



June 29, 2006

PAUL E. VOGEL
VICE PRESIDENT, NETWORK OPERATIONS MANAGEMENT

SUSAN BROWNELL
VICE PRESIDENT, SUPPLY MANAGEMENT

HENRY A. PANKEY
VICE PRESIDENT, EMERGENCY PREPAREDNESS

WILLIAM J. BROWN
VICE PRESIDENT, SOUTHEAST AREA OPERATIONS

ELLIS A. BURGOYNE
ACTING VICE PRESIDENT, SOUTHWEST AREA OPERATIONS

SUBJECT: Audit Report – Hurricane Katrina – The Effectiveness of the Postal Service
Transportation and Logistics Network
(Report Number NL-AR-06-006)

This report presents the results of our audit of the U.S. Postal Service response to Hurricane Katrina (Project Number 06YG009NL000), focusing on Postal Service transportation, infrastructure, and logistical support activity such as fuel management. Our objectives were to determine whether Postal Service transportation and logistics were effective during Hurricane Katrina and its immediate aftermath and whether Postal Service officials protected Postal Service resources.

We concluded that the Postal Service proactively anticipated Hurricane Katrina and responded rapidly to the storm's impact on the Gulf Coast. As a result, the Postal Service preserved funds and other resources and made the task of reconstituting the Postal Service network less difficult. In this regard, we concluded:

- Timely action to suspend and terminate unneeded highway contract routes in the hurricane emergency zone saved the Postal Service about \$2.8 million and made those funds available for emergency transportation requirements.
- Despite the diligent efforts of Postal Service supply management and contracting officials to protect federal resources, the Postal Service may have incurred more

than \$32.8 million in excess Hurricane Katrina-related fuel costs, driven by Gulf Coast oil industry disruption and resulting nationwide fuel price increases.

Our audit also concluded that since the Postal Service transportation and logistics network is well established, the federal government can more effectively leverage the network to mitigate human suffering and disruption during natural disasters or terrorist attacks.

We recommend that Postal Service officials verify the termination of unneeded highway contract routes; coordinate with appropriate federal authorities to better leverage Postal Service capacity during future national emergencies; and revise or validate Integrated Emergency Management Plans (IEMP) and other policies.

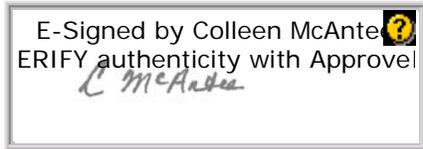
Management agreed with our recommendations. Management stated:

- Network Operations Management, working with the Southeast and Southwest Areas, verified the termination of unnecessary highway contract routes in regions affected by Hurricane Katrina, and the terminations resulted in cost savings.
- The Postal Service would coordinate with other appropriate federal authorities in accordance with the Emergency Support Function annex of the National Response Plan.
- The Office of Emergency Preparedness was in the process of updating the Postal Service's IEMP, and logistics network changes would continue to be issued by the Transportation Field Support Office.

Management's comments and our evaluation of these comments are included in the report.

The U.S. Postal Service Office of Inspector General (OIG) considers all the recommendations significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the follow-up tracking system until the OIG provides written confirmation the recommendations can be closed.

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



Colleen A. McAntee
Deputy Assistant Inspector General
for Core Operations

Attachments

cc: Patrick R. Donahoe
William P. Galligan
Anthony M. Pajunas
Dwight Young
Steven R. Phelps

INTRODUCTION

Background

On August 25, 2005, Hurricane Katrina raced across southern Florida, moved into the Gulf of Mexico, and quickly intensified. According to the National Oceanic and Atmospheric Administration (NOAA), Hurricane Katrina developed sustained winds of 175 miles per hour with winds extending 120 miles from its center. The broad face of the storm struck an expansive area across the Gulf Coast region—from New Orleans in the west, across Mississippi in the center, and extending to Mobile, Alabama, in the east. After Hurricane Katrina made landfall early Monday morning, August 29, 2005, it became the most destructive hurricane ever to strike the United States, causing catastrophic damage to life, commerce, and infrastructure. Some preliminary estimates suggested economic damage could reach \$200 billion.

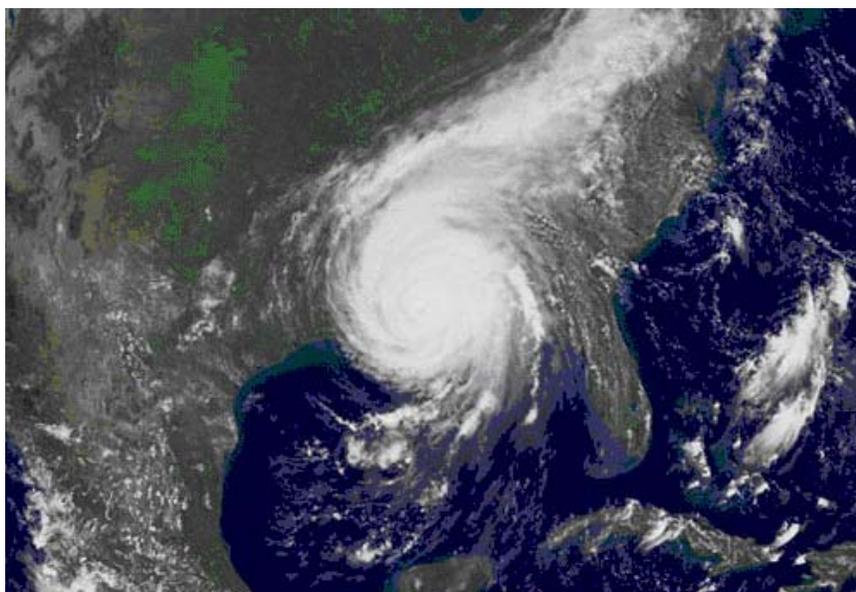
Hurricane Katrina hit the Gulf Coast at about 7 a.m. Eastern Standard Time, Monday, August 29, 2005.

This NOAA satellite image was made at about 1:00 p.m. Eastern Standard Time.

Hurricane Katrina was the most destructive hurricane ever to strike the United States.

Photograph 1.

For all photograph credits see Appendix A.



Because of its geography and topography, New Orleans continued to sustain damage after the storm's impact. The city is located between Lake Pontchartrain to its north and the Mississippi River to its south, and is positioned lower in elevation than either of those bodies of water. Because much of New Orleans is below sea level and lacks natural drainage, its flood protection includes a series of pumps, canals, levees, and flood walls. That protection could not withstand Hurricane Katrina's 15-foot storm surge. Levees failed in four locations along three canals, and vast lower elevations of New Orleans flooded, adding to an already catastrophic situation.

The federal government, particularly the Federal Emergency Management Agency (FEMA), was widely criticized for failing to rapidly respond to the hurricane, especially in New Orleans. The criticism, which frequently drew parallels between the effects of Hurricane Katrina and the potential effects of a terrorist attack, created public demand for governmental accountability.

**New Orleans, Louisiana,
September 7, 2005.**

After the levees protecting New Orleans failed, almost 80 percent of the city flooded, with water up to 20 feet deep in some areas.

Hurricane Katrina caused damage to life, property, and as shown in the picture, the transportation infrastructure.

Photograph 2.



As a result, on Thursday, September 15, 2005, Representative Tom Davis, Chairman of the House of Representatives Committee on Government Reform, asked the Department of Homeland Security to coordinate the work of federal inspectors general to determine whether federal hurricane relief, recovery, and reconstruction efforts were effective, and to ensure federal resources were protected.

The Postal Service
Transportation and
Logistics Network

The U.S. Postal Service has one of the largest transportation and logistics networks in the world, reaching every community, town, and city in the United States. Its facilities are linked by a complex transportation system that depends on the nation's air, rail, highway, and maritime infrastructure. Every day, an experienced team of transportation and logistical professionals manages an average flow of more than 560 million pieces of mail to and from addresses worldwide.

During emergencies, these professionals control the network from the national operations center in Washington,

D.C.; transportation operations centers in the nine geographic Postal Service areas; and transportation offices in Postal Service facilities across the nation. The operations centers allow Postal Service network specialists and logisticians to monitor conditions such as severe weather and to track or adjust the flow of mail over air and surface transportation networks.

Transportation costs the Postal Service more than \$7.5 billion annually. Transportation activities can be separated into several major program areas, including

Mail being loaded onto a commercial air carrier in Atlanta during January 2005.

Air transportation costs the Postal Service \$2.8 billion annually.

Photograph 3.



air transportation costing \$2.8 billion annually; surface transportation costing \$2.4 billion annually; logistical support costing more than \$2.3 billion annually; plus other

A Postal Service highway route contractor northbound on Interstate 95 in Georgia during January 2005.

Surface transportation costs the Postal Service \$2.4 billion annually.

Photograph 4.

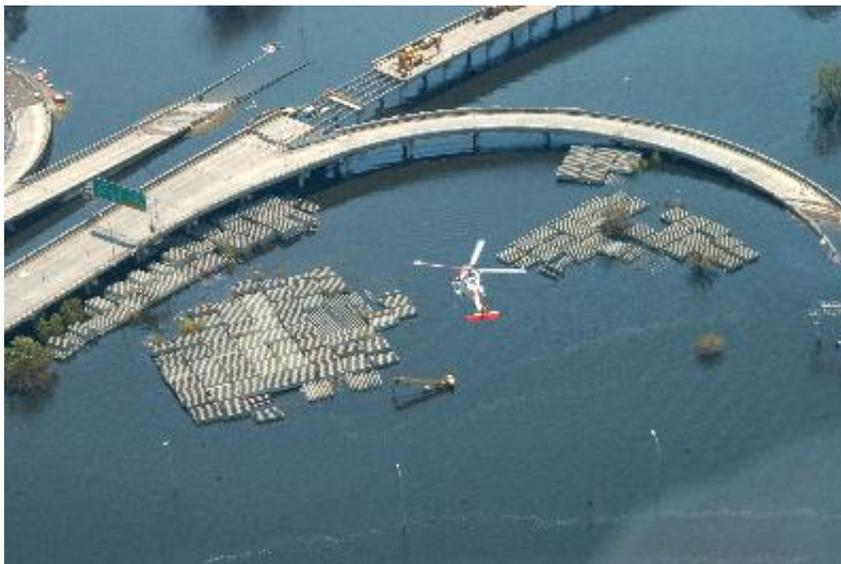


activities. Postal Service transportation is supported by about 16,750 commercially contracted highway

transportation routes; 214,000 Postal Service vehicles; more than 12,000 leased vehicles; transportation contracts with passenger and freight airlines; strategic alliances with FedEx and other commercial shipping operators; logistical support functions such as fuel procurement; and the mail transport equipment service center network.

Coast Guard helicopter
flying over flooded and
damaged roadways,
New Orleans,
September 4, 2005.

Photograph 5.



During national emergencies such as Hurricane Katrina, the principal mission of the Postal Service is to continue the flow of mail and equipment through the Postal Service network. In anticipation of Hurricane Katrina, Postal Service officials activated essential staff at Postal Service Headquarters and in all geographic Postal Service areas. From their operations centers nationwide, Postal Service transportation and logistics managers monitored the storm and took actions described in Integrated Emergency Management Plans (IEMPs)¹ and other policy documents to redirect transportation away from the Gulf Coast. Officials were immediately concerned about transportation infrastructure destruction, nationwide fuel shortages, diversion of surface and air transportation, and damage to Postal Service vehicles and equipment.

**Objectives, Scope,
and Methodology**

We conducted this audit in response to direction from the President's Council on Integrity and Efficiency to the inspector general community. Our audit focused on Postal Service transportation, infrastructure, and logistical support activities such as fuel management. Our objectives were to

¹ The adequacy of IEMPs will be addressed in the OIG's overall report on the Postal Service's emergency preparedness for Hurricane Katrina.

determine whether Postal Service transportation and logistics were effective during Hurricane Katrina and its immediate aftermath, and whether Postal Service transportation managers and contracting officers protected Postal Service resources.

In the immediate aftermath of Hurricane Katrina, OIG transportation auditors were on-site in New Orleans and at Postal Service operations centers at headquarters and in the Southeast, Southwest, Western, and Pacific Areas. At these locations, we met and talked to emergency management officials, law enforcement personnel, and Postal Service logistics managers, and we observed officials diverting mail transportation away from the hurricane emergency zone to alternate logistical staging points in Dallas, Beaumont, and Houston, Texas, and Baton Rouge, Louisiana. We also monitored fuel and infrastructure issues and obtained photographs. In addition, we inquired about Postal Service support to other federal departments under the National Response Plan (NRP).

In the weeks that followed the storm, we revisited New Orleans and other areas affected by the storm; inspected the temporary logistical staging point in Baton Rouge; and interviewed officials from Postal Service Headquarters and all nine Postal Service areas. We met with the postmasters of New Orleans and Slidell, Louisiana; conducted site visits to temporary operations and devastated areas; and observed Postal Service security, recovery, and reconstitution operations.

We examined applicable Postal Service policies, procedures, and other relevant documents, including actions described in the IEMPs, transportation contingency plans, lessons learned by the Postal Service, damage assessments, highway contract service changes, and emergency transportation contracts; and we reviewed print and broadcast media reports.

We conducted work on this report from September 2005 through June 2006 in accordance with generally accepted government auditing standards, and included such tests of internal controls as we considered necessary under the circumstances. We discussed our observations and conclusions with management officials and included their comments where appropriate.

During our audit, we examined Postal Service data, documentation, and other Postal Service records. Because of emergency conditions and time constraints, we did not audit or comprehensively validate the data. However, we did review the data for reasonableness and applied alternate procedures, including observation, physical inspection, and discussion with responsible officials.

Prior Report Coverage

Congressional Research Service Report, *Postal Service for Katrina Survivors* (Report Number RS22245, dated September 16, 2005), concluded that the Postal Service was well prepared for the aftermath of Hurricane Katrina. The report emphasized:

- The Postal Service had long experience with large-scale hurricanes and the challenges of reconstituting mail delivery.
- Hurricane Katrina posed a high-visibility test to the Postal Service’s capability, resilience, and reputation.
- As early as August 26, 2005, the Postal Service was anticipating Hurricane Katrina’s landfall on the Gulf Coast and was diverting mail from that region to minimize disruption.

Devastated New Orleans neighborhood, October 25, 2005.

During emergencies, the principal mission of the Postal Service is to restore mail service to the public.

It will be years before this neighborhood is restored and mail service can be resumed.

Photograph 6.



Department of Transportation (DOT) Office of Inspector General (OIG) Report, *Top Management Challenges* (Report Number PT- 2006-007, dated November 15, 2005), identified the first DOT challenge as working with other

agencies to respond to disasters and address transportation security. The report explained that under the NRP, the DOT was the lead agency for transportation disaster response, and stated that in response to Hurricane Katrina, DOT had:

- Moved over 14,000 truckloads of relief supplies, including food, water, ice, and generators.
- Supported efforts to establish command and control facilities.
- Worked to repair damaged transportation infrastructure.
- Transported people via air and surface transportation to safe locations across the country.

Responding to national disasters is a “shared responsibility.” All federal agencies and departments, including the Postal Service, signed the NRP.

Members of a FEMA search and rescue task force conducting rescue operations, New Orleans, August 31, 2005.

Photograph 7.



The report concluded that terrorist attacks of September 11, 2001, and the destruction in the Gulf Coast region caused by Hurricane Katrina, exposed the vulnerabilities of critical transportation infrastructure to catastrophic events. The report explained that responding to national disasters like Hurricane Katrina was a “shared responsibility,” and that 32 federal agencies (including the Postal Service), as well as nonprofit groups, had signed the NRP agreeing to participate in a concerted response effort to aid areas affected by terrorist attack or other disasters of national significance. The report noted growing interdependency among federal agencies with regard to the U.S. transportation system security; stated that DOT had

responsibility for working with other agencies; cited previous agreements for cooperation in safely and efficiently transporting people and relief supplies; and called for a well defined, well-coordinated, interagency approach in preparing for, responding to, and recovering from devastating events.

AUDIT RESULTS

Postal Service Reaction to Hurricane Katrina

Postal Service transportation and logistics were effective during hurricane relief, recovery, and reconstruction efforts. The Postal Service's anticipation of and rapid response to the storm's impact preserved funds and other resources, allowed those funds and resources to be put to other uses, and made the task of reconstituting the network less difficult.

The Postal Service transportation and logistics network is well established, and Postal Service transportation managers, logisticians, and contracting officials are dedicated, experienced professionals. Therefore, the federal government can more effectively use the Postal Service transportation and logistics network than was done in the aftermath of Hurricane Katrina, to mitigate human suffering and disruption during natural disasters or terrorist attacks.

Planning, Anticipation, and Immediate Response

On August 26, 2005, 1 day after Hurricane Katrina moved from the Atlantic Ocean, across Florida, and into the Gulf of Mexico — and 3 days before it hit the Gulf Coast — Postal Service officials anticipated the storm's impact and instructed managers to redirect mail to minimize network disruption. Postal Service transportation network managers in the Southwest Area, which includes New Orleans, Louisiana; the Southeast Area, which includes Gulfport, Louisiana; Biloxi, Mississippi; and Mobile, Alabama; and other Postal Service areas nationwide, reacted quickly and diverted mail away from the affected region.

**Lone mailbox in a
devastated
Slidell, Louisiana,
neighborhood,
October 25, 2005.**

**As early as August 26,
2005, the Postal Service
was diverting mail away
from the Gulf Coast
region to minimize
disruption.**

Photograph 8.



Officials also took actions described in the IEMPs and other documents; established alternate logistical staging points in Houston, Dallas, Beaumont, and Baton Rouge; shifted transportation accordingly; and established emergency transportation where needed. OIG transportation auditors were on-site at network operations centers at headquarters and in the Southeast, Southwest, Pacific, and Western Areas. At those centers, we observed network managers working under stressful circumstances and monitoring rapidly changing conditions, including weather; flooding; damage to transportation infrastructure; potential fuel shortages; and the status of Postal Service vehicles, facilities, and equipment. We also observed network managers effectively diverting transportation away from the affected region, establishing emergency transportation, preserving Postal Service resources, and maintaining operational continuity.

Damaged transportation infrastructure.

Sections of Interstate 10 across Lake Pontchartrain were destroyed by Hurricane Katrina's water and wind, September 20, 2005.

Photograph 9.



Within 2 weeks of the storm, contracting officers in the Southwest and Southeast Areas had suspended payments and terminated unneeded highway contract routes in the New Orleans, Biloxi, Gulfport, and Mobile regions. This timely contract action saved the Postal Service about \$2.8 million and made those funds available for emergency transportation requirements. (See Appendix B.) Emergency service is typically 17 to 25 percent more expensive than regularly scheduled transportation.

Network operation procedures in the storm's immediate aftermath were well organized, proactive, effective, and

timely. The actions of network operations managers and contracting officers preserved Postal Service resources while maintaining operational continuity and reconstituting network operations. The long workhours, dedication, and professionalism of network transportation managers, logisticians, and contracting officials — particularly in the Southeast and Southwest Areas — are also worthy of note.

Recommendation

We recommend the vice president, Network Operations Management, in coordination with the vice president, Southeast and acting vice president, Southwest Area Operations:

1. Verify the termination of unneeded highway contract routes in the regions affected by Hurricane Katrina.

**Management's
Comments**

Management agreed with our recommendation. Management stated that Network Operations Management, working with the Southeast and Southwest Areas, verified the termination of unnecessary highway contract routes in regions affected by Hurricane Katrina and that terminations resulted in cost savings. Management's comments, in their entirety, are included in Appendix C.

**Evaluation of
Management's
Comments**

Management's comments are responsive to the recommendation. Management's actions taken or planned should correct the issues identified in the finding.

**Federal Emergency
Response Under the
National Response
Plan**

On February 28, 2003, President Bush directed the Secretary of Homeland Security to:

- Develop an NRP to prepare for, respond to, and recover from domestic incidents, including major disasters, terrorist attacks, and other emergencies.
- Coordinate all federal departments and agencies, including the Postal Service, to prepare for, respond to, and recover from major disasters, terrorist attacks, and other emergencies within the U.S.

In December 2004, the Secretary of Homeland Security and heads of all federal departments and agencies, including the Postmaster General, signed the NRP.

The mission of the Postal Service during emergencies is to continue or restore mail service to the public, and during emergencies, Postal Service resources are directed primarily toward that essential mission. However, when

**Fishing boats blocking
Highway 23 in Empire,
Louisiana,
September 12, 2005.**

Photograph 10.



requested by the Department of Homeland Security or other appropriate authority, the Postal Service supports national disaster response and recovery efforts. The NRP specifies several Postal Service support functions. Under the NRP, the Postal Service could be asked to:

- Collect information about transportation infrastructure disruption and damage and report it to principal federal emergency response authorities.

- Provide transportation not immediately required by the Postal Service for moving mail. The transportation would be used to move emergency resources such as food, water, supplies, and equipment in the disaster area.
- Assist in distributing and transporting medicine and pharmaceuticals to the general public.
- Coordinate with DOT and the Department of Justice to control the transportation of people, vehicles, supplies, and equipment.

On September 3, 2005, in response to Hurricane Katrina, FEMA requested that the Postal Service deliver flyers to post office boxes and residences in the hurricane emergency zone. The flyers contained information on

Letter Carrier Michael Bowin delivers mail to temporary mail boxes for residents of Pass Christian, Mississippi, October 22, 2005.

Photograph 11.



FEMA disaster assistance. The Postal Service coordinated daily with the Department of Homeland Security and other federal agencies, but received no other distribution or transportation support requests as part of the federal relief and recovery effort.

**Postal Service
Emergency Support
Capabilities**

The NRP requires the Postal Service to plan support for other federal agencies during incidents of national significance. Officials said the Postal Service is well positioned to provide that support and could have provided additional support during Hurricane Katrina. The Postal Service has one of the largest transportation and logistics networks in the world, controlled from a nationwide system of operations centers by dedicated, professional

transportation managers, logisticians, and contracting officers.

During our audit, we observed Postal Service logistics managers gathering information and reporting on weather and flooding conditions, fuel shortages, and damage to transportation infrastructure. Postal Service transportation officials routinely told us that federal disaster and relief managers could have made better use of the Postal Service network and expertise in transportation contracting, and explained that the network could have supported broader federal relief efforts. They also explained that Postal Service transportation operations centers could have

The Gulf Coast highway infrastructure was devastated by Hurricane Katrina.

This section of Interstate 90 near Gulfport connects Pass Christian to Bay St. Louis.

October 4, 2005.

Photograph 12.



helped to monitor both the flow of relief supplies into the hurricane emergency zone and the flow of people out of the hurricane emergency zone.

Heavy traffic evacuating New Orleans on September 3, 2005.

Photograph 13.



Postal Service officials also pointed out that federal emergency managers could have asked the Postal Service to provide contracting officers who could have applied their expertise, familiarity with local markets, and existing

relationships with suppliers to acquire aircraft, buses, tractor-trailers, drivers, and other transportation services.

Postal Service
Experience in
Countering Inflated
Costs in the Hurricane
Emergency Zone

Postal Service officials acknowledged that they expected the storm to drive up transportation costs, but they also felt federal managers may have been paying too much. The officials emphasized that paying too much for equipment, supplies, and services created a short-term, artificially high pricing environment, as well as shortages in transportation markets. For example, they explained that Postal Service contracting officers:

- Normally leased additional trailers to accommodate increased holiday mail volume, but this year, they were competing with FEMA and other federal agencies, FEMA was paying more than normal, and consequently, the Postal Service was experiencing higher prices and a shortage in the leased trailer market.
- Normally paid about \$1.50 per mile for highway contract service, but they understood that other federal agencies were now paying as much as \$5.00. As a result, they were forced to pay more than normal to compete in this short-term artificially inflated market.

Postal Service transportation managers explained that if other agencies had asked them to provide operational and contracting expertise to acquire transportation equipment and services during Hurricane Katrina, they could have used their knowledge of local transportation markets and their existing relationships with suppliers to potentially save money for both the federal government and the Postal Service.

Recommendation

We recommend the vice president, Emergency Preparedness, in coordination with the vice president, Network Operations Management, and the vice president, Supply Management:

2. As required by the National Response Plan, coordinate with the Department of Homeland Security and other appropriate federal authorities to explore the potential for making better use of Postal Service network capacity, logistical expertise, and other resources during national emergencies.

**Management's
Comments**

Management agreed with our recommendation. Management stated they would coordinate with the appropriate federal authorities in accordance with the Emergency Support Function annex of the National Response Plan.

**Evaluation of
Management's
Comments**

Management's comments are responsive to the recommendation. Management's actions taken or planned should correct the issues identified in the finding.

Nationwide Fuel Supply Disruption

After Hurricane Katrina, Postal Service transportation and supply management officials expressed concern about damage to the Gulf Coast fuel industry and infrastructure and potential fuel shortages nationwide. Officials also expressed concern about rising fuel prices, but said shortages were more critical. They explained that if fuel was unavailable, such shortages would have a serious impact on Postal Service transportation and the ability of the Postal Service to move mail.

Chalmette, Louisiana,
September 16, 2005.
Hurricane Katrina
devastated the Gulf
Coast oil industry.

Here a massive oil spill
resulted when an oil tank
was forced from its
foundation by the
hurricane storm surge.

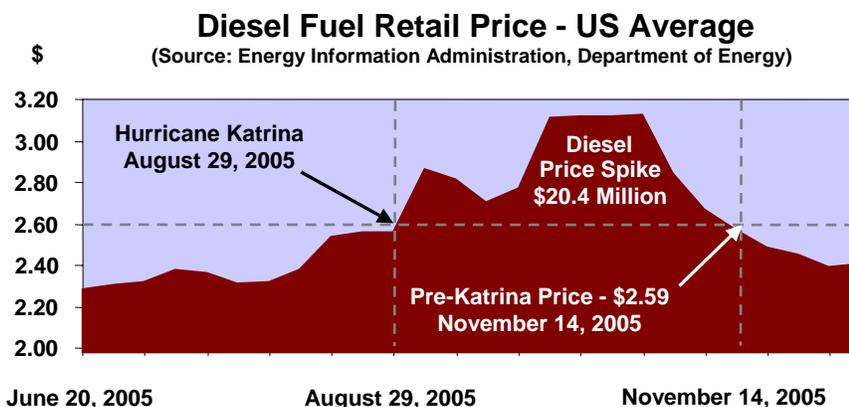
Photograph 14.



The U.S. Strategic Petroleum Reserve is administered by the U.S. Department of Energy and is the largest stockpile of government-owned emergency crude oil in the world. It was established to provide the federal government with a response option when disruption in commercial oil supplies threatens the U.S. economy. It has been used only twice under these conditions: first in 1991, at the beginning of Operation Desert Storm; and second, on September 2, 2005, in response to Hurricane Katrina. The Hurricane Katrina-related authorization from the Strategic Petroleum Reserve, to draw down 30 million barrels of crude oil to replace oil from the disrupted Gulf Coast oil industry, mitigated shortages in oil industry markets.

During our audit, we carefully monitored nationwide fuel supplies. Although sporadic shortages affected airports nationwide in early September, and short-term shortages affected the Gulf Coast region during evacuations following Hurricanes Katrina and Rita, major nationwide shortages did not develop, as some officials feared.

Although significant fuel shortages did not materialize, Hurricane Katrina disrupted the Gulf Coast fuel industry and created a significant nationwide spike in fuel prices. For example, as indicated by the following chart, on August 29, 2005, the day Hurricane Katrina hit the Gulf Coast, the nationwide average price for diesel fuel was \$2.59 per gallon. However, after the hurricane struck, diesel fuel prices spiked to more than \$3.10 per gallon and did not return to pre-Katrina levels for over 11 weeks. Based on average diesel fuel usage during the 11-week nationwide spike in diesel fuel prices, the Postal Service might have incurred more than \$20.4 million in Hurricane Katrina-related fuel costs.



As shown below, a similar analysis of all transportation-related fuel prices, including diesel, gasoline, and aviation, suggests the Postal Service might have incurred a total of more than \$32.8 million in Hurricane Katrina related fuel costs.

Hurricane Katrina-Related Fuel Costs (in millions)

Diesel Fuel	\$20.4
Gasoline	4.7
Aviation Fuel	<u>7.7</u>
Total	\$32.8

Postal Service transportation and supply managers have little control over disruption to national oil inventories created by events as catastrophic as Hurricane Katrina. Consequently, we have no fuel-related recommendations for Postal Service officials at this time.

**Postal Service
Emergency
Communications**

Officials at headquarters and in the various Postal Service areas recognized that during the hurricane emergency, Postal Service communications could have been improved. They explained that a problem existed with multiple chains of communication and authority. For example, they told us that for routine daily business, Human Resources, the Law Department, Government Relations, Finance, Operations, and Emergency Preparedness all have their own separate chains of communication. The officials pointed out that during the Hurricane Katrina emergency, managers at all levels used routine, nonemergency communication, and as a result, emergency information or requests for assistance were sometimes inconsistently disseminated, fragmented, or duplicated. The officials explained that the situation caused confusion and was exacerbated because the Postal Service did not have a clear policy differentiating between routine daily administration and critical operational communication during an emergency.

These officials suggested that the Postal Service system of operations centers might be used to mitigate the problem and explained that they were making improvements. For example, they explained that under routine operating conditions, operations centers were normally staffed by transportation managers and network specialists, but that during emergencies, operations centers could be reinforced with personnel from all disciplines. They emphasized that if during emergencies, operations centers were reinforced and emergency information was routed through them, the Postal Service could enhance communications and reduce confusion.

Recommendations

We recommend the vice president, Emergency Preparedness, in coordination with the vice president, Network Operations Management:

3. Revise and validate Integrated Emergency Management Plans and other policies or procedures to facilitate communication during future national emergencies, and consider reinforcing the existing system of transportation centers.

**Management's
Comments**

Management agreed with our recommendation. They stated the Office of Emergency Preparedness was in the process of updating the Postal Service's IEMP and the

Transportation Field Support Office would continue to issue logistics network changes.

**Evaluation of
Management's
Comments**

Management's comments are responsive to the recommendation. Management's actions taken or planned should correct the issues identified in the finding.

APPENDIX A

PHOTOGRAPH CREDITS

Photograph Number	Description	Credit and Date
1	NOAA satellite image of Hurricane Katrina at about 1 p.m. Eastern Standard Time, August 29, 2005.	National Oceanic and Atmospheric Administration August 29, 2005
2	After the levees protecting New Orleans failed, almost 80 percent of the city flooded, and water was up to 20 feet deep in some areas.	FEMA September 7, 2005
3	Mail being loaded onto a commercial air carrier in Atlanta.	Postal Service OIG January 2005
4	A Postal Service highway route contractor traveling northbound on Interstate 95 in Georgia.	Postal Service OIG January 2005
5	Coast Guard helicopter flying over the flooded and damaged roadways in New Orleans.	FEMA September 4, 2005
6	Devastated New Orleans neighborhood.	Postal Service OIG October 25, 2005
7	Members of the FEMA search and rescue task force are conducting rescue operations in New Orleans.	FEMA August 31, 2005
8	Lone mailbox in a devastated Slidell, Louisiana, neighborhood.	Postal Service OIG October 25, 2005
9	Sections of Interstate 10 across Lake Pontchartrain were destroyed by Hurricane Katrina's waters and wind.	FEMA September 20, 2005
10	Fishing boats blocking Highway 23 in Empire, Louisiana.	FEMA September 12, 2005

Photograph Number	Description	Credit
11	Letter carrier Michael Bowin delivers mail to temporary mail boxes for residents of Pass Christian, Mississippi.	FEMA October 22, 2005
12	Section of Interstate 90 near Gulfport connects Pass Christian to Bay St. Louis. It was devastated by Hurricane Katrina.	FEMA October 4, 2005.
13	Heavy traffic evacuating New Orleans.	FEMA September 3, 2005.
14	A massive oil spill resulted when an oil tank was forced from its foundation by the hurricane storm surge in Chalmette, Louisiana.	FEMA September 16, 2005

APPENDIX B

HIGHWAY CONTRACT ROUTE (HCR) SAVINGS FROM SOUTHWEST AND SOUTHEAST AREA CONTRACT TERMINATIONS AND SUSPENSIONS

HCR Number	Contract Start Date	Contract End Date	Date of Contract Termination or Suspension	Annual Contract Costs	Monthly Contract Costs	Months Used to Calculate Savings	Contract Term Savings
SOUTHWEST AREA CONTRACT ACTIONS							
70000	7/1/2003	6/30/2007	9/2/2005	\$47,736	\$3,978	22	\$88,312
70014	7/1/2005	6/30/2009	10/29/2005	\$128,639	\$10,720	45	\$478,822
70032	7/1/2002	6/30/2006	9/2/2005	\$63,853	\$5,321	10	\$53,388
70033	7/1/2003	6/30/2007	9/2/2005	\$80,583	\$6,715	22	\$149,078
70034	7/1/2003	6/30/2006	12/31/2005	\$50,802	\$4,233	6	\$25,542
70035	7/1/2002	6/30/2006	9/2/2005	\$61,408	\$5,117	10	\$51,344
70037	7/1/2005	6/30/2009	12/31/2005	\$37,307	\$3,109	43	\$132,335
70038	7/1/2005	6/30/2009	12/31/2005	\$87,021	\$7,252	43	\$308,682
70060	4/17/2004	6/30/2007	9/2/2005	\$25,489	\$2,124	2	\$4,190
70062	7/1/2003	6/30/2007	9/2/2005	\$32,653	\$2,721	2	\$4,026
70064	7/1/2003	6/30/2007	9/2/2005	\$28,274	\$2,356	2	\$3,746
70360	7/1/2003	6/30/2007	9/2/2005	\$25,360	\$2,113	1	\$1,371
700A3	7/1/2005	6/30/2009	9/2/2005	\$22,113	\$1,843	2	\$3,686
700A4	8/10/2002	6/30/2006	9/2/2005	\$19,098	\$1,592	2	\$3,183
700A5	2/19/2005	12/17/2005	9/2/2005	\$32,624	\$2,719	4	\$9,606
700A6	2/19/2005	12/17/2005	9/2/2005	\$39,128	\$3,261	4	\$11,521
700AD	5/14/2005	12/31/2005	9/2/2005	\$35,500	\$2,958	4	\$11,833
700L2	7/1/2002	6/30/2006	9/2/2005	\$60,431	\$5,036	10	\$50,527
700L4	7/1/2003	6/30/2007	9/2/2005	\$66,420	\$5,535	22	\$122,876
700L5	7/1/2003	6/30/2007	9/2/2005	\$59,389	\$4,949	22	\$109,869
700L6	7/1/2003	6/30/2007	9/2/2005	\$43,718	\$3,643	22	\$80,879
700L8	7/1/2003	6/30/2007	9/2/2005	\$123,843	\$10,320	22	\$229,110
700L9	7/1/2003	6/30/2007	9/2/2005	\$58,819	\$4,902	22	\$108,815
700M1	7/1/2003	6/30/2007	9/2/2005	\$116,403	\$9,700	22	\$215,345
703A0	7/1/2004	6/30/2008	9/2/2005	\$36,254	\$3,021	34	\$103,927
703A2	7/1/2004	6/30/2008	9/2/2005	\$20,049	\$1,671	34	\$57,474
703A4	4/16/2005	12/17/2005	12/17/2005	\$20,000	\$1,667	8	\$13,611
703A6	6/11/2005	12/17/2005	9/2/2005	\$54,240	\$4,520	6	\$28,476
704B3	12/28/2002	6/30/2006	9/2/2005	\$32,405	\$2,700	10	\$27,094
705AD	7/30/2005	12/16/2005	8/28/2005	\$74,500	\$6,208	4	\$22,764
Southwest Area Totals				\$1,584,058	\$132,005		\$2,510,151
SOUTHEAST AREA CONTRACT ACTIONS							
Numerous HCR Routes*							\$298,071
TOTAL - Southwest and Southeast Areas							\$2,808,222

* Southeast Area savings represent highway contract payment recoupment for interrupted service. Payments were recouped as service was interrupted and suspended on an as-needed basis. The amounts recouped are the actual daily rate charged for the service. Since 155 contracts were involved and the total recovery was \$298,071 (ranging from \$34 to \$41,004), we are reporting only the total amount recouped.

APPENDIX C. MANAGEMENT'S COMMENTS

PAUL VOGEL
VICE PRESIDENT, NETWORK OPERATIONS MANAGEMENT



June 16, 2006

COLLEEN A. MCANTEE

SUBJECT: Draft Audit Report – Hurricane Katrina – The Effectiveness of the Postal Service
Transportation and Logistics Network (Report Number NL-AR-06-DRAFT)

As outlined below, actions have been taken to implement recommendations 1 and 2, and are underway in 3.

Recommendation 1:

We recommend the vice president, Network Operations Management, in coordination with the vice president, Southeast, and acting vice president, Southwest Area Operations: verify the termination of unneeded highway contract routes in the regions affected by Hurricane Katrina.

Response:

Management agrees with this recommendation. Surface Operations, working with the Southeast and Southwest Area offices, has verified the termination of unnecessary highway contract routes in the regions affected by Hurricane Katrina. Both the Southeast and the Southwest Areas initiated immediate communications with the highway contract route (HCR) suppliers serving mail transport routes and box delivery routes into Postal facilities in areas impacted by Hurricane Katrina regarding disruptions in operations.

The HCR suppliers were informed of the necessity to eliminate trips operating into impacted facilities, to deduct payment for cancelled service, and to terminate contracts where service was not expected to be restored. Deductions have resulted in cost savings/avoidance on impacted routes. This action is completed.

Recommendation 2:

We recommend the vice president, Emergency Preparedness, in coordination with the vice president, Network Operations Management, and the vice president, Supply Management: As required by the National Response Plan, coordinate with the Department of Homeland Security and other appropriate federal authorities to explore the potential for making better use of Postal Service network capacity, logistical expertise, and other resources during national emergencies.

Response:

Management agrees with this recommendation. We will coordinate with other appropriate federal authorities in accordance with the Emergency Support Function annex (ESF #1) of the National Response Plan (NRP).

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-7100
202-268-7666
FAX: 202-268-8251
www.usps.com

- 2 -

The U.S. Postal Service does the following in the event of a declared national emergency:

- Provide transportation that is not immediately required for mail delivery for the transportation of other resources, particularly for use in the affected area.
- Collects and reports on transportation infrastructure disruption and damage as information becomes available.
- Staff headquarters ESF #1 and regional ESF #1 teams when requested.

The Department of Transportation (DOT) has the primary role under ESF #1 of the NRP. The Postal Service will take its lead from the DOT Regional Emergency Transportation Coordinator, who provides direction for the ESF #1 mission locally.

The Postal Service maintains an integrated transportation and logistics network. The Vice Presidents of Emergency Preparedness, Network Operations Management, and Supply Management stand ready to involve the Postal Service in its NRP essential mission duties, if requested, to support in the preparation, response, and recovery efforts on a Homeland Security declared national disaster or emergency. For possible use of Postal Service transportation and logistics network, other agencies may contact:

Mr. James Dwight Young
Manager, Transportation Portfolio
Supply Management
Dwight.Young@usps.gov
202-268-4377

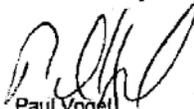
Recommendation 3:

We recommend the vice president, Emergency Preparedness, in coordination with the vice president, Network Operations Management: Revise and validate Integrated Emergency Management Plans and other policies or procedures to facilitate communication during future national emergencies, and consider reinforcing the existing system of transportation centers.

Response:

Management agrees with this recommendation and feels it is feasible. The Office of Emergency Preparedness is in the process of updating the Postal Service's Integrated Emergency Management Plan. Area and District Emergency Management Teams are being trained in the Incident Command System (ICS) and National Incident Management System as directed by the NRP. The ICS is designed to have collaborative communication under the "Unified Command" component. Logistics network changes will continue to be issued by the Transportation Field Support office. This should re-enforce communications across organizational lines.

Questions may be directed to Richard Fallica, Surface Operations, at 202-268-4379.


Paul Vogel