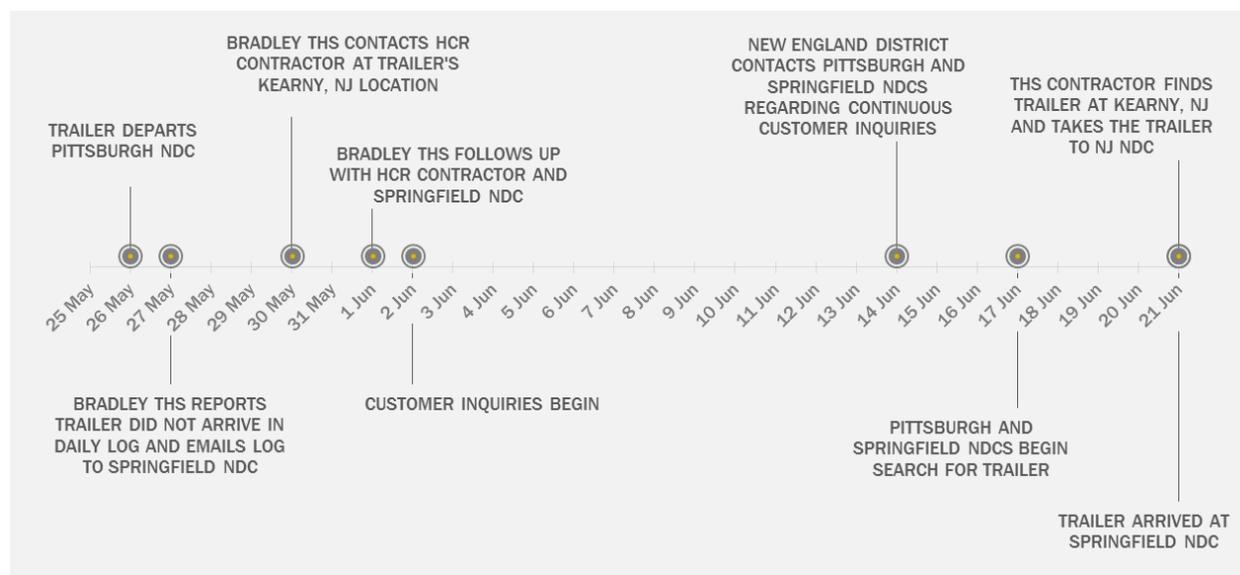
⁶ A computer system used to record trailer departures and arrivals and generates reports to include cancelled trips, late arrivals, daily exceptions and no-shows.

⁷ A parking lot that drivers use to exchange trailers en route to their destination.

after-action review and found⁸ that the Bradley THS supervisor called the Springfield NDC transportation office; however, he could not determine who he spoke to.

- Additionally, Bradley THS supervisors followed up with the HCR dispatcher on May 30, 2016, and with Springfield NDC mail processing managers on June 1, 2016, to notify them that the trailer did not arrive. However, the HCR contract dispatcher and Springfield NDC managers did not further investigate the issue or take corrective action (see Figure 1).

Figure 1. Timeline for Missing Trailer of Mail



Source: OIG analysis.

In accordance with Postal Service policy,⁹ THS contractors must provide daily reports detailing trailer arrivals, delays, and departures. They also must notify area managers and local NDC transportation managers of any operational irregularities via telephone and PS Form 5500.¹⁰ Additionally, the THS statement of work¹¹ (SOW) directs the Springfield NDC to supervise Bradley THS daily goals and consolidation and deconsolidation activities.

The Springfield NDC transportation manager is also responsible for monitoring HCR operations and tracking trailer arrivals and departures.¹² The Springfield NDC is also responsible for monitoring the Bradley THS's performance and identifying corrective actions. To help accomplish this, transportation employees at NDCs should use the TIMES unrecorded and incomplete trips report to identify trailers that do not have arrival

⁸ *Northeast Area After Action Report*, July 27, 2016.

⁹ SOW, Consolidation-Deconsolidation Facility Network, dated June 9, 2014.

¹⁰ Postal Form 5500 report identifies late and incomplete trips and should be submitted to the HCR contract administrative official for investigation and corrective actions.

¹¹ SOW, Consolidation-Deconsolidation Facility Network, dated June 9, 2014.

¹² *TIMES Terminal Handling Supplier Manual*, dated September 2003.

data. Transportation employees then reconcile TIMES data with the daily log to determine why an arrival is not recorded in the system.

Several factors contributed to the missing trailer of mail. Specifically:

- Springfield NDC transportation employees did not monitor the TIMES incomplete trip report to identify trailers that did not have arrival data and did not receive the daily logs of mail deliveries by HCR to verify data accuracy in the trip reports to account for incomplete trips.
- The Northeast Area officials responsible for ensuring transportation schedules meet the needs of mail processing facilities and the Springfield NDC mail processing managers responsible for processing operations and resources received the email containing the daily log. However, they were not the key personnel who investigate missed arrivals. The Springfield NDC transportation manager and employees responsible for investigating missed arrivals were not included in the email distribution. They would have seen that the trailer did not arrive on May 27, 2016, if they had reviewed the TIMES unrecorded and incomplete trips report for the Bradley THS. Springfield NDC managers, however, did not enforce the requirement to monitor TIMES. Also, while Springfield NDC transportation managers were responsible for updating the email distribution list, they did not make the connection between the outdated distribution list and the absence of the daily log. Since management has taken corrective action to update the email distribution list to include responsible employees at the Springfield NDC, we did not make a recommendation to disseminate updated email distribution lists.
- Bradley THS officials did not complete a PS Form 5500 contractor irregularity report on the incomplete trip. Postal Service managers stated they did not require the Bradley THS supervisors to complete and submit a PS Form 5500 because the HCR contracts do not financially penalize the contractors for late deliveries. However, PS Form 5500 identifies partial and incomplete trips and should be submitted to the HCR contract administrative official for investigation and corrective actions.

Notifying the Inspection Service

Springfield NDC employees did not notify the Postal Inspection Service of the lost mail, as required.¹³ On May 27, 2016, Bradley THS supervisors emailed Springfield NDC mail processing managers and Northeast Area officials. On the same day, Bradley THS supervisors spoke with Springfield NDC transportation employees. On June 1, 2016, Bradley THS supervisors followed up in a weekly teleconference with Springfield NDC mail processing managers to notify them one last time that the trailer did not arrive; however, Springfield NDC managers overlooked the requirement to notify the Postal Inspection Service.

¹³ *Administrative Support Manual* Issue 13 (1999), Section 222.1, updated December 24, 2015.

As a result, mail (including Parcel Post,¹⁴ Parcel Select,¹⁵ and commercial parcels¹⁶) with an estimated value of \$8,739¹⁷ was unaccounted for, delayed, and at increased risk of being stolen. Customers expect to receive their mail timely. Delayed, missing, or stolen mail reflects poorly on the Postal Service's brand and public image and leaves the agency open to customer complaints.

Recommendations

We recommend the vice president, Northeast Area Operations, direct Northeast Area Network Operations managers to:

1. Reiterate via formal communication the requirement to review and analyze transportation data timely to account for incomplete trips.
2. Reiterate via formal communication the requirement to complete and submit Postal Service Form 5500, Contractor Irregularity Report, for partial and incomplete trips.
3. Develop an oversight process for the Northeast Area Distribution Network Office to ensure Postal Service Form 5500, Contractor Irregularity Reports, are received and analyzed timely.
4. Reiterate to the Springfield Network Distribution Center plant manager via formal communications the requirement to notify the Postal Inspection Service of the loss of a large quantity of mail.

Management's Comments

Management agreed with recommendations 1 and 4 and disagreed with recommendations 2 and 3. See [Appendix A](#) for management's comments in their entirety. Management stated they agreed with the findings in a subsequent correspondence.

In response to recommendation 1, management provided documentation showing they reformatted the daily reports to identify irregularities in the body of the email and updated the email distribution list in July 2016. In that same month, management directed the Springfield Vehicle Office to follow up with suppliers on all irregularities noted in the daily reports until trips are reconciled.

In response to recommendation 2, management stated they implemented a PS Form 5500 process with Bradley THS and neither the Pittsburgh nor Springfield NDC would

¹⁴ Parcel Post offers only zone-based pricing for ground transportation.

¹⁵ A destination entry product that is offered at postage rates.

¹⁶ Commercial parcels are usually presorted and must weigh less than 16 ounces.

¹⁷ We multiplied total mailpiece capacity by the package service rate per the Postal Service's Public Cost and Revenue Analysis to obtain the estimated value of \$ 8,739. Therefore, 36 containers filled with about 170 mailpieces per container at the \$1.428 package service rate equals the estimated value.

have received a copy of the Form 5500 issued by the CDF supplier. They also disagreed that taking these actions would mitigate security risks associated with the trailers under these contracts since the Northeast Area is not administratively responsible for any of the HCR routes operating into Bradley THS. They stated the Cincinnati NDC has administrative responsibility for HCR routes operating into Bradley THS.

In response to recommendation 3, management stated that the Postal Service has a standard operating process in place with oversight responsibilities and they agree that they are responsible for highway contracts that they are assigned administrative responsibility. Management stated the Cincinnati NDC is responsible for the PS Form 5500 for this HCR.

In response to recommendation 4, management provided documentation showing they reiterated via a formal communication the requirement to notify the Postal Inspection Service of the loss of a large quantity of mail on November 22, 2016.

Evaluation of Management's Comments

The OIG considers management's comments responsive to recommendations 1 and 4 and should resolve the issues identified in the report. Management's comments were not responsive to recommendations 2 and 3.

Regarding recommendation 1, management's actions for improving the communication process with contractors satisfy the intent of the recommendation.

Regarding recommendation 2, per the contract requirements, the Bradley THS is responsible for creating PS Form 5500 and the Springfield NDC supervises daily operations of the Bradley THS; therefore, it is the responsibility of the Springfield NDC to ensure the Bradley THS submits PS Forms 5500 to the administrative official at the Cincinnati NDC.

Regarding recommendation 3, management stated that an oversight process exists and they are not administratively responsible for the highway contract. According to the THS statement of work, the local NDC is responsible for directing the supplier to ensure daily operational goals and contractual requirements are met; therefore, an oversight process at the local NDC would help ensure administrative officials receive the information they need to address contractor performance issues from inbound THS suppliers.

All recommendations require OIG concurrence before closure. We consider recommendations 1 and 4 closed with the issuance of this report. In regard to recommendations 2 and 3, the OIG Transportation Directorate will assess how Postal Service Form 5500 is used to mitigate irregularities in a future nationwide audit in FY 2017; therefore, we consider these recommendations closed, but not implemented by the Postal Service.

Prior Audit Coverage

The OIG did not identify any prior audits or reviews related to the objective of this alert.

Appendix A. Management's Comments

EDWARD F. PHELAN, JR.
VICE PRESIDENT, AREA OPERATIONS
NORTHEAST AREA



November 23, 2016

LORI LAU DILLARD, DIRECTOR, AUDIT OPERATIONS

SUBJECT: Management Alert – Security of Mail Transported on Trailers
(Report Number HR-MT-17-DRAFT)

Thank you for providing the Northeast Area with an opportunity to review and comment on the recommendations contained in the draft management alert, Security of Mail Transported on Trailers (Report Number HR-MT-17-DRAFT).

The following is our response to the recommendations contained in the report.

Recommendation 1

Reiterate via formal communication the requirement to review and analyze transportation data timely to account for incomplete trips.

Management Response/Action Plan

Northeast Area management agrees with this recommendation and has implemented the following communication process improvements.

- Any transportation irregularities are now outlined in the body of the Consolidation/Deconsolidation Facility (CDF) Condition Report email effective June 27, 2016. (Attachment A)
- Revised CDF report implemented effective June 29, 2016. (Attachment B)
- Email contact list updated with Springfield NDC transportation personnel effective July 20, 2016. (Attachment C). Email distribution list will be reviewed quarterly by Northeast Area Distribution Networks Office and updated accordingly.
- Springfield Vehicle Office follows up with the supplier on all irregularities noted on CDF until outstanding trip has been reconciled effective July 20, 2016.

Target Implementation Date: Completed July 2016

Responsible Official: Richard Gaudet, Manager, Distribution Networks, Northeast Area
Duane Lariviere, Plant Manager, Springfield NDC

Recommendation 2

Reiterate via formal communication the requirement to complete and submit Postal Service Form 5500, Contractor Irregularity Report, for partial and incomplete trips.

Management Response/Action Plan

Northeast Area management does not agree with this recommendation. The issuance of the Form 5500 is the method for documenting contractor irregularities. The recipients of the Form 5500 in this instance would be the HCR supplier, administrative official and a

- 2 -

copy retained by the CDF supplier. Neither the Pittsburg nor Springfield NDCs would have received a copy of a Form 5500 issued by the CDF supplier. The Northeast Area Distribution Networks Office had implemented a Form 5500/5466 process with Bradley THS CDF Consolidated Aviation Services (CAS) prior to the issuance of the revised CDF Standard Operating Procedures in October 2015. The Northeast Area Distribution Networks Office worked with CAS to revise this process to comply with Section 2.1.7 of the CDF Standard Operating Procedures, October 2015. While the Northeast Area has taken actions to implement the revised procedures and strengthen compliance, the Northeast Area disagrees that taking these actions would mitigate risks associated with security of mails transported on trailers under these contracts since the Northeast Area is not administratively responsible for any of the HCR routes operating into Bradley THS. The Cincinnati NDC has administrative responsibility for HCR routes operating into Bradley THS.

Recommendation 3

Develop an oversight process for the Northeast Area Distribution Networks Office to ensure Postal Service Form 5500, Contractor Irregularity Report, is received and analyzed timely.

Management Response/Action Plan

Northeast Area management does not agree with this recommendation. The Postal Service currently has a standard operating process in place which assigns administrative officials with oversight responsibilities for Form 5500s. The Northeast Area does agree that we are responsible for compliance with the Postal Service Form 5500 process for contracts where we are assigned administrative responsibility. As stated previously, these contracts fall under the administrative responsibility of the Cincinnati NDC.

Recommendation 4

Reiterate to the Springfield Network Distribution Center plant manager via formal communications the requirement to notify the Postal Inspection Service of the loss of a large quantity of mail.

Management Response/Action Plan

Northeast Area management agrees with this finding. The plant manager, Springfield NDC must notify the Postal Inspection Service of the loss of a large quantity of mail. The Northeast Area Manager, Operations Support reissued the requirements of Section 222 of the *Administrative Support Manual* Issue 13 (1999), Section 222.1, updated through December 24, 2015.

Target Implementation Date: Completed November 22, 2016 (Attachment D)

Responsible Official: Mark Dahlstrom, A/Manager, Operations Support, Northeast Area

If you have any questions regarding this response, please contact Richard Gaudet at (860) 285-7115.



Edward F. Phelan, Jr.

Attachments