



March 29, 2004

PAUL E. VOGEL
VICE PRESIDENT, NETWORK OPERATIONS MANAGEMENT

JO ANN FEINDT
VICE PRESIDENT, GREAT LAKES AREA OPERATIONS

SUBJECT: Audit Report – Highway Network Scheduling – Great Lakes Area
(Report Number NL-AR-04-003)

Background

This is the ninth and last in a series of audit reports on highway network scheduling. The report responds to a request from the vice president, Network Operations Management, and focuses on the Great Lakes Area. (Project Number 02YG017TD007).



Highway contract route departing with low mail volume.

Objective, Scope, and Methodology

The objective of our audit was to evaluate the effectiveness of scheduled highway contract routes, and to identify opportunities for cost savings. The vice president,

Network Operations Management, provided a list of plant-to-plant highway contract routes he wanted considered for elimination or consolidation. There were 1,979 trips operated under 207 Great Lakes Area contracts. In preparation for our work, we provided plant managers in the Great Lakes Area with the list of contracts we intended to audit. During our work, we interviewed officials at headquarters and in the Great Lakes Area; reviewed relevant Postal Service policies and procedures; visited 19 processing facilities; interviewed managers and employees; observed and photographed operations. In addition, we analyzed data in the Postal Service “Transportation Information Management Evaluation System,” evaluated mail volume and critical entry times for First-Class and Priority Mail; and analyzed all 1,979 trips. Although we relied on the data obtained from the Transportation Information Management Evaluation System, we did not test the validity of controls over the system. Work associated with the Great Lakes Area was conducted from August 2003 through March 2004 in accordance with generally accepted government auditing standards, and included such tests of internal controls as were considered necessary under the circumstances. We discussed our findings with appropriate management officials and included their comments, where appropriate.

Prior Audit Coverage

We conducted eight audits from January 2002 to February 2004. (See Appendix A.)

Audit Results

Unnecessary Highway Contract Trips

The Postal Service could save about \$5.4 million over the term of existing Great Lakes Area highway contracts by canceling or not renewing 72 unnecessary trips. The Postal Service could eliminate the trips without negatively affecting service because trip mail volume was low, and mail could be consolidated on other trips. As indicated below, about 25 percent of affected trips will expire within one year. The other 75 percent have one to three years remaining.

| TRIP CATEGORY | AFFECTED TRIPS | NUMBER OF TRIPS | ANTICIPATED SAVINGS |
|---|---------------------------|----------------------------|--------------------------------|
| Contracts expiring within one year | 25 percent | 18 | \$1,048,304 |
| Contracts expiring in one to three years | <u>75 percent</u> | <u>54</u> | <u>4,304,573</u> |
| All Terminated Trips | 100 percent | 72 | \$5,352,877 |

Savings could be attained by not renewing contract trips identified as unnecessary that are scheduled to expire within one year and canceling unnecessary trips that are

currently contracted to continue one to three years. The savings we identified included savings from nonrenewable trips, plus savings from trip cancellations net of cancellation fees totaling approximately \$140,000.

After we completed our analysis, we discussed the 72 trips with plant managers and area officials. Postal Service officials identified two trips for cancellation during our audit. In addition, plant managers agreed they could cancel an additional 48 trips, but disagreed with our assessment on 22 of the trips. The trip cancellation proposals are summarized below:

TRIP CANCELLATION PROPOSALS

| CANCELLATION CATEGORY | NUMBER OF TRIPS | APPENDIX | IDENTIFIED SAVING |
|---|--------------------|----------|----------------------|
| Postal Service identified trip cancellations during the audit after we provided the list of contracts we intended to audit. | 2 | B | \$56,489 |
| Trips we identified during audit work with which plant managers agreed. | 48 | C | 3,929,187 |
| Trips we identified during audit work with which plant managers disagreed. | <u>22</u> | D | <u>1,367,201</u> |
| Total | 72 | | \$5,352,877 |

The plant managers disagreed with the 22 proposals for various reasons. We continue to believe the potential exists for trip cancellation without jeopardizing service, operational flexibility, and savings.

Recommendations

We recommend the vice president, Great Lakes Area Operations:

1. Verify the actual cancellation of the two trips identified by management during the course of our audit.
2. Cancel the 48 trips, which plant managers agree are unnecessary and give the date action was taken.
3. Reassess the 22 trips plant managers feel are necessary, cancel trips indicated by the reassessment as unnecessary, and document the reasons for retaining the other trips.

