



December 28, 2009

GLORIA E. TYSON
MANAGER, CHICAGO CUSTOMER SERVICE DISTRICT

SUBJECT: Audit Report – Postal Vehicle Service Transportation Routes –
Cardiss Collins Processing and Distribution Center
(Report Number NL-AR-10-002)

This report presents the results of our audit of the Cardiss Collins Processing and Distribution Center's (P&DC) Postal Vehicle Service (PVS) transportation routes (Project Number 09XG028NL000). Our objectives were to determine whether selected PVS vehicle operations were effective and economical. The report is the ninth in a series of reports responding to a request from the U.S. Postal Service's vice president, Network Operations, for audit work in this area. See [Appendix A](#) for additional information about this audit.

Conclusion

The Cardiss Collins P&DC could more effectively manage PVS transportation processes and schedules, thereby reducing driver workhours as well as associated fuel use and damage claims. Once this occurs, we estimate the Postal Service could save about \$18.3 million over 10 years. We also observed that PVS drivers were not consistently restraining mail and equipment for transportation as required nor adequately securing some parked mail hauling vehicles.

Excess Workhours and Associated Cost Reductions

Cardiss Collins P&DC officials were not effectively managing PVS transportation processes and schedules as evidenced by unassigned driver time, duplicate trips, and underutilized trips. This occurred because management did not conduct schedule reviews nor vehicle utilization reviews. We concluded that officials could remove 45,688 excess workhours from existing PVS schedules as well as reduce related fuel costs and damage claims, thereby saving about \$18.3 million over a 10-year period. The reduction in PVS transportation fuel use would also help achieve fuel consumption goals in the Postal Service's National Energy Plan. See [Appendix B](#) for our detailed analysis of this topic.

We recommend the manager, Chicago Customer Service District:

1. Ensure that Cardiss Collins Processing and Distribution Center managers follow prescribed fleet management procedures for making postal vehicle service schedules effective, including conducting schedule and vehicle utilization reviews.
2. Eliminate 43,264 workhours already agreed to by local and area management from postal vehicle service trip schedules.
3. Reassess the remaining 2,424 workhours and eliminate the workhours as indicated by the reassessment, or document the reasons for retaining the workhours.

Management's Comments

Management agreed with our findings and recommendations. Management committed to annual reviews of PVS operations by following the Postal Service's prescribed fleet management procedures. In addition, management agreed to reduce PVS trip schedules by 43,264 workhours and reassess the remaining 2,424 scheduled workhours identified in our report. Management is also considering additional savings opportunities within PVS operations. See [Appendix D](#) for management's comments in their entirety.

Other Matters – Safety Concerns

We observed mail and equipment being transported on Cardiss Collins P&DC PVS transportation that were not consistently restrained according to established safety policies.¹ Improperly restrained mail and equipment can lead to accidents, property damage, undue liability, and unwarranted costs for the Postal Service. We also observed drivers inconsistently using chock blocks² to secure mail hauling vehicles parked at the loading dock. As required by Postal Service policy,³ chock blocks are used to prevent accidents generally caused by the unanticipated movement of vehicles away from the dock before completion of loading and unloading. Drivers are required to chock the tires once they have parked at the loading dock. Neither of the safety policies referred to above were being enforced by local officials. See [Appendix B](#) for our detailed analysis of this topic.

¹ Logistics Order LO200407, dated April 16, 2004, prescribes policies for safe loading and proper restraint during transportation of mail to facilities. In particular, the order states, "All vehicles transporting containers and pallets must have the load secured with two restraining devices approximately every ten (10) feet."

² Chock blocks are wedges of sturdy material placed behind a vehicle's wheels to prevent accidental movement.

³ Standard Operating Procedure: Receiving and Dispatching Vehicles November 7, 2007, states, "The driver backs the vehicle to the door or platform space, sets the brake, shuts off the engine and affixes the chock block(s). If chock block(s) is missing, the driver is to notify the expeditor/platform personnel."

We recommend the manager, Chicago Customer Service District:

4. Ensure that Cardiss Collins Processing and Distribution Center management issues a memorandum to drivers enforcing load restraint policies for postal vehicle service trips and provide oversight of load restraint processes.
5. Ensure that Cardiss Collins Processing and Distribution Center management issues a memorandum to drivers requiring their compliance with Postal Service policies and periodically monitor and enforce compliance regarding the use of chock blocks by postal vehicle service motor vehicle operators.

Management's Comments

Management agreed with our findings and recommendations. By December 31, 2009, management will issue memorandums to Cardiss Collins P&DC PVS drivers highlighting postal load restraint processes and the requirements for using chock blocks. Management will perform compliance checks through dock observations, safety talks, and daily walk throughs.

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to all the recommendations and the corrective actions should resolve the issues identified in the report.

The OIG considers recommendations 1 and 2 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 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
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Attachments

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APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

Postal Service transportation includes both nationwide network transportation between cities and major facilities as well as 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 bulk mail centers or P&DCs in or near metropolitan areas. PVS operations are normally conducted within 50 miles of the 162 Postal Service facilities with PVS operations. PVS drivers drive 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.

PVS is capital and personnel intensive. PVS capital assets include approximately 1,900 cargo vans, 2,200 tractors, and 4,100 trailers. Employees service and repair these vehicles at 319 Postal Service vehicle maintenance facilities (VMFs), VMF⁴ auxiliaries, and local commercial garages nationwide. PVS currently involves about 10,000 employees, including 7,919 uniformed drivers, 604 administrative support personnel, and 812 managers. The American Postal Workers Union represents PVS drivers and support personnel.



The Cardiss Collins P&DC is located at 433 W. Harrison Street, Chicago IL. Picture taken August 6, 2009.

PVS operations typically include:

- Transportation to and from major facilities or local post offices.
- Transportation to and from major commercial business mailers.

⁴ A VMF Auxiliary is an extension of a VMF.

- Yard operations, defined as the movement of trailers and equipment in or around a facility yard.

OBJECTIVES, SCOPE, AND METHODOLOGY

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 Cardiss Collins P&DC in the Postal Service's Great Lakes Area. The objectives of our audit were to determine whether PVS operations were effective and economical.

During our work, we visited the Cardiss Collins 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, and considered on-time service standards. 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.

Using Postal Service computer-generated data and other records, we analyzed 218 Cardiss Collins P&DC driver schedules, identified 404,462 workhours associated with those schedules, and evaluated individual trips and trip load volume. We conducted the analysis to determine whether management could reduce workhours and labor costs. We analyzed driver assignments and determined whether drivers made duplicate or unproductive trips. We also reviewed the fuel reduction initiatives for Postal Service-owned vehicles as contained in the Postal Service's National Energy Plan and determined whether our recommendations impacted the initiatives.

We conducted this performance audit from July through December 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 November 16, 2009, and included their comments where appropriate.

We did not audit or comprehensively validate the computer-generated data used in our analyses; however, we noted several data and other weaknesses that limited our work. For example, some computer records had missing data and inaccurate load volumes. Although 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.

PRIOR AUDIT COVERAGE

At the request of the vice president, Network Operations, the OIG has previously worked with the Postal Service to reduce PVS costs. As indicated by the chart below, since March 2007, we have issued eight audit reports that identified labor and other potential savings exceeding \$53.5 million. Management agreed with all our recommendations. This report used the same methodology and had comparable findings.

| 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 | 3/30/2007 | \$7.3 |
| <i>Postal Vehicle Service Transportation – Los Angeles Bulk Mail Center</i> | NL-AR-07-006 | 9/21/2007 | 4.9 |
| <i>Postal Vehicle Service Transportation Routes – Milwaukee Processing and Distribution Center</i> | NL-AR-07-007 | 9/27/2007 | 4.0 |
| <i>Postal Vehicle Service Transportation Routes – San Francisco Processing and Distribution Center</i> | NL-AR-08-003 | 3/26/2008 | 10.1 |
| <i>Postal Vehicle Service Transportation Routes – Northern Virginia Processing and Distribution Center</i> | NL-AR-08-006 | 9/25/2008 | 8.0 |
| <i>Postal Vehicle Service Transportation Routes – Minneapolis Processing and Distribution Center</i> | NL-AR-09-001 | 2/13/2009 | 9.3 |
| <i>Postal Vehicle Service Transportation Routes – Philadelphia Bulk Mail Center</i> | NL-AR-09-005 | 7/17/2009 | 4.3 |
| <i>Postal Vehicle Service Transportation Routes – Philadelphia Processing and Distribution Center</i> | NL-AR-09-006 | 7/20/2009 | 5.4 |
| Total | | | \$53.5⁵ |

⁵Total slightly higher due to rounding difference.

APPENDIX B: DETAILED ANALYSIS

Excess Workhours and Associated Cost Reductions

Cardiss Collins P&DC officials could more effectively manage PVS transportation processes and schedules to ensure efficiency. We found PVS schedules the following:

- Unassigned time when drivers were not needed for a specific trip or related activity.
- Duplicate trips.
- Underutilized trips that management could have consolidated.

This resulted because managers were not conducting PVS schedule reviews as required.⁶ In addition, given the dynamic and ever-changing transportation environment and to maintain the effectiveness and efficiency of PVS operations, the Postal Service requires management to perform vehicle utilization reviews at least annually to determine vehicle need.⁷ According to Cardiss Collins P&DC management, they had not routinely performed this type of review either.

We concluded the Cardiss Collins P&DC could reduce PVS workhours by 45,688 and save about \$18.3 million over 10 years without negatively affecting service. The Postal Service would achieve more than 93 percent of the savings through personnel workhour reductions; however, the Postal Service would also realize fuel cost and damage claim savings, as depicted in Table 1.

**Table 1. Potential Savings – Funds Put to Better Use
(Personnel, Fuel, and Damage Claims)**

| Cost Category | Fiscal Year (FY) 2010 Total⁸ (Phased in) | FY 2011 (Annual) Total | 10-Year Total⁹ (FY 2010 to 2019) | Percentage |
|----------------------|--|-----------------------------------|--|-------------------|
| Personnel | \$995,455 | \$1,948,592 | \$17,113,329 | 93.7 |
| Fuel | 57,489 | 56,212 | 520,680 | 2.8 |
| Damage Claims | 71,075 | 69,290 | 635,559 | 3.5 |
| Total | \$1,124,019 | \$2,074,093 | \$18,269,569 | 100 |

⁶ Handbook PO-701, *Fleet Management*, March 1991, Chapter 23, requires PVS operations to perform vehicle utilization reviews at least annually to maintain effectiveness and efficiency.

⁷ Handbook PO-701, Chapter 23, Section 233, specifically requires annual completion of Postal Service (PS) Form 4575, Motor Vehicle Service (MVS) Vehicle Survey; PS Form 4572, Tractor Log; and PS Form 4569, Vehicle Use Plan, to maintain effectiveness and efficiency.

⁸ The FY 2010 figure is conservative to allow for phase-in of workhour reductions during the year.

⁹ 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.

Further, the actions would help achieve fuel consumption goals in the Postal Service's National Energy Plan by reducing fuel use for Postal Service-owned vehicles.

Throughout our audit, we coordinated proposed schedule realignments with local transportation managers. The managers reviewed each proposal in conjunction with their own assessment of operational requirements, and we discussed any differences. Management agreed to 43,264 of the 45,688 workhours we identified as unnecessary, and we believe the remaining 2,424 workhours could produce savings without jeