



July 17, 2009

MEGAN J. BRENNAN
VICE PRESIDENT, EASTERN AREA OPERATIONS

SUBJECT: Audit Report – Postal Vehicle Service Transportation –
Philadelphia Bulk Mail Center (Report Number NL-AR-09-005)

This report presents the results of our audit of the Philadelphia, PA, Bulk Mail Center's (BMC) Postal Vehicle Service (PVS) transportation (Project Number 09XG021NL000). Our objectives were to determine whether selected PVS vehicle operations were effective and economical. The report is the seventh in a series of reports responding to a request from the Postmaster General and Chief Executive Officer (PMG) and Vice President, Network Operations. See [Appendix A](#) for additional information about this audit.

Conclusion

The Philadelphia BMC PVS operations were effective in moving trailers and equipment. However, the BMC workhours assigned to yard activities did not match the productivity standards for this function. We concluded Philadelphia BMC management could phase out 12,250 workhours by following established productivity standards and save about \$4.3 million over 10 years without negatively affecting service. See [Appendix B](#) for our detailed analysis of this topic.

Management Action

Philadelphia BMC management began taking action during our audit to make PVS operations more efficient by reducing some workhours and saving the U.S. Postal Service money.

We recommend the Vice President, Eastern Area Operations:

1. Verify the removal of 3,500 workhours that management identified during our audit.
2. Phase out the additional 8,750 workhours that management agreed were in excess of the workload.
3. Ensure the Bulk Mail Center managers periodically assess Postal Vehicle Service workload and staffing requirements to maintain appropriate staffing levels.

This report has not yet been reviewed for release under FOIA or the Privacy Act. Distribution should be limited to those within the Postal Service with a need to know.

Management's Comments

Management agreed with our findings and recommendations. While management agreed with our first year potential savings estimate, they did not agree with the 10-year estimated cost avoidance. Management stipulated that significant operational changes occurring at the Philadelphia BMC, driven by Network Distribution Center transformation and Priority Mail processing, will have significant impacts on the vehicle operations workload. Management stated that the “varying phases and planning stages of these changes as well as the impacts they will have on the transportation over time are uncertain.” The Eastern Area has already verified the removal of 3,500 hours, and plans are in place to remove the additional hours identified in our audit. In addition, management stated they will continue to hold bi-weekly meetings to discuss, analyze, and review PVS operations and will provide re-fresher training on the operations before the beginning of FY 2010. Management's comments, in their entirety, are included in [Appendix C](#).


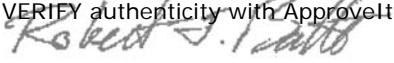
Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendations, and the corrective actions should resolve the issues identified in the report. Although management did not agree with our total monetary impact, we believe our estimates are valid based on the best data available and on current PVS operations at the facility.

We will report \$4,336,804 of monetary impact of funds put to better use in our *Semiannual Report to Congress*.

The OIG considers recommendations 2 and 3 significant and, therefore, requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when management completes corrective actions. These recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Jody Troxclair, Director, Transportation, or me at (703) 248-2100.

E-Signed by Robert Batta 
VERIFY authenticity with ApproveIt


Robert J. Batta
Deputy Assistant Inspector General
for Mission Operations

Attachments

cc: Patrick R. Donahoe
William P. Galligan
Jordan M. Small
Cynthia F. Mallonee
Pamela S. Grooman
Katherine S. Banks

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

Postal Service transportation includes both nationwide network transportation between cities and major facilities and delivery transportation between local post offices and neighborhood delivery and pickup points. Network transportation using Postal Service vehicles and employees is called PVS. Management typically assigns PVS vehicles and personnel to Postal Service network facilities, such as BMCs or processing and distribution centers in or near metropolitan areas. PVS operations are normally conducted within 50 miles of 162 Postal Service facilities nationwide. PVS drivers travel about 150 million miles every year. Because PVS operations are local, they are managed at the facility level under guidance from district, area, and headquarters transportation officials.



At the Philadelphia BMC, as with all BMCs, PVS assets are primarily used for yard operations. February 27, 2009.

PVS is capital and personnel intensive. The Postal Service's total PVS capital assets include 2,222 cargo vans, 1,869 tractors, and 4,182 trailers. Employees service and repair these vehicles at 319 Postal Service vehicle maintenance facilities (VMFs) or VMF Auxiliaries¹ 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 (APWU) represents PVS drivers and support personnel. PVS activities at BMCs are limited to "yard operations," which is the movement of trailers and equipment in or around the facility.

¹ A VMF Auxiliary is an extension of a VMF.

OBJECTIVES, SCOPE, AND METHODOLOGY

This report directly responds to a request from the PMG regarding the overall adequacy of mail transportation in Philadelphia. It also responds to a request from the Vice President, Network Operations 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 Philadelphia BMC in the Postal Service's Eastern Area. The objectives of our audit were to determine whether PVS operations were effective and economical.

During our work, we visited the Philadelphia BMC and other regional facilities. We reviewed relevant Postal Service policies and procedures, interviewed managers and employees, and observed and photographed operations.

We obtained computer-generated data from management that included a consecutive 26-week period from August 9, 2008, through February 6, 2009. According to management, this data represented the total PVS yard operational workload for the period, and 102,601 yard operational events were identified. We examined this workload, in conjunction with previously established Postal Service productivity standards for BMC PVS operations. We conducted the analysis to determine whether management could reduce workhours and labor costs.



**The view from the inside of a
Philadelphia BMC PVS tractor.
February 26, 2009.**



**PVS driver yard operations are
typically directed electronically.
February 26, 2009.**

We conducted this performance audit from January through July 2009 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for

our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management on May 20, 2009, and included their comments where appropriate.

We did not audit or comprehensively validate the computer-generated data used in our analyses; however, on a limited basis, we did compare the PVS yard operation activities we recorded to data recorded in management's system, and found the data sufficiently reliable for the purposes of our audit. We also applied conservative principles to our workhour and cost reduction estimates.

PRIOR AUDIT COVERAGE

At the request of the Vice President, Network Operations, the OIG has previously worked with the Postal Service to reduce PVS workhours and costs. As indicated by the following chart, since March 2007, we have issued six audit reports that identified labor and other potential savings exceeding \$43.7 million. This report has the same objectives and comparable results.

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	4.0
<i>Postal Vehicle Service Transportation Routes – San Francisco Processing and Distribution Center</i>	NL-AR-08-003	March 26, 2008	10.1
<i>Postal Vehicle Service Transportation Routes – Northern Virginia Processing and Distribution Center</i>	NL-AR-08-006	September 25, 2008	8.0
<i>Postal Vehicle Service Transportation Routes – Minneapolis Processing and Distribution Center</i>	NL-AR-09-001	February 13, 2009	9.3
Total			\$43.7

APPENDIX B: DETAILED ANALYSIS

Excess Workhours and Cost Reductions for Postal Vehicle Service Operations

Although Philadelphia BMC PVS operations were effective in moving trailers and equipment, Postal Service management could make operations more economical by aligning workhours to standards and by better managing trailers to the declining mail volume. We found:

- Philadelphia BMC PVS drivers were averaging about 28 moves² per workday, while the established productivity standard average is 40 moves per workday. Our observations of yard operations at the Philadelphia BMC, as well as our analysis of the operational workload data, confirmed that the established productivity standards were reasonable and obtainable for the PVS drivers at the facility.
- Since 2004, the number of trailers entering the Philadelphia BMC's yard has declined more than 20 percent. According to Postal Service management this decline trend is continuing in fiscal year (FY) 2009; between October 2008 and February 2009, trailer receipts at the plant have declined more than 10 percent.

In 2005, the Postal Service's Breakthrough Productivity Initiative established productivity standards for BMC PVS operations that specify drivers (tractor trailer operators) are expected to complete 40 trailer moves within an 8 workhour period. Thus, one driver can accomplish 200 trailer moves within a BMC yard during a 40-hour work week. Headquarters and senior area transportation managers have explained to us that this productivity standard was reasonable and conservative.

This condition occurred because the BMC managers did not assess workload and staffing requirements, based on a declining operational workload. We concluded that the Eastern Area has an opportunity to phase out about 12,250 annual workhours associated with PVS operations and save about \$4.3 million over 10 years.

Management Actions

Philadelphia BMC management recognized the need for its PVS operations to be more efficient and during our audit, began taking action to reduce operational workhours. In April 2009, management provided us with copies of memorandums that notified the APWU of their decision to reduce the driver complement by two positions because of the decrease in PVS operational workload.³ Because of these recent management actions, the Postal Service should realize savings of about \$1.3 million over 10 years by

² A move consists of moving trailers and equipment from one location to another in the BMC yard.

³ Reversion Notice of Position 95172071, Tractor Trailer Operator, was signed by the Philadelphia BMC's Manager of Transportation & Networks on February 13, 2009. Reversion Notice of Position 95357330, Tractor Trailer Operator, was signed by the Manager of Transportation & Networks on March 2, 2009.

a reduction of 3,500 workhours. The Postal Service could achieve further savings of about \$3.0 million over 10 years (as depicted in Table 1) by phasing in a reduction of an additional 8,750 workhours.⁴

Table 1. Total Potential Savings

Cost Category	FY 2009 Total⁵ (Phased in)	FY 2010 (Annual) Total	10-Year Total⁶ (FY 2009 to 2018)
Postal Initiated Savings	\$73,448	\$144,482	\$1,291,549
Additional Potential Savings	0	361,206	3,045,255
Total	\$73,448	\$505,688	\$4,336,804

⁴ We analyzed total workload to workhours at the facility and applied established productivity standards of 40 moves per hour. Based on our analysis, we identified a total reduction of 12,250 hours that could be achieved if standards were met without affecting operations – or 8,750 hours more than management identified. We then applied appropriate labor rates for PVS drivers to the hours to arrive at our projected amount of \$3,045,255. Management agreed with our recommended reduction.

⁵ Our FY 2009 figures are conservative to allow for phase-in of workhour reductions during the year.

⁶ The standard OIG practice for calculations of this type employs a 10-year cash flow methodology, discounted to present value by applying factors published by Postal Service Headquarters Finance.

APPENDIX C: MANAGEMENT'S COMMENTS

VICE PRESIDENT, AREA OPERATIONS
EASTERN AREA



June 29, 2009

Lucine Willis
Office of Inspector General
Director, Audit Operations
1735 N. Lynn St.
Arlington VA 22209-2020

SUBJECT: Transmittal of Draft Audit Report – Postal Vehicle Service Transportation Routes
– Philadelphia Bulk Mail Center (Report Number NL-AR-09-DRAFT)

The Eastern Area has reviewed the subject Draft Audit Report (Project Number 09XG021NL000) and can agree in principle with the recommendations, but not with the monetary calculated savings. The Philadelphia BMC has been undergoing significant operational changes such as the NDC Network and priority mail processing. These changes are ongoing and will have a significant impact to the vehicle operations workload. Because of the varying phases and planning stages of these changes, the impacts they will have on the transportation over time are uncertain. We can agree that the first year total cost avoidance at net present value would be \$514,722.

Recommendation 1:

Verify the removal of 3,500 workhours that management identified during our audit.

Response

The Eastern Area agrees with the recommendation and has verified the removal of the 3,500 that were initiated by the Philadelphia BMC management prior to the audit.

Recommendation 2:

Phase out the additional 8,750 workhours that management agreed were in excess of the workload.

Response

The Eastern Area agrees with the recommendation. There are currently three Part Time Flexible (PTF) Vehicle Operators currently on the rolls at the Philadelphia BMC. These three employees have had their hours reduced to 4 hours each per pay period. This is in compliance with the National Labor Agreement with the APWU.

There is one Full Time Regular (FTR) Vehicle Operator scheduled to transfer to the Southeastern, Pa P&DC on July 18, 2009. This position will be reverted once the employee transfer is complete.

The remaining 1,750 hours will be reverted through attrition.

In addition, an Article 32 request was submitted to the Manager of Logistics in October 2007 and then approved on December 10, 2007. The article 32 package was put on hold pending a decision on an active arbitration case. In January 2009 the MOU Pilot was signed by the Postal

ONE MARQUIS PLAZA
5315 CAMPBELLS RUN ROAD
PITTSBURGH PA 15277-7010
PHONE: 412-494-2510
FAX: 412-494-2582

Service and APWU. All of the pending article 32 packages became candidates for the MOU Pilot. Area management is preparing an MOU Pilot package for submission to headquarters for review. Local management has also identified a reduction of 6 vehicle operator positions as part of the recent NDC Network project.

Recommendation 3:

Ensure the Bulk Mail Center managers periodically assess Postal Vehicle Service workload and staffing requirements to maintain appropriate staffing levels.

Response

The Eastern Area agrees with the recommendation. The Eastern Distribution Networks department has held a meeting place event every two weeks since the beginning of FY09. We kicked the year off on October 1, 2008, emphasizing the importance to analyze, review and scrutinize all facets of their PVS operation. PVS operations are a regular topic of discussion at every meeting place. We are going to continue with this bi-weekly messaging for FY09 and will have a refresher training session prior to the start of FY10.

This report has no exemptions under the Freedom of Information Act.

If you have any questions or require further information contact Jim Hallstein, Transportation Budget & Financial Analyst at 412-494-2621.



Megan J. Brennan

cc: Mark Tappe
Katherine S. Banks

ONE MARQUIS PLAZA
5315 CAMPBELLS RUN ROAD
PITTSBURGH PA 15277-7010
PHONE: 412-494-2510
FAX: 412-494-2582