Management's Comments

Management concurred with the intent of our findings and recommendations. Regarding the 72 trips we identified for elimination, management stated that they eliminated 38 and had review or final action pending on 34. They stated most cancellations were as agreed, but explained network management was a dynamic process, transportation requirements continually changed, and some recommended eliminations might now impact service. They agreed to reassess all recommended trip cancellations, retain or eliminate trips as their reassessment indicated, and provide documentation to the OIG to support their determination.

Regarding monetary impact, management stated they could not validate savings at this time. They explained their normal methodology restricted calculations to a one-year budget cycle, while OIG methodology extended to contract term. They also explained that continually changing requirements, and the reassessment they agreed to do, might result in trip substitutions or adjustments, and cause anticipated savings to differ from OIG calculations. They agreed that when their reassessment was complete, they would work with the OIG to reconcile methodologies, and report anticipated savings.

Evaluation of Management's Comments

Management's comments are responsive to our findings and recommendations. We consider the actions taken or planned sufficient to address the issues we identified.

The OIG considers recommendations 1, 2, and 3 significant and, therefore, requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when action is completed. These recommendations should not be closed in the follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

We appreciate the cooperation and courtesies provided by your staff during our audit. If you have any questions or need additional information, please contact Joe Oliva, director, Network Operations - Logistics, at (703) 248-2317 or me at (703) 248-2300.

/s/ Mary W. Demory

Mary W. Demory
Assistant Inspector General
for Operations and Human Capital

Attachment

cc: Patrick R. Donahoe
Anthony M. Pajunas
Susan M. Duchek

APPENDIX A. PRIOR REPORT COVERAGE

Our audit report, Highway Network Scheduling – Pacific Area (Report Number TD-AR-02-003, dated September 24, 2002), identified 158 highway contract trips we thought could be eliminated, and consequently result in savings to the Pacific Area of about \$4.5 million. Management agreed with 124 trip terminations, but subsequently made certain substitutions they considered appropriate. Although local plant managers disagreed with 34 trips we identified, management agreed to reassess the trips, retain or eliminate trips as appropriate, and notify the OIG of all canceled trips, as well as the resulting savings. We considered management's actions responsive to our recommendations.

Our audit report, Highway Network Scheduling – Northeast Area (Report Number TD-AR-03-002, dated November 25, 2002), identified 18 highway contract trips we thought could be eliminated, and consequently result in savings to the Northeast Area of about \$777,000. Management agreed with ten trip terminations, but subsequently made certain substitutions they considered appropriate. Although local plant managers disagreed with eight trips we identified, management agreed to reassess the trips, retain or eliminate trips as appropriate, and notify the OIG of all canceled trips, as well as the resulting savings. We considered management's actions responsive to our recommendations.

Our audit report, Highway Network Scheduling – Capital Metro Area (Report Number TD-AR-03-007, dated March 28, 2003), identified 34 highway contract trips we thought could be eliminated, and consequently result in savings to the Capital Metro Area of about \$1.1 million. Management agreed with 20 trip terminations, but subsequently made certain substitutions they considered appropriate. Although local plant managers disagreed with 14 trips we identified, management agreed to reassess the trips, retain or eliminate trips as appropriate, and notify the OIG of all canceled trips, as well as the resulting savings. We considered management's actions responsive to our recommendations.

Our audit report, Highway Network Scheduling – New York Metro Area (Report Number TD-AR-03-008, dated March 31, 2003), identified 32 highway contract trips we thought could be eliminated, and consequently result in savings to the New York Metro Area of about \$470,000. Management agreed with 12 trip terminations and canceled all 12 trips. Although local plant managers disagreed with 20 trips we identified, management agreed to reassess the trips, retain or eliminate trips as appropriate, and notify the OIG of all canceled trips, as well as the resulting savings. We considered management's actions responsive to our recommendations.

Our audit report, Highway Network Scheduling – Southwest Area (Report Number TD-AR-03-010, dated July 11, 2003), identified 249 highway contract trips we thought could be eliminated, and consequently result in savings to the Southwest Area of about \$6 million. Management agreed with 148 trip terminations, but indicated they may make

certain substitutions they considered appropriate. Although local plant managers disagreed with 101 trips we identified, management agreed to reassess the trips, retain or eliminate trips as appropriate, and notify the OIG of all canceled trips, as well as the resulting savings. We considered management's actions responsive to our recommendations.

Our audit report, Highway Network Scheduling – Western Area (Report Number TD-AR-03-013, dated September 23, 2003), identified 70 highway contract trips we thought could be eliminated, and consequently result in savings to the Western Area of about \$2.7 million. Management agreed with 30 trip terminations, but indicated they may make certain substitutions they considered appropriate. Although local plant managers disagreed with 40 trips we identified, management agreed to reassess the trips, retain or eliminate trips as appropriate, and notify the OIG of all canceled trips, as well as the resulting savings. We considered management's actions responsive to our recommendations.

Our audit report, Highway Network Scheduling – Southeast Area (Report Number TD-AR-03-014, dated September 26, 2003), identified 101 highway contract trips we thought could be eliminated, and consequently result in savings to the Southeast Area of about \$11.3 million. Management agreed with 77 trip terminations, but indicated they may make certain substitutions they considered appropriate. Although local plant managers disagreed with 24 trips we identified, management agreed to reassess the trips, retain or eliminate trips as appropriate, and notify the OIG of all canceled trips, as well as the resulting savings. We considered management's actions responsive to our recommendations.

Our audit report, Highway Network Scheduling – Eastern Area (Report Number TD-AR-03-015, dated September 30, 2003), identified 181 highway contract trips we thought could be eliminated, and consequently result in savings to the Eastern Area of about \$10.6 million. Management agreed with 128 trip terminations, but indicated they may make certain substitutions they considered appropriate. Although local plant managers disagreed with 53 trips we identified, management agreed to reassess the trips, retain or eliminate trips as appropriate, and notify the OIG of all canceled trips, as well as the resulting savings. We considered management's actions responsive to our recommendations.

**APPENDIX B
POSTAL SERVICE IDENTIFIED TRIPS CANCELED
AFTER WE PROVIDED THE LIST OF CONTRACTS WE INTENDED TO AUDIT**

| Contract End Date (Effective Date of Last Change) | Highway Contract Route | Trip Number | Origin/Destination | Annual Budget Cost | Contract Savings | Indemnity Fees | Estimated Cost Savings |
|--|-------------------------------|--------------------|---|---------------------------|-------------------------|-----------------------|-------------------------------|
| 6/30/04 (8/11/01) | 48710 | 5 and 6 | Saginaw Processing and Distribution Center to Flint Processing and Distribution Center and Return | \$14,423 | \$56,489 | \$ 0 | \$56,489 |
| | Total | 2 Trips | | \$14,423 | \$56,489 | \$0 | \$56,489 |

| APPENDIX C TRIPS IDENTIFIED DURING AUDIT WORK WITH WHICH PLANT MANAGERS AGREED | | | | | | | |
|---|------------------------|--|---|--------------------|-------------------------|----------------|------------------------|
| Contract End Date (Effective Date of Last Change) | Highway Contract Route | Trip Number | Origin/Destination | Annual Budget Cost | Estimated Contract Cost | Indemnity Fees | Estimated Cost Savings |
| 6/30/07 (7/1/03) | 607M5 | 901 and 902 | Chicago Metro Surface Hub to Cleveland Processing and Distribution Center and Return | \$297,362 | \$991,208 | \$0 | \$991,208 |
| 6/30/07 (7/1/03) | 623L0 | 9 and 10 | Quincy Processing and Distribution Center to Quincy Facility and Return | 2,614 | 8,713 | 0 | 8,713 |
| 6/30/07 (7/1/03) | 63217 | 803 and 804 | St. Louis Bulk Mail Center to Cincinnati Bulk Mail Center and Return | 206,197 | 687,325 | 0 | 687,325 |
| 6/30/07 (7/1/03) | 607L9 | 7 and 8 | Chicago Metro Surface Hub to Milwaukee Processing and Distribution Center and Return | 87,853 | 292,844 | 0 | 292,844 |
| 6/30/07 (7/1/03) | 60893 | 801 & 802 | Chicago Metro Surface Hub to Portage Facility and Return | 158,670 | 528,902 | 0 | 528,902 |
| 6/30/04 (2/22/03) | 606L3 | 3101, 3102, 3103, 3104, 3301, 3302, 3303, and 3304 | Airport Mail Center O'Hare to Chicago Metro Surface Hub and Return | 56,824 | 222,561 | 0 | 222,561 |
| 12/26/03 (7/1/03) | 484ET | 7 and 8 | Flint Processing and Distribution Center to Lansing Processing and Distribution Center and Return | 47,164 | 184,728 | 0 | 184,728 |
| 6/30/05 (7/1/01) | 48110 | 17 and 18 | Detroit Processing and Distribution Center to the Royal Oak Processing and Distribution Center and Return | 29,495 | 39,327 | 4,916 | 34,411 |
| 6/30/07 (8/16/03) | 46311 | 3 and 4 | Gary Processing and Distribution Center to Chicago Metro Surface Hub and Return | 61,298 | 204,326 | 0 | 204,326 |
| 6/30/06 (3/22/03) | 46910 | 3 and 4 | Indianapolis Processing and Distribution Center to Kokomo Processing and Distribution Facility and Return | 29,580 | 69,020 | 9,860 | 59,160 |

**APPENDIX C. (continued)
TRIPS IDENTIFIED DURING AUDIT WORK WITH WHICH
PLANT MANAGERS AGREED**

| Contract End Date (Effective Date of Last Change) | Highway Contract Route | Trip Number | Origin/Destination | Annual Budget Cost | Estimated Contract Cost | Indemnity Fees | Estimated Cost Savings |
|--|-------------------------------|---|--|---------------------------|--------------------------------|-----------------------|-------------------------------|
| 6/30/05 (8/9/03) | 47490 | 803, 804, 807, 808, 811, 812, 815 and 816 | Columbus Facility to Cincinnati Bulk Mail Center and Return | 154,563 | 206,084 | 25,760 | 180,324 |
| 6/30/07 (7/1/03) | 48811 | 1 and 2 | Lansing Processing and Distribution Center to Jackson Facility | 28,479 | 94,931 | 0 | 94,931 |
| 6/30/06 (2/22/03) | 49314 | 5 and 6 | Grand Rapids Processing and Distribution Center to Traverse City Processing and Distribution Facility and Return | 131,900 | 307,767 | 43,967 | 263,800 |
| 6/30/05 (7/1/01) | 49012 | 5 and 6 | Kalamazoo Processing and Distribution Center to Detroit Processing and Distribution Center and Return | 71,900 | 95,866 | 11,983 | 83,883 |
| 6/30/06 (7/1/02) | 49110 | 15 and 16 | Kalamazoo Processing and Distribution Center to Grand Rapids Processing and Distribution Center and Return | 9,164 | 21,383 | 3,055 | 18,328 |
| 6/30/06 (7/1/02) | 496AD | 7 and 8 | Traverse City Processing and Distribution Facility to Traverse City Airport and Return | 14,414 | 33,632 | 4,805 | 28,827 |
| 6/30/05 (9/6/03) | 601L1 | 201 and 202 | Carol Stream Processing and Distribution Center to Schaumburg Facility and Return | 22,572 | 30,096 | 3,762 | 26,334 |
| 6/30/05 (9/6/03) | 601L1 | 601 and 602 | Carol Stream Processing and Distribution Center to Elmhurst Facility and Return | 15,927 | 21,237 | 2,655 | 18,582 |
| | Total | 48 Trips | | \$1,425,976 | \$4,039,950 | \$110,763 | \$3,929,187 |

**APPENDIX D
TRIPS IDENTIFIED DURING AUDIT WORK WITH WHICH
PLANT MANAGERS DISAGREED**

| Contract End Date (Effective Date of Last Change) | Highway Contract Route | Trip Number | Origin/Destination | Annual Budget Cost | Estimated Contract Cost | Indemnity Fees | Estimated Cost Savings |
|--|-------------------------------|--------------------|---|---------------------------|--------------------------------|-----------------------|-------------------------------|
| 6/30/06 (7/1/02) | 496AD | 3 and 4 | Traverse City Processing and Distribution Facility to Cadillac Facility and Return | \$ 12,019 | \$ 28,044 | \$ 4,006 | \$ 24,038 |
| 6/30/05 (7/1/01) | 48110 | 37 and 38 | Detroit Processing and Distribution Center to Royal Oak Processing and Distribution Center and Return | 29,495 | 39,327 | 4,916 | 34,411 |
| 6/30/07 (10/11/03) | 60514 | 9, 10, 15, and 16 | Fox Valley Processing and Distribution Center to Airport Mail Center O'Hare and Return | 63,568 | 211,894 | 0 | 211,894 |
| 6/30/07 (7/1/03) | 60515 | 9 and 10 | Fox Valley Processing and Distribution Center to Carol Stream Processing and Distribution Center and Return | 21,816 | 72,720 | 0 | 72,720 |
| 6/30/07 (7/1/03) | 60518 | 1, 2, 5, and 6 | Fox Valley Processing and Distribution Center to Chicago Central Facility and Return | 95,102 | 317,006 | 0 | 317,006 |
| 6/30/04 (10/21/03) | 605L9 | 1, 2, 5, and 6 | Fox Valley Processing and Distribution Center to Irving Park Processing and Distribution Center and Return | 81,107 | 317,669 | 0 | 317,669 |
| 6/30/06 (2/22/03) | 61830 | 11 and 12 | Champaign Processing and Distribution Facility to Springfield Processing and Distribution Center and Return | 61,303 | 143,040 | 20,434 | 122,606 |
| 6/30/04 (7/1/00) | 48612 | 3 and 4 | Saginaw Processing and Distribution Center to Lansing Processing and Distribution Center and Return | 68,134 | 266,857 | 0 | 266,857 |
| | Total | 22 Trips | | \$432,544 | \$1,396,557 | \$29,356 | \$1,367,201 |

