



March 26, 2008

MICHAEL J. DALEY
VICE PRESIDENT, PACIFIC AREA OPERATIONS

SUBJECT: Audit Report – Postal Vehicle Service Transportation Routes – San Francisco Processing and Distribution Center
(Report Number NL-AR-08-003)

This report presents results from our audit of Postal Vehicle Service (PVS) transportation (Project Number 07XG039NL000). The report is one in a series of reports responding to a request from the Vice President, Network Operations, and addressing operational risks to the U.S. Postal Service. Refer to [Appendix A](#) for additional information about this audit.



A Postal Service PVS cargo van hauling mail on Interstate 280 in San Francisco, October 17, 2007.

Conclusion

The San Francisco Processing and Distribution Center's (P&DC) PVS processes and schedules are not efficient.

Workhour and Cost Reduction

The San Francisco P&DC could improve PVS processes and remove 26,698 unnecessary workhours from existing PVS schedules. Officials could eliminate the workhours without negatively affecting service because schedules contain:

- Unassigned time when drivers are not needed for a specific trip or related activity.
- Duplicate trips.
- Unproductive trips where the loads are not full or could be consolidated.

We recommend the Vice President, Pacific Area Operations:

1. Verify elimination of the 26,698 hours that management agreed to remove from trip schedules.

Scheduling Weaknesses

The San Francisco P&DC could further improve PVS processes and save additional money if officials corrected driver schedule weaknesses. During the audit, we noted management inconsistently developed many driver schedules and assigned some drivers more time than seemed necessary to accomplish specified tasks. In addition, some schedules contained tasks that seemed unnecessary.

During our audit, we talked to management officials about schedules that seemed to include excess travel time, excess loading and unloading time, and unnecessary fueling time. The officials explained that the scheduling weaknesses we identified could be corrected by analyzing whether tasks were actually needed, and if so, analyzing how much time the drivers needed to perform them. The officials referred to the process as a "baseline" or "zero-base" review. We recommended that management conduct the review and management officials agreed. They explained that they would assemble a team of staffing experts from Postal Service Headquarters, the Pacific Area, and the San Francisco District to develop a "zero-base" report and that they would begin the project no later than April 2008. Refer to [Appendix B](#) for detailed analysis of this issue.

We recommend the Vice President, Pacific Area Operations:

2. Coordinate and conduct a zero-base review to determine if all San Francisco Processing and Distribution Center driver tasks are necessary, determine how much time is necessary for drivers to perform the tasks, and adjust driver schedules accordingly.

Management's Comments

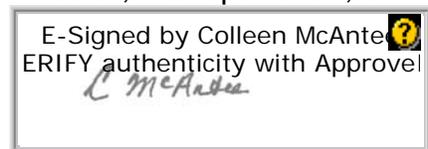
Management agreed with our findings and recommendations. They stated they could not determine the exact number of unassigned hours until they completed their review of the San Francisco P&DC PVS operations, which is scheduled from April 14 to May 23, 2008. Management indicated the review will address the inefficiencies noted in this report and will assist in rightsizing the employee complement to workload. Upon completion of the review, management will inform the OIG of their analysis, results, and recommendations.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and the corrective actions should resolve the issues identified in the report. The OIG considers both 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 that the recommendations can be closed.

We will report \$10.1 million in funds put to better use in our *Semiannual Report to Congress*.

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) 248-2100.



Colleen A. McAntee
Deputy Assistant Inspector General
for Mission Operations

Attachments

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APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

U.S. Postal Service transportation includes both nationwide “network” transportation between cities and major facilities and “delivery” transportation between local post offices and neighborhood delivery or pick-up points. Network transportation using Postal Service vehicles and employees is called PVS.



PVS tractor-trailers passing through the security gate and entering the San Francisco P&DC yard, October 17, 2007.

PVS is capital and personnel-intensive. PVS capital assets include 2,289 cargo vans, 2,338 tractors, and 4,456 trailers. Employees service and repair these vehicles at 322 Postal Service vehicle maintenance facilities (VMFs) or annexes and local commercial garages nationwide. PVS currently involves about 10,000 employees including 8,482 uniformed drivers, 621 administrative support personnel, and 963 managers. The American Postal Workers Union represents PVS drivers and support personnel.

Management typically assigns PVS vehicles and personnel to Postal Service network facilities such as bulk mail centers or P&DCs. These facilities are located in or near

metropolitan areas. PVS operations are normally conducted in urban and suburban areas within 50 miles of a base facility. Operations can include:

- Transportation to and from major facilities or local post offices.
- Transportation to and from major commercial business mailers.
- “Yard operations” defined as the movement of trailers and equipment in or around a facility yard.

PVS drivers log about 150 million miles every year. There are about 290 processing facilities in the Postal Service network and only 162 conduct PVS operations. Because PVS operations are local, they are managed at the facility level under guidance and policy provided by district, area, and headquarters transportation officials.

The Vice President, Network Operations, requested that we audit PVS operations nationwide. Because individual facilities control PVS operations, we localized our audit approach. This report focuses on PVS operations at the San Francisco P&DC in the Postal Service Pacific Area.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit were to evaluate the efficiency of PVS operations and identify opportunities to save money.

Using Postal Service computer-generated data and other records, we analyzed all 406 San Francisco P&DC driver schedules, identified 365,296 workhours associated with those schedules, and evaluated individual trips and trip load volume. We conducted the analysis to determine if management could reduce workhours and labor costs because there were:

- Unassigned times when drivers are not needed for a specific trip or related activity.
- Duplicate trips.
- Unproductive trips where the loads are not full or could be consolidated.

We did not audit or comprehensively validate the data; however, we noted several data and other weaknesses that limited our work. For example, some computer records had missing data and inaccurate load volumes. However, even though these limitations constrained our work, we were able to compensate by applying alternate audit procedures, including observation, physical inspection, and discussion with appropriate

officials. We also applied conservative principles to our workhour and cost reduction estimates.

During our work, we visited the San Francisco P&DC, other regional facilities, and local post offices. We reviewed relevant Postal Service policies and procedures, interviewed managers and employees, and observed and photographed operations. We evaluated the type of mail carried, considered on-time service standards, and visited major commercial business mailers. We examined the cost of PVS operations, including the cost of PVS personnel, fuel, and damage claims. We identified unscheduled time and trip duplications and analyzed potential trip consolidations. We also discussed our observations and conclusions with senior management officials throughout our audit, considered their perspective, and included their comments where appropriate.

We conducted work associated with this performance audit report from October 2007 through March 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform audit work to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

PRIOR AUDIT COVERAGE

At the request of the Vice President, Network Operations, the OIG has worked with the Postal Service to reduce PVS costs. As indicated by the chart below, since March 2007, we have issued three audit reports that identified labor and other potential savings exceeding \$16 million. Management agreed with all of our findings and recommendations.

Report Title	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Postal Vehicle Service Transportation Routes – Memphis Processing and Distribution Center</i>	NL-AR-07-003	March 30, 2007	\$7.3
<i>Postal Vehicle Service Transportation – Los Angeles Bulk Mail Center</i>	NL-AR-07-006	September 21, 2007	4.9
<i>Postal Vehicle Service Transportation Routes – Milwaukee Processing and Distribution Center</i>	NL-AR-07-007	September 27, 2007	<u>4.0</u>
Total			\$16.2

APPENDIX B: DETAILED ANALYSIS

Scheduling Weaknesses

The San Francisco P&DC could further improve PVS processes and save additional money if officials corrected driver scheduling weaknesses. For example, our examination of PVS schedules identified scheduling weaknesses such as:

- Inconsistent and Excessive Travel Times – Scheduled travel times to and from the same locations varied significantly. P&DC transportation managers stated that traffic congestion during rush hour or other high-volume times explained some discrepancies, but acknowledged that, in other cases, it did not. They also acknowledged that, in many cases, scheduled travel times were excessive.
- Inconsistent and Excessive Loading or Unloading Times – Scheduled loading or unloading times also varied significantly. Managers explained that trip load volumes accounted for some discrepancies because trips were not always full, but again acknowledged that, in other cases, scheduled loading and unloading times were excessive.
- Unnecessary Fueling Time – Driver schedules included vehicle fueling time even when fueling was not needed. The San Francisco P&DC is collocated with the San Francisco VMF. The VMF has its own fuel tanks and PVS schedules allocate time for drivers to fuel vehicles. Our observations, discussions with VMF managers, and analysis of driver schedules and PVS vehicle fuel capacity and VMF fueling records for the period September 1 through 30, 2007, indicated that PVS drivers unnecessarily refueled vehicles that were already over three-quarters full more than 45 percent of the time. The analysis also indicated that drivers refueled vehicles that were over one-half full more than 93 percent of the time. Our policy document search and discussion with PVS and VMF managers did not identify any requirement for PVS drivers to “top-off” vehicles that were already three-quarters, two-thirds, or one-half full.

During our talks with management officials, we discussed our observations about excess travel time, excess loading and unloading time, and unnecessary fueling time. The officials explained that management could correct the scheduling weaknesses we identified by analyzing whether the tasks were actually needed, and if so, analyzing how much time the drivers needed to perform them. The officials referred to the process as a “baseline” or “zero-base” review. We explained such a baseline review was beyond the time and resources we had available, and we recommended that management conduct the analysis with their own internal resources. The officials agreed to do so, and explained that they would assemble a team of staffing experts from Postal Service Headquarters, the Pacific Area, and the San Francisco District to develop a “zero-base report,” and that they would begin the project no later than April 2008.

APPENDIX C. MANAGEMENT'S COMMENTS

MICHAEL J. DALEY
VICE PRESIDENT, PACIFIC AREA OPERATIONS



March 14, 2008

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SUBJECT: Postal Vehicle Service Transportation Routes – San Francisco Processing and
Distribution Center Pacific Area (Report Number NL-AR-08-DRAFT)

This letter is in response to the subject OIG Audit Report (NL-AR-08 DRAFT) of the San Francisco Processing and Distribution Center Postal Vehicle Service (PVS) Transportation Routes.

Recommendation #1: *Verify elimination of the 26,698 hours that management agreed to remove from trip schedules.*

While we agree that more management oversight and controls are needed in the SF PVS operations, we cannot at this time agree with the exact number of unassigned hours in San Francisco and that all can be eliminated through a review process. We do, however, agree to review the entire San Francisco PVS operation that will include the items sighted in our response (below) to Recommendation #2.

Recommendation #2: *Coordinate and conduct a zero-base review to determine if all of San Francisco Processing and Distribution Center driver tasks are necessary, determine how much time is necessary for drivers to perform the tasks, adjust driver schedules accordingly.*

The Pacific Area will conduct a review of the San Francisco PVS operations that will include a review of all schedules. This review is scheduled for April 14 - May 23, 2008. The purpose of the PVS review is to identify and correct inconsistencies in the schedules and improve efficiencies in the San Francisco PVS operations. This review will include validating travel and fueling times, evaluating and reducing unassigned time and improving the vehicle utilization. This process will also assist in right-sizing the complement to match workload.

We will inform the OIG of our analysis, results and recommendations upon completion.

Please contact Evelyn Murphy, Manager Distribution Networks Operations Manager, Pacific Area at (858) 674-3110 if you need additional information.

A handwritten signature in black ink, appearing to read "Michael J. Daley".

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