



July 25, 2006

JO ANN FEINDT  
VICE PRESIDENT, GREAT LAKES AREA OPERATIONS

SUBJECT: Audit Report – Surface Transportation – Processing and Distribution  
Center Transportation Routes – Great Lakes Area  
(Report Number NL-AR-06-008)

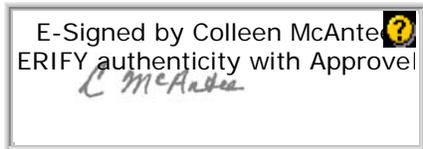
This report presents results from our processing and distribution center (P&DC) transportation routes audit (Project Number 06XG012NL000). Our objectives were to evaluate the effectiveness of P&DC routes and identify opportunities to save money. This report responds to a request from the vice president, Network Operations Management, and focuses on routes controlled by the Great Lakes Area.

The U.S. Postal Service could save about \$5.3 million over the term of existing Great Lakes Area P&DC highway contracts by canceling, not renewing, or modifying 107 trips. The savings represent potential funds that could be put to better use and will be reported as such in our *Semiannual Report to Congress*. The Postal Service could eliminate or modify the trips without negatively affecting service because trip volume was low and mail could be consolidated on other trips. We recommended the vice president, Great Lakes Area Operations: (1) verify the actual cancellation, modification, or substitution of the 20 trips identified by Postal Service managers during our audit; (2) verify the actual cancellation, modification, or substitution of the 73 trips with which Postal Service officials agreed; and (3) reassess the 14 trips managers feel are still necessary.

Management agreed with our recommendations. They stated that all 93 trip reductions to which they agreed were in the process of being completed. They also stated they would reassess the 14 remaining trips. 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: William P. Galligan  
Paul E. Vogel  
Anthony M. Pajunas  
Steven R. Phelps

## INTRODUCTION

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### Background

Processing and distribution centers (P&DCs) are central facilities that receive and process mail and then distribute it to local service areas over the U.S. Postal Service transportation network. The mail processed by P&DCs, including First-Class Mail and Periodicals, is very time sensitive. As a result, Postal Service transportation managers often must move it from origin to destination overnight and, in making transportation decisions, continually balance on-time service standards with transportation costs. There are approximately 270 P&DCs in the Postal Service network and the Postal Service spends about \$1.3 billion annually on surface transportation contracts moving mail to and from these facilities.

Highway transportation contractor departing the Palatine, Illinois, P&DC, January 31, 2006.



On November 22, 2005, the vice president, Network Operations Management, requested that we audit the scheduled contracted transportation routes supporting P&DCs. Individual Postal Service areas control those routes. This report focuses on routes the Great Lakes Area controls and responds to the request from the vice president, Network Operations Management.

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### Objectives, Scope, and Methodology

The objectives of our audit were to evaluate the effectiveness of the scheduled contracted transportation routes supporting P&DCs and to identify opportunities to save money.

Using Postal Service computer-generated data, we identified 8,659 trips operated under 870 Great Lakes Area contracts that had at least one P&DC service point. We did not audit or comprehensively validate the data; however, we noted several control weaknesses that constrained our work. For example, some computer files had missing records and inaccurate trailer load volumes. Even though data limitations constrained our work, we were able to partially compensate by applying alternate audit procedures, including source document examination, observation, physical inspection, and discussion with appropriate officials.

During our work, we audited 34 facilities, interviewed officials at headquarters and in the Great Lakes Area, reviewed relevant Postal Service policies and procedures, interviewed managers and employees, and observed and photographed operations. We also evaluated mail volume and the type of mail carried, considered on-time service standards and area initiatives to improve service, and analyzed all 8,659 trips.

We conducted work associated with this report from January through July 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.

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**Prior Audit Coverage**

Since September 2002, the U.S. Postal Service Office of Inspector General has worked with the Postal Service to reduce surface transportation. As a result, we have issued 22 audit reports that identified potential savings exceeding \$83.4 million over the life of eliminated or reduced transportation contracts. For more detailed information about these audits, see Appendix A.

## AUDIT RESULTS

### Contracted Highway Transportation Trips

The Postal Service could improve the effectiveness of scheduled surface contract routes supporting P&DCs and save about \$5.3 million over the term of existing Great Lakes Area highway contracts by canceling, not renewing, or modifying 107 trips. The Postal Service could eliminate or modify the trips without negatively affecting on-time service because trip mail volume was low and mail could be consolidated on other trips. As indicated below, 13 percent of affected trips expire on June 30, 2006. The other 87 percent expire in 2007 or later and have 1 to 3 years remaining.

#### PROPOSED NONRENEWALS AND CANCELLATIONS

TRIP CATEGORY	AFFECTED TRIPS	NUMBER OF TRIPS	ESTIMATED SAVINGS
Contracts expiring on June 30, 2006	13 percent	14	\$2,233,317
Contracts expiring in 2007 or later	<u>87 percent</u>	<u>93</u>	<u>3,056,532</u>
All terminated trips	100 percent	107	\$5,289,849

The Postal Service transportation network is dynamic and requirements constantly change. As we discussed in the objectives, scope, and methodology section of our report Postal Service data has certain limitations. Consequently,

Milwaukee P&DC dock, February 2, 2006.



our data analysis needed to be tempered by the experience of on-site transportation managers. Accordingly, throughout our audit we coordinated extensively with plant and area

transportation officials and proposed service reductions to them. The officials then reviewed each proposal in conjunction with their own assessment of area-wide network requirements and we discussed our proposals with them.

Based on these discussions, we believe the Postal Service could attain savings through service reductions by:

- Not renewing unnecessary trips that were scheduled to expire on June 30, 2006.
- Canceling unnecessary trips that are currently contracted to expire in 2007 or later and have 1 to 3 years remaining.

The savings we identified included savings from nonrenewable trips, plus savings from trip cancellations net of cancellation fees totaling approximately \$162,730. The area agreed with the 93 proposals outlined in Appendices B and C and agreed to reassess the 14 trips listed in Appendix D, which plant and district managers feel are still necessary.

**PROPOSED CANCELLATIONS AND MODIFICATIONS**

<b>CANCELLATION CATEGORY</b>	<b>NUMBER OF TRIPS</b>	<b>APPENDIX</b>	<b>ESTIMATED SAVINGS</b>
Postal Service identified trip cancellations or modifications during the audit	20	B	\$660,850
Proposals with which area officials agreed	73	C	2,915,795
Proposals with which plant and district managers disagreed	<u>14</u>	D	<u>1,713,204</u>
<b>Total</b>	<b>107</b>		<b>\$5,289,849</b>

Agreement on 93 terminations, modifications, or substitutions reflects the high level of cooperation between the Great Lakes Area and our audit team. Nonetheless, we continue to believe the 14 service reduction proposals with which local management disagreed provide the potential for savings without jeopardizing on-time performance. For example, two separate 700-mile round trips between Milwaukee, Wisconsin, and St. Louis, Missouri, both travel

across country about half-full and essentially duplicate each other. The trips, operating under the same contract — highway contract route (HCR) 530M9 — run 5 days each week to and from processing plants located in close proximity to each other. One truck moves First-Class Mail and Periodicals. The other truck moves Priority Mail.

The two highway trips contracted under HCR 530M9 depart Milwaukee within a half hour of each other and arrive in St. Louis at the same time. They each travel 700 miles round-trip 5 days each week.

Departure Time	Trip Number	Origin to Destination	Arrival Time	Capacity Utilization
0600	1	Milwaukee P&DC to St. Louis P&DC	1400	57 percent
0630	5	Milwaukee Mail Processing Annex to St. Louis Priority Mail Annex	1400	36 percent
0300	2	St. Louis P&DC to Milwaukee P&DC	1100	53 percent
0630	6	St. Louis Priority Mail Annex to Milwaukee Mail Processing Annex	1400	36 percent

The chart on the right shows the trips could be consolidated. The distance between the local plants in both Milwaukee and St. Louis is less than 20 miles, making it easy to add a service point and consolidate trips.



Local management explained that they needed to operate both trips in order to keep Priority Mail separate from First-Class Mail and Periodicals. However, segregating different classes of mail on separate transportation is inconsistent with long-range Postal Service strategy. Specifically, in September 2004, the Postmaster General explained that:

- As part of evolutionary network development, the Postal Service was consolidating First-Class Mail, Priority Mail, and Periodicals in distribution operations across the country.

- The Postal Service was consolidating to reduce redundancy, optimize air and surface transportation, and achieve a more cost-effective network.

The Postmaster General emphasized that a truck is a truck, a plane is a plane, and the Postal Service should load all it could on every truck or plane regardless of mail class.<sup>1</sup>

On May 30, 2006, we conducted a meeting with Great Lakes Area officials to discuss our report and recommendations. At that meeting, the officials agreed with our recommendations and specifically agreed to analyze the 14 trips local managers felt were still needed.

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<b>Recommendation</b>	We recommend the vice president, Great Lakes Area Operations:  <ol style="list-style-type: none"><li>1. Verify the actual cancellation, modification, or substitution of the 20 trips management identified during our audit.</li></ol>
<b>Management's Comments</b>	Management agreed with our recommendation and stated they were in the process of completing the changes. Regarding monetary findings, management stated they could not validate the savings amount at this time. They explained network management was dynamic, that changing requirements might result in further substitutions, and that when their analysis of our recommendations was complete, they would work with us to reconcile and report expected savings. Management's comments, in their entirety, are included in Appendix E of this report.
<b>Recommendation</b>	We recommend the vice president, Great Lakes Area Operations:  <ol style="list-style-type: none"><li>2. Verify the actual cancellation, modification, or substitution of the 73 trips with which Postal Service managers agreed and provide the dates action was taken.</li></ol>
<b>Management's Comments</b>	Management agreed with our recommendation. They stated they were in the process of completing the recommended changes.

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<sup>1</sup> Remarks by Postmaster General John E. Potter, National Postal Forum, Washington, D.C., September 20, 2004.

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<b>Recommendation</b>	We recommend the vice president, Great Lakes Area Operations:  3. Reassess the 14 trips which Postal Service managers still feel are necessary and cancel or modify the trips as indicated by the reassessment or document the reasons for retaining the trips.
<b>Management's Comments</b>	Management agreed with our recommendation. They stated that they would reassess the proposed trip changes to determine if they could modify them without impacting service.
<b>Evaluation of Management's Comments</b>	Management's comments are responsive to our findings and recommendations. We consider management's actions, taken or planned, sufficient to address the recommendations we made in our report.

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**APPENDIX A. PRIOR AUDIT COVERAGE**

Report Name	Report Number	Date Final Report Issued	Number of Trips Identified for Elimination or Modification	Potential Savings Identified	Trips With Which Management Agreed	Trips With Which Management Disagreed	Trips Identified by Management
Highway Network Scheduling - Pacific Area	TD-AR-02-003	9/24/2002	158	\$4,500,417	76	34	48
Highway Network Scheduling - Northeast Area	TD-AR-03-002	11/25/2002	18	776,992	10	8	0
Highway Network Scheduling - Capital Metro Area	TD-AR-03-007	3/28/2003	34	1,144,218	20	14	0
Highway Network Scheduling - New York Metro Area	TD-AR-03-008	3/31/2003	32	470,123	12	20	0
Highway Network Scheduling - Southwest Area	TD-AR-03-010	7/11/2003	249	5,989,082	148	101	0
Highway Network Scheduling - Western Area	TD-AR-03-013	9/23/2003	70	2,721,530	30	40	0
Highway Network Scheduling - Southeast Area	TD-AR-03-014	9/26/2003	101	11,352,881	23	24	54
Highway Network Scheduling - Eastern Area	TD-AR-03-015	9/30/2003	181	10,577,367	128	53	0
Highway Network Scheduling - Great Lakes Area	NL-AR-04-003	3/29/2004	72	5,352,877	48	22	2
BMC Transportation Routes - Great Lakes Area	NL-AR-04-004	9/29/2004	96	7,660,533	49	7	40
BMC Transportation Routes - Eastern Area	NL-AR-05-003	3/17/2005	35	4,791,570	29	6	0
Intermodal Rail and Highway Transportation - Pacific Area	NL-AR-05-004	3/18/2005	0	1,046,240	0	0	0
BMC Transportation Routes - Southeast Area	NL-AR-05-005	3/18/2005	52	6,563,582	52	0	0
BMC Transportation Routes - New York Metro	NL-AR-05-007	6/9/2005	16	1,499,371	16	0	0
BMC Transportation Routes - Southwest Area	NL-AR-05-008	8/3/2005	79	7,175,912	76	0	3
BMC Transportation Routes - Capital Metro Area	NL-AR-05-009	9/2/2005	10	803,060	10	0	0
Intermodal Rail and Highway Transportation Between the Pacific and Southeast Areas	NL-AR-05-011	9/19/2005	0	1,261,308	0	0	0
BMC Transportation Routes - Pacific Area	NL-AR-05-012	9/21/2005	22	3,123,562	10	2	10
BMC Transportation Routes - Northeast Area	NL-AR-05-013	9/26/2005	41	2,491,133	15	0	26
BMC Transportation Routes - Western Area	NL-AR-06-001	2/14/2006	77	2,235,812	50	2	25
Intermodal Rail and Highway Transportation Between the Western and Great Lakes Areas	NL-AR-06-002	3/10/2006	2	1,942,841	2	0	0
BMC Transportation Routes - Summary Report	NL-AR-06-004	3/28/2006	0	0	0	0	0
<b>Totals</b>	<b>22</b>		<b>1,345</b>	<b>\$83,480,411</b>	<b>804</b>	<b>333</b>	<b>208</b>

BMC – Bulk Mail Center

**APPENDIX B**

**TRIPS IDENTIFIED BY POSTAL SERVICE MANAGERS  
 DURING AUDIT WORK**

<b>Effective Date of Last Change</b>	<b>Ending Date of Contract</b>	<b>Highway Contract Route Number</b>	<b>Trip Number</b>	<b>Recommendation</b>	<b>Origin to Destination</b>	<b>Annual Budget Cost</b>	<b>Estimated Contract Cost</b>	<b>Indemnity Fees</b>	<b>Estimated Savings</b>
1/21/2006	6/30/2007	62591	1	Eliminate trip	Springfield BMC, MO to Memorial Station (Decatur), IL	\$85,642	\$99,916	\$14,274	\$85,642
1/21/2006	6/30/2007	62591	2	Eliminate trip	Memorial Station (Decatur), IL to Springfield BMC, MO	65,995	76,994	10,999	65,995
10/29/2005	6/30/2007	62590	101	Eliminate trip	Springfield P&DC, IL to St. Louis P&DC, MO	40,291	47,006	6,715	40,291
10/29/2005	6/30/2007	62590	102	Eliminate trip	St. Louis P&DC, MO to Springfield P&DC, IL	40,291	47,006	6,715	40,291
11/5/2005	6/30/2009	48132	13, 14, 17, 18, 37, 38	Eliminate trips	Detroit P&DC to Lincoln, MI or Taylor, MI and return	50,865	161,073	0	161,073
7/1/2005	6/30/2009	48135	9, 10	Eliminate trips	Monroe, MI to Detroit, MI Priority Mail Center and return	51,363	162,651	0	162,651
9/17/2005	6/30/2008	544AA	11	Eliminate trip	Central Wisconsin P&DF, WI to Wausau, WI	11,227	24,324	0	24,324
9/17/2005	6/30/2008	544AA	12	Eliminate trip	Wausau, WI to Central Wisconsin P&DF, WI	10,702	23,188	0	23,188

Surface Transportation – Processing and Distribution Center  
 Transportation Routes – Great Lakes Area

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Effective Date of Last Change	Ending Date of Contract	Highway Contract Route Number	Trip Number	Recommendation	Origin to Destination	Annual Budget Cost	Estimated Contract Cost	Indemnity Fees	Estimated Savings
7/1/2005	6/30/2009	478AA	1, 2, 13, 14	Eliminate trips and stops at Columbia House	Terre Haute P&DC, IN to Col House (Terre Haute), IN and return	\$ 14,719	\$ 46,611	\$ 0	\$ 46,611
2/11/2006	6/30/2007	480L1	11, 12	Eliminate trips	Royal Oak P&DC, MI to Pontiac, MI and return	10,786	12,584	1,798	10,786
	<b>TOTALS</b>	20				<b>\$381,880*</b>	<b>\$701,351*</b>	<b>\$40,501</b>	<b>\$660,851*</b>

BMC – Bulk Mail Center  
 P&DC – Processing and Distribution Center  
 P&DF – Processing and Distribution Facility

\* Minor rounding difference

**APPENDIX C**

**TRIPS IDENTIFIED DURING AUDIT WORK WITH WHICH  
 POSTAL SERVICE MANAGERS AGREED**

<b>Effective Date of Last Change</b>	<b>Ending Date of Contract</b>	<b>Highway Contract Route Number</b>	<b>Trip Number</b>	<b>Recommendation</b>	<b>Origin to Destination</b>	<b>Annual Budget Cost</b>	<b>Estimated Contract Cost</b>	<b>Indemnity Fees</b>	<b>Estimated Savings</b>
5/14/2005	6/30/2007	60046	41	Eliminate Tuesday, Wednesday, Thursday, Friday, and Sunday trips	Palatine P&DC, IL to Skokie, IL	\$9,168	\$10,696	\$1,528	\$9,168
5/14/2005	6/30/2007	60046	42	Eliminate Tuesday, Wednesday, Thursday, Friday, and Sunday trips	Skokie, IL to Palatine P&DC, IL	9,296	10,845	1,549	9,296
7/1/2005	6/30/2007	600CG	1	Eliminate Saturday trips	Palatine P&DC, IL to Rockford P&DC, IL	3,866	4,510	644	3,866
7/1/2005	6/30/2007	600CG	2	Eliminate Saturday trips	Rockford P&DC, IL to Palatine P&DC, IL	3,866	4,510	644	3,866
9/12/2005	6/30/2007	600L7	125	Eliminate Saturday trips	Palatine P&DC, IL to McHenry, IL	2,496	2,912	416	2,496
9/12/2005	6/30/2007	600L7	126	Eliminate Saturday trips	McHenry, IL to Palatine P&DC, IL	2,496	2,912	416	2,496
7/1/2005	6/30/2007	60133	329	Eliminate trip	Carol Stream P&DC, IL to Hanover Park, IL	4,995	5,828	833	4,995
7/1/2005	6/30/2007	60133	330	Eliminate trip	Hanover Park, IL to Carol Stream P&DC, IL	4,995	5,828	833	4,995
7/1/2005	6/30/2007	60223	1	Eliminate Monday trips	Chicago 2C Metro Facility, IL to Omaha P&DC, NE	40,193	46,892	6,699	40,193

Surface Transportation – Processing and Distribution Center  
 Highway Transportation Routes – Great Lakes Area

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Effective Date of Last Change	Ending Date of Contract	Highway Contract Route Number	Trip Number	Recommendation	Origin to Destination	Annual Budget Cost	Estimated Contract Cost	Indemnity Fees	Estimated Savings
7/1/2005	6/30/2007	60223	2	Eliminate Monday trips	Omaha P&DC, NE to Chicago 2C Metro Facility, IL	\$ 40,193	\$ 46,892	\$6,699	\$ 40,193
5/14/2005	6/30/2006	60415	17	Eliminate trip	South Suburban P&DC, IL to Champaign P&DF, IL	60,967	243,868	0	243,868
5/14/2005	6/30/2006	60415	18	Eliminate trip	Champaign P&DF, IL to South Suburban P&DC, IL	60,967	243,868	0	243,868
12/24/2005	6/30/2007	60514	11	Eliminate trip	Fox Valley P&DC, IL to O'Hare AMC, IL	18,874	22,020	3,146	18,874
12/24/2005	6/30/2007	60514	12	Eliminate trip	O'Hare AMC, IL to Fox Valley P&DC, IL	18,874	22,020	3,146	18,874
8/6/2005	6/30/2009	60532	13	Eliminate Sunday trips	Fox Valley P&DC, IL to Aurora, IL	1,130	3,579	0	3,579
8/6/2005	6/30/2009	60532	14	Eliminate Sunday trips	Aurora, IL to Fox Valley P&DC, IL	1,130	3,579	0	3,579
7/1/2005	6/30/2009	605L0	1-4	Decrease truck size	Fox Valley P&DC, IL to Midway Airport, IL and return	10,000	31,667	0	31,667
3/5/2005	6/30/2006	606GD	1	Eliminate contract	O'Hare AMC, IL to North Houston P&DC, TX	69,191	276,763	0	276,763
3/5/2005	6/30/2006	606GD	2	Eliminate contract	North Houston P&DC, TX to O'Hare AMC, IL	69,191	276,763	0	276,763
8/6/2005	6/30/2007	607M6	903	Eliminate trip	Chicago Metro Surf Hub (Busse), IL to Centralia, IL	142,479	166,225	23,746	142,479
8/6/2005	6/30/2007	607M6	904	Eliminate trip	Centralia, IL to Chicago Metro Surf Hub (Busse), IL	142,479	166,225	23,746	142,479

Surface Transportation – Processing and Distribution Center  
 Highway Transportation Routes – Great Lakes Area

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Effective Date of Last Change	Ending Date of Contract	Highway Contract Route Number	Trip Number	Recommendation	Origin to Destination	Annual Budget Cost	Estimated Contract Cost	Indemnity Fees	Estimated Savings
7/1/2005	6/30/2007	60893	801	Eliminate Sunday trips	Chicago 2C Metro Facility, IL to Portage, WI	\$ 12,078	\$ 14,091	\$ 2,013	\$ 12,078
7/1/2005	6/30/2007	60893	802	Eliminate Sunday trips	Portage, WI to Chicago 2C Metro Facility, IL	12,078	14,091	2,013	12,078
7/9/2005	6/30/2008	61731	3	Eliminate Sunday trips	Bloomington P&DF, IL to Leroy, IL	2,017	4,371	0	4,371
7/9/2005	6/30/2008	61731	2	Eliminate Sunday trips	Leroy, IL to Bloomington P&DF, IL	1,865	4,041	0	4,041
6/11/2005	6/30/2008	61765	3	Eliminate trip	Bloomington P&DF, IL to Fairbury, IL	3,194	6,920	0	6,920
6/11/2005	6/30/2008	61765	4	Eliminate trip	Fairbury, IL to Bloomington P&DF, IL	2,527	5,475	0	5,475
4/18/2005	6/30/2008	617L5	3	Eliminate trip	Bloomington P&DF, IL to Waynesville, IL	2,957	6,407	0	6,407
4/18/2005	6/30/2008	617L5	4	Eliminate trip	Waynesville, IL to Bloomington P&DF, IL	1,706	3,697	0	3,697
5/16/2005	6/30/2006	618L1	3	Eliminate trip	Champaign P&DF, IL to Rantoul, IL	9,840	39,358	0	39,358
5/16/2005	6/30/2006	618L1	4	Eliminate trip	Rantoul, IL to Champaign P&DF, IL	9,840	39,358	0	39,358
7/9/2005	6/30/2006	618L2	1	Eliminate trip	Champaign P&DF, IL to Bloomington P&DF, IL	14,317	57,269	0	57,269
7/9/2005	6/30/2006	618L2	2	Eliminate trip	Bloomington P&DF, IL to Champaign P&DF, IL	14,317	57,269	0	57,269
7/9/2005	6/30/2008	618L8	3	Eliminate trip	Champaign P&DF, IL to Camargo, IL	4,907	10,632	0	10,632
7/9/2005	6/30/2008	618L8	4	Eliminate trip	Camargo, IL to Champaign P&DF, IL	2,472	5,357	0	5,357

Surface Transportation – Processing and Distribution Center  
 Highway Transportation Routes – Great Lakes Area

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Effective Date of Last Change	Ending Date of Contract	Highway Contract Route Number	Trip Number	Recommendation	Origin to Destination	Annual Budget Cost	Estimated Contract Cost	Indemnity Fees	Estimated Savings
9/17/2005	6/30/2007	618L9	5	Eliminate Sunday trips	Champaign P&DF, IL to Springfield P&DC, IL	\$ 5,220	\$ 6,090	\$ 0	\$ 6,090
9/17/2005	6/30/2007	618L9	6	Eliminate Sunday trips	Springfield P&DC, IL to Champaign P&DF, IL	5,220	6,090	0	6,090
9/3/2005	6/30/2007	62530	11	Eliminate trip	Springfield P&DC, IL to Memorial Station (Decatur), IL	11,513	13,432	1,919	11,513
9/3/2005	6/30/2007	62530	12	Eliminate trip	Memorial Station (Decatur), IL to Springfield P&DC, IL	11,513	13,432	1,919	11,513
9/3/2005	6/30/2007	62530	21	Eliminate trip	Springfield P&DC, IL to Memorial Station (Decatur), IL	11,513	13,432	1,919	11,513
9/3/2005	6/30/2007	62530	22	Eliminate trip	Memorial Station (Decatur), IL to Springfield P&DC, IL	11,513	13,432	1,919	11,513
3/19/2005	6/30/2007	626L5	1	Eliminate Saturday trips	Springfield P&DC, IL to Chatham, IL	571	666	95	571
3/19/2005	6/30/2007	626L5	2	Eliminate Saturday trips	Chatham, IL to Springfield P&DC, IL	571	666	95	571
3/19/2005	6/30/2007	626L5	3	Eliminate trip	Springfield P&DC, IL to Chatham, IL	571	666	95	571
3/19/2005	6/30/2007	626L5	4	Eliminate trip	Chatham, IL to Springfield P&DC, IL	571	666	95	571
7/3/2005	6/30/2009	48130	47	Eliminate trip	Detroit P&DC, MI to Inkster, MI	14,824	46,944	0	46,944
7/3/2005	6/30/2009	48130	48	Eliminate trip	Inkster, MI to Detroit P&DC, MI	14,824	46,944	0	46,944
7/2/2005	6/30/2009	483U4	805	Eliminate Sunday trips	Detroit BMC, MI to Traverse City P&DF, MI	11,868	37,582	0	37,582
7/2/2005	6/30/2009	483U4	806	Eliminate Monday trips	Traverse City P&DF, MI to Detroit BMC, MI	12,226	38,714	0	38,714

Effective Date of Last Change	Ending Date of Contract	Highway Contract Route Number	Trip Number	Recommendation	Origin to Destination	Annual Budget Cost	Estimated Contract Cost	Indemnity Fees	Estimated Savings
8/6/2005	6/30/2006	486AA	13	Eliminate trip	Saginaw P&DC, MI to Saginaw P&DC Cumberland Sta, MI	\$ 4,327	\$ 8,654	\$ 0	\$ 8,654
8/6/2005	6/30/2006	486AA	14	Eliminate trip	Saginaw P&DC Cumberland Sta, MI to Saginaw P&DC, MI	4,544	9,087	0	9,087
7/1/2005	6/30/2007	488AA	101	Eliminate trip	Lansing P&DC, MI to East Lansing, MI	4,621	5,391	770	4,621
7/1/2005	6/30/2007	488AA	102	Eliminate trip	East Lansing, MI to Lansing P&DC, MI	4,621	5,391	770	4,621
7/1/2005	6/30/2007	488AA	309	Eliminate trip	Lansing P&DC, MI to Lansing (Downtown Station), MI	787	918	131	787
7/1/2005	6/30/2007	488AA	310	Eliminate trip	Lansing (Downtown Station), MI to Lansing P&DC, MI	787	918	131	787
7/9/2005	6/30/2006	49313	13	Eliminate trip	Grand Rapids P&DC, MI to Lansing P&DC, MI	7,231	28,924	0	28,924
7/9/2005	6/30/2006	49313	14	Eliminate trip	Lansing P&DC, MI to Grand Rapids P&DC, MI	7,012	28,047	0	28,047
7/12005	6/30/2009	49836	9	Eliminate trip	Upper Peninsula P&DF, MI to Gladstone, MI	19,784	62,650	0	62,650
7/12005	6/30/2009	49836	10	Eliminate trip	Gladstone, MI to Upper Peninsula P&DF, MI	19,784	62,650	0	62,650
9/3/2005	6/30/2006	53029	1	Eliminate trip	Milwaukee P&DC, WI to Portage, WI	37,505	150,021	0	150,021
9/3/2005	6/30/2006	53029	2	Eliminate trip	Portage, WI to Milwaukee P&DC, WI	37,505	150,021	0	150,021
9/3/2005	6/30/2008	53032	14	Eliminate trip	Belgium, WI to Milwaukee P&DC, WI	5,123	11,101	0	11,101

Surface Transportation – Processing and Distribution Center  
 Highway Transportation Routes – Great Lakes Area

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Effective Date of Last Change	Ending Date of Contract	Highway Contract Route Number	Trip Number	Recommendation	Origin to Destination	Annual Budget Cost	Estimated Contract Cost	Indemnity Fees	Estimated Savings
8/27/2005	6/30/2008	53057	11	Eliminate trip	Milwaukee P&DC, WI to Plymouth, WI	\$ 51,062	\$ 110,634	\$ 0	\$110,634
8/27/2005	6/30/2008	53057	14	Eliminate trip	Sheboygan, WI to Milwaukee P&DC, WI	46,706	101,196	0	101,196
7/1/2005	6/30/2007	46012	7	Eliminate trip	Indianapolis P&DC, IN to South Bend P&DC, IN	14,903	17,387	2,484	14,903
7/1/2005	6/30/2007	46012	8	Eliminate trip	South Bend P&DC, IN to Indianapolis P&DC, IN	14,065	16,409	2,344	14,065
10/1/2005	6/30/2007	46015	23	Eliminate trip	Indianapolis P&DC, IN to Terre Haute P&DF, IN	46,945	54,769	7,824	46,945
10/1/2005	6/30/2007	46015	24	Eliminate trip	Terre Haute P&DC, IN to Indianapolis P&DC, IN	46,945	54,769	7,824	46,945
10/8/2005	6/30/2009	474BA	23	Eliminate trip	Bloomington MPA, IN to Bloomington (MPO), IN	6,280	19,885	0	19,885
10/8/2005	6/30/2009	474BA	24	Eliminate trip	Bloomington (MPO), IN to Bloomington MPA, IN	6,280	19,885	0	19,885
	<b>TOTALS</b>	<b>73</b>				<b>\$1,310,295*</b>	<b>\$3,024,201</b>	<b>\$108,406</b>	<b>\$2,915,795*</b>

- AMC – Air Mail Center
- BMC – Bulk Mail Center
- P&DC – Processing and Distribution Center
- P&DF – Processing and Distribution Facility
- MPA – Mail Processing Annex

\* Minor rounding difference

**APPENDIX D**

**TRIPS IDENTIFIED DURING AUDIT WORK WITH WHICH  
 POSTAL SERVICE MANAGERS DISAGREED**

<b>Effective Date of Last Change</b>	<b>Ending Date of Contract</b>	<b>Highway Contract Route Number</b>	<b>Trip Number</b>	<b>Recommendation</b>	<b>Origin to Destination</b>	<b>Annual Budget Cost</b>	<b>Estimated Contract Cost</b>	<b>Indemnity Fees</b>	<b>Estimated Savings</b>
7/1/2005	6/30/2007	60515	7	Eliminate trip	Fox Valley P&DC, IL to Palatine P&DC, IL	\$21,620	\$ 25,223	\$ 3,603	\$ 21,620
7/1/2005	6/30/2007	60515	8	Eliminate trip	Palatine P&DC, IL to Fox Valley P&DC, IL	21,312	24,864	3,552	21,312
12/1/2005	6/30/2009	605M3	5	Eliminate trip	Fox Valley P&DC, IL to Irving Park Road P&DC, IL	26,593	84,211	0	84,211
12/1/2005	6/30/2009	605M3	6	Eliminate trip	Irving Park Road P&DC, IL to Fox Valley P&DC, IL	26,593	84,211	0	84,211
9/3/0005	6/30/2006	607L5	91	Eliminate Sunday and Tuesday trips	Chicago Metro Surf Hub (Busse), IL to Greensboro P&DC, NC	80,224	320,894	0	320,894
9/3/0005	6/30/2006	607L5	92	Eliminate Sunday and Tuesday trips	Greensboro P&DC, NC to Chicago Metro Surf Hub (Busse), IL	80,224	320,894	0	320,894
7/2/2005	6/30/2009	48110	17	Eliminate trip	Detroit P&DC, MI to Royal Oak P&DC, MI	12,793	40,511	0	40,511
7/2/2005	6/30/2009	48110	18	Eliminate trip	Royal Oak P&DC, MI to Detroit P&DC, MI	13,219	41,861	0	41,861
7/1/2005	6/30/2009	530M9	1	Eliminate trip	Milwaukee P&DC, WI to St. Louis P&DC, MO	85,763	271,583	0	271,583
7/1/2005	6/30/2009	530M9	2	Eliminate trip	St Louis P&DC, WI to Milwaukee P&DC, MO	85,763	271,583	0	271,583

Surface Transportation – Processing and Distribution Center  
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Effective Date of Last Change	Ending Date of Contract	Highway Contract Route Number	Trip Number	Recommendation	Origin to Destination	Annual Budget Cost	Estimated Contract Cost	Indemnity Fees	Estimated Savings
7/1/2005	6/30/2007	46040	1	Eliminate trip	Indianapolis P&DC, IN to Carmel, IN	\$20,004	\$ 23,338	\$3,334	\$ 20,004
7/1/2005	6/30/2007	46040	2	Eliminate trip	Carmel, IN to Indianapolis P&DC, IN	20,004	23,338	3,334	20,004
10/1/2005	6/30/2009	460L0	5	Eliminate trip	Indianapolis P&DC, IN to Gary P&DC, IN	30,225	95,713	0	95,713
10/1/2005	6/30/2009	460L0	6	Eliminate trip	Gary P&DC, IN to Indianapolis P&DC, IN	31,200	98,801	0	98,801
		<b>TOTALS</b>	<b>14</b>			<b>\$555,537</b>	<b>\$1,727,027*</b>	<b>\$13,823</b>	<b>\$1,713,204*</b>

P&DC – Processing and Distribution Center

\* Minor rounding difference

## APPENDIX E. MANAGEMENT'S COMMENTS

DISTRIBUTION NETWORKS  
GREAT LAKES AREA



July 13, 2006

KIM H. STROUD, DIRECTOR  
AUDIT OPERATIONS  
OFFICE OF THE INSPECTOR GENERAL

SUBJECT: Response to Processing and Distribution Centers Transportation Audit

This letter is in response to the audit conducted by your office of the Processing and Distribution Centers Highway Transportation Routes (project number 06XG012NL000) dated June 6, 2006.

This office concurs with the intent of the findings and recommendations of the audit. In total, your audit report identified 107 trips for elimination or modification. 20 Trips were agreed to be modified in Appendix B. 73 trips were agreed to be modified in Appendix C. 14 trips in Appendix D were to be reassessed for modification.

Network management is a dynamic process and transportation requirements continually change. As such, after completing an independent analysis of the trips identified in the audit, it was determined that some of the trips identified for elimination would impact service.

From this independent analysis, the Great Lakes Area has determined the following:

- Appendix B – Agreed with the audit findings on 20 trips recommended for elimination
- Appendix C – Agreed with 73 trips to be modified
- Appendix D – Reassessment in progress

This office is in the process of completing the above identified changes. When this effort is complete, you will be notified of the trips eliminated or changed, and the resulting cost savings. With regard to the monetary findings included in your audit, this office cannot validate your projected savings at this time. The Office of the Inspector General (OIG) methodology for calculating savings extends beyond the current contract year and into the term of the contract, 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 which will cause our anticipated savings to differ from the savings identified in the

244 KNOLLWOOD DRIVE, FLOOR 3  
BLOOMINGDALE, IL 60117-5040  
630-539-4803  
FAX: 630-539-7093

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audit. When our analysis of all recommended trip eliminations is complete, this office will work with the OIG to reconcile methodologies for calculating cost benefits and will report expected and realized savings.

If further analysis or explanation is required regarding this response, please contact me directly.



Allen J. Brown  
Manager, Distribution Networks

cc: Vice President, Area Operations  
Great Lakes Area

Manager, Operations Support  
Great Lakes Area

Manager, Finance  
Great Lakes Area