APPENDIX E. MANAGEMENT'S COMMENTS

DISTRIBUTION NETWORKS OFFICE
GREAT LAKES AREA



March 19, 2004

Kim H. Stroud, Director
Audit Operations
Office of Inspector General

Subject: Draft Audit Report, Highway Network Scheduling
Great Lakes Area (Report #NL-AR-04-Draft)

This letter is in response to the Office of Inspector General (OIG) draft audit report, Highway Network Scheduling, Great Lakes Area.

This office concurs with the intent of the findings and recommendations. In total, your report identified 72 trips for elimination, of which two trips were included in Appendix B, 48 in Appendix C and 22 in Appendix D (Recommendations 1, 2 and 3). To date, the Great Lakes Area has eliminated 38 trips, and a number of other trips (34) are currently pending review or final action (see attached Appendix B, C, D trip review status report). Network management is a dynamic process and transportation requirements continually change. As such, most cancellations are as we agreed during the audit; however, in a few instances, after revisiting these trips and completing a full operational and service analysis, it was determined that some of the changes would impact service. Upon completion of our effort, we will notify you of the trips eliminated or changed, and the resulting cost savings.

Appendix D of your report, (covered by Recommendation 3) recommended 22 trips for elimination, but these were recommendations with which our Plant Managers disagreed. We concur with the OIG's recommendation to reassess the trips, will retain or eliminate the trips as may be appropriate, and will notify you of the action we have taken. To date, we have eliminated four of these trips. We will provide documentation for all trips which we find cannot be eliminated without impacting on service.

Regarding monetary findings, we cannot validate your projected savings at this time. The OIG methodology for calculating savings extends beyond the current year to contract term, while our normal methodology is to restrict identified savings to a one-year planning/budget cycle. Additionally, changing requirements result in trip substitutions and adjustments, and will cause our anticipated savings to differ from the OIG's savings. When our reassessment of all recommended cancellations is complete, we will work with the OIG to reconcile methodologies for calculating cost benefit, and will report anticipated savings.

If further analysis or explanation is required regarding the Great Lakes' submission, please feel free to contact me directly.


Allen J. Brown
Manager

Attachment
cc: J. Feindt
P. Allen
J. Krage

APPENDIX B –STATUS OF TRIPS

HCR Route/Trip: 48710 trip 5 & 6

Origin and Destination: Saginaw P&DC to Flint P&DC and return

OIG Recommendation: Proposed combining Trips 5&7 and Trips 6 & 8, eliminating Trips 5 & 6 due to low volume. Plant management stated that action had already been taken to drop the trips.

DNO Review/Response: Service change that eliminated Saginaw to Flint and return (trips 5 & 6) was effective 11-29-03.

Annual Savings/Contract Savings: \$4229.17

APPENDIX C – STATUS OF TRIPS

HCR Route Trip 607M5

Origin/Destination: Chicago Metro Surface HUB - Cleveland P&DC

OIG Recommendation: Eliminate trips 901/902

DNO Review /Response:

Response deleted Trips 901/902/903/904, changed the frequency on Trips 101/102 from X1 to R1, changed the frequency on Trips 103/104 from X1 to Daily, changed the times on Trips 101/102/103/104, changed the miles on Trips 102/103/104, added Chicago Metro (2C Hub) stop to Trips 103/104, deleted 2- Tandem-Axle Tractors, deleted 2- Tandem-Axle Trailers (45'), increased the trailer size of the remaining 4 trailers from 45' to 53', 238,122.4 decreased annual miles, 4,890 decreased annual hours, 36,635 decreased annual gallons of fuel, 1,696 decreased annual quarts of oil .

Annual Savings: \$245,810.35

Contract Savings: \$737,431.05

HCR: ROUTE 623L0 TRIPS 9 and 10

Origin and Destination: Quincy Processing and Distribution Center to Quincy Facility and Return

OIG Recommendation: Eliminate trips 9 and 10

DNO Review/Response: Trips 9 and 10 were eliminated from the 623L0 contract effective 12/20/2003. Trip 9, which left the Quincy P+DC at 1620 and arrived at the Quincy Facility at 1625 was eliminated; as was the return trip 10, which left the Quincy Facility at 1635 and arrived at the Quincy P&DC at 1640.

Annual Savings: \$5,383.23

Contract Savings: \$18,841.00 (EST)

HCR: ROUTE 63217 TRIPS 803 and 804

Origin and Destination: St. Louis Bulk Mail Center to Cincinnati Bulk Mail Center and Return

OIG Recommendation: Eliminate trips 803 and 804

DNO Review/Response: Trips 803 and 804 were eliminated from the 63217 contract effective 02/07/04. Trip 803, which left the St. Louis BMC at 1400 and arrived at the Cincinnati BMC at 2300 was eliminated; as was the return trip 804, which left the Cincinnati BMC at 1500 and arrived at the St. Louis BMC at 2200.

Annual Savings: \$198,280.03

Contract Savings: \$690,480.10 (EST)

HCR Route Trip 607L9

Origin and Destination: Chicago Metro Surface Hub – Milwaukee P&DC

OIG Recommendation: Eliminate Trips 7-8

DNO Review /Response: Chicago Metro Surface HUB is evaluating working the Milwaukee mail to the 5th digit. The Service Change has been put on hold until 04/05/04.

Annual Savings: none

Contract Savings: none

HCR Route Trip 60893

Origin and Destination: Chicago BMC/2c – Portage WI

OIG Recommendation: Eliminate Trips 801/802

DNO Review /Response: Mail Processing operations and TIMES data was reviewed, trips 801/802 can be combined with other existing trips. This change will be completed by the Contract Specialist on 03/12/04.

Annual Savings: \$154,740.86

Contract Savings: \$464,222.58

HCR Route Trip 606L3

Origin and Destination: AMC O'Hare – Chicago Metro Surface HUB

OIG Recommendation: Eliminate 4 Round Trips

DNO Review /Response: 4 round trip shuttles will be eliminated between O'Hare and the Chicago Metro Surface HUB. The initial calculation show an increase in cost, not a cost savings, due to the increase in frequencies on some of the other trips.

Annual Savings: None

Contract Savings: None

HCR Route/Trip: 484ET trip 7 & 8

Origin and Destination: Flint P&DC to Lansing P&DC and return

OIG Recommendation: Eliminate trip 7 & 8

DNO Review/Response: HCR 484ET was an emergency contract to replace 48411. 484ET was terminated and replaced with 484L9 effective 01/24/04. Trips 7 & 8 were not included on HCR 484L9. Trips 7 & 8 did not operate on the original HCR 48411. Per annum rate for 484ET was \$163,277.69; per annum rate for the replacement route, 484L9 is \$96,091.70. The difference is listed as the annual savings.

Annual Savings/Contract Savings: \$67,185.99

HCR Route/Trip: 48110 Trip 17 & 18

Origin and Destination: Detroit P&DC to Royal Oak P&DC and return

OIG Recommendation: Eliminate trip 17 & 18

DNO Review/Response: Detroit P&DC delayed the service change to eliminate trips 17 & 18 due to poor overnight scores. The service performance has stabilized and the plant has committed to a 30 day trial to begin by March 26th. If service is maintained they will submit a permanent service change request. Follow up will be conducted with the Detroit P&DC on March 22 to ensure they are on track for the 30-day test.

Annual Savings/Contract Savings: N/A at this time.

HCR Route/Trip 46311-3/4 (A Schedule)

Origin and Destination: Gary IN to Chicago Metro Surface Hub (CMSH)

OIG Recommendation: Combine trips 3 and 5 and eliminate trip 3. Combine trips 4 and 6 and eliminate trip 4.

DNO Review/Response: Trip 3 cannot be eliminated as it is Gary's final dispatch after their CT of 0140. Trip 4 is the return portion of that trip.

Annual Cost Savings/Contract Savings: none

HCR Route/Trip 46311 – 7/8 (A Schedule)

Origin and Destination: Gary IN to Chicago Metro Surface Hub (CMSH)

OIG Recommendation: Combine trips 1 and 7 and eliminate trip 7. Combine trips 2 and 8 and eliminate trip 8.

DNO Review/Response: Dispatch of value trips (Critical Entry Times) – cannot be eliminated

Annual Cost Savings/Contract Savings: none

HCR Route/Trip 46910 -3/4

Origin and Destination: Kokomo to Indianapolis P&DC

OIG Recommendation: eliminate 3/4

DNO Review/Response: will eliminate trips 3 and 4,

HCR Route/Trip 46910- 7/8

Origin and Destination: Kokomo to Indianapolis AMC & Indianapolis P&DC

OIG Recommendation: combining trips 7&9 and 8 & 10

DNO Review/Response: will combine trips 7&9 and 8 & 10.

Annual Savings/Contract Savings total for 46910 - \$58,037.00 - minus \$2,000.00 for Trip 1 changing stop from Indianapolis P&DC to Indianapolis HASP (IMTC) and leaving the AMC stop.

Annual Savings/Contract Savings total - \$56,037.00

HCR Route/Trip 47490- 803/804, 811/812

Origin and Destination: Columbus IN to Cincinnati BMC

OIG Recommendation: eliminate

DNO Review/Response: will eliminate trips 803/804,811/812 and add Columbus IN to Trips 801/802, 809/810 to maximize truck space.

Annual Savings/Contract Savings: \$70,316.00 minus \$4,000 to add Columbus IN to Trips 801/802 (A schedule), 809/810 (B schedule)

Annual Savings/Contract Savings for 47490: \$66,316.00.

HCR Route/Trip 47490- 807/808 (A schedule), 815/816 (B schedule)

Origin and Destination: Columbus IN to Cincinnati P&DC

OIG Recommendation: eliminate

DNO Review/Response: no to the elimination of trips 807/808,815/816. Trip 808 is the dispatch of value for the BMC. Trip 808 is preloaded at the BMC and PVS hauls to Cincinnati P&DC. Though volume is at 47% at this time and Parcel Select mail is loaded on this trip. This trip will also be able to carry any overflow that Trips 801/802 may have for Columbus.

Annual Savings/Contract Savings: none

HCR Route/Trip: 48811 Trip 1 & 2

Origin and Destination: Lansing P&DC to Jackson Facility

OIG Recommendation: Combine trips 1 & 3 and 2 & 4, eliminating trips 1 & 2 due to low volume.

DNO Review/Response: Trip 1 & 2 volumes will be increasing due to a recent agreement between Greater Michigan and Detroit (Jackson is part of the Detroit Cluster) to provide all mail to Jackson as a 5-digit product. Doing so requires that all 3-digit mail from Kalamazoo, Grand Rapids and Saginaw currently flowing to Jackson as a 3-digit flow must be processed in Lansing to the 5-digit before dispatch to Jackson. After these new flows stabilize we will reevaluate Trips 1 & 2, however at this time the trips cannot be eliminated.

Annual Savings/Contract Savings: N/A at this time.

HCR Route/Trip: 49314 Trip 5 & 6

Origin and Destination: Grand Rapids P&DC to Traverse City and return

OIG Recommendation: Combine trips 5 & 32 and trips 6 & 33, eliminating trips 5 & 6 due to low volume.

DNO Review/Response: Greater MI District ran an average utilization report for January and February of 2004; trip 5 was 78% and trip 32 was 53%. For that reason, we do not believe it is feasible to eliminate trip 5 as the volume would exceed the capacity of trip 32. Trip 6 advances Overnight mail from Traverse City to the Grand Rapids SCF. Not advancing this incoming SCF mail will impede their efforts to move the operational clock forward. In addition, as Traverse City changes their operational clock, the volume of mail on this truck will increase. Delaying this mail until trip 34 (Traverse City's 2330 DOV) would negatively affect Grand Rapids' T-1 operational window.

Annual Savings/Contract Savings: N/A

HCR Route/Trip: 49012 Trip 5 & 6

Origin and Destination: Kalamazoo P&DC to Detroit P&DC and return.

OIG Recommendation: Combine Trips 1 & 5, eliminating Trip 5, and Combine Trips 2 & 6, eliminating Trip 6.

DNO Review/Response: Trips 5 & 6 facilitate multiple trips into the Plant with the 2-day mails for service, leveling mail flow and improving 2/3 Day Service. The trips are needed to support service performance.

Annual Savings/Contract Savings: N/A

HCR Route/Trip: 49110 Trip 15 & 16

Origin and Destination: Kalamazoo P&DC to Grand Rapids P&DC and return

OIG Recommendation: Combine Trips 7 & 15, eliminating Trip 15 due to low mail volume, and Combine Trips 8 & 16, eliminating Trip 16 due to low mail volume.

DNO Review/Response: Trip 15 provides an advance trip for committed mail. Eliminating trip 15 would create a 5-hour gap between trucks on Sunday going from Grand Rapids to the Kalamazoo Plant. It would also move approximately 70% of the volume from Grand Rapids to Kalamazoo on the late truck, which leaves Grand Rapids at 2315. This is too much volume to receive this late in the operating window for Monday morning processing and delivery commitments. Greater MI District has agreed to revisit the OIG proposal as their processes change – over the next 90 to 120 days.

Annual Savings/Contract Savings: N/A

HCR Route/Trip: 496AD Trip 7 & 8

Origin and Destination: Traverse City P&DF to Traverse City airport & return.

OIG Recommendation: Combine trips 7 & 13 and 8 & 14, eliminating trips 7 & 8 due to low volume.

DNO Review/Response: Service Change Request received at DN on 03/11/04 to eliminate trips 7 & 8. Expected to be effective by April 1, 2004.

Annual Savings/Contract Savings: Estimated \$13,262.40

HCR Route Trip 601L1

Origin and Destination: Carol Stream P&DC to Various Facility

OIG Recommendation: Eliminate trips 201/202 601/602

DNO Review /Response: This route was reviewed between Carol Stream, Schaumburg and Elmhurst and the recommended changes were implemented.

Annual Savings: \$18,876.81

Contract Savings: \$37,753.62

APPENDIX D – STATUS OF TRIPS

HCR Route/Trip: 496AD Trip 3 & 4

Origin and Destination: Traverse City P&DF to Cadillac and return

OIG Recommendation: Eliminate trips 3 & 4.

DNO Review/Response: The trip transports Express Mail from the FedEx network and is the only outlet to Cadillac.

Annual Savings/Contract Savings: N/A

HCR Route/Trip: 48110 Trip 37 & 38

Origin and Destination: Detroit P&DC to Royal Oak P&DC and return.

OIG Recommendation: Eliminate trips 37 & 38.

DNO Review/Response: The trip is in place as a last chance to make service commitments and the office has not changed their mind about dropping the trip.

Annual Savings/Contract Savings: N/A

HCR Route Trip 60514

Origin and Destination: Fox Valley – ORD/ISC

OIG recommendation: The possibility exists to eliminate trips 9, 10, 15, & 16

DNO Review /Response: Trips 9 & 10 provide advance mail for processing, if this trip was eliminated

Mail would not arrive until 1815 for processing.

Trips 15 & 16 transport mail to the ISC to meet the CET and return to Fox Valley.

Annual Savings None

Contract Savings None

HCR Route Trip 60515

Origin and Destination: Fox Valley P&DC to Carol Stream P&DC

OIG Recommendation: Eliminate trip 9& 10

DNO Review /Response: This Route is a Sort to Scheme Route and trips can not be consolidated or eliminated

based on CET's and DOV'S

Annual Savings none

Contract Savings none

HCR Route Trip 60518

Origin and Destination: Fox Valley P&DC to Chicago P&DC

OIG Recommendation: The possibility exist to eliminate trips 5 & 6

DNO Review /Response: A service change has been submitted to eliminate Trips 5 & 6

Annual Savings \$22,600.00

Contract Savings \$67,800.00

HCR Route Trip 605L9

Origin and Destination: Fox Valley P&DC to Irving Park P&DC

OIG Recommendation: Eliminated or Combine trips 1, 2, 5, & 6.

DNO Review /Response: This route is a sort to scheme and trips can not be consolidated or eliminated based on

CET's and DOV's.

Annual Savings none

Contract Savings none

HCR Route Trip 61830

Origin and Destination: Champaign P&DC to Springfield P&DC

OIG Recommendation: Eliminated trips 11 & 12

DNO Review /Response: Both trips 11 & 12 are needed to get AADC mail from Springfield, without these trips the mail would not make CET for on time processing.

Annual Savings none

Contract Savings none

HCR Route/Trip: 48612 Trip 3 & 4

Origin and Destination: Saginaw P&DC to Lansing P&DC and return.

OIG Recommendation: Eliminate trips 3 & 4.

DNO Review/Response: Trip 4 brings advanced mail into the Saginaw plant. Without Trip 4, the total volume of both trips would arrive at CET. Receiving all the mail at CET would cause Saginaw to fail. Saginaw would be unable to successfully process the volume before having to turn the mail for second pass, and therefore would not be able to include the volume in DPS. This would affect Lansing overnight mail and AADC 2/3 Day mail. The change would not align with Greater Michigan District's efforts to move the operational clock earlier in an effort to improve service.

Annual Savings/Contract Savings: N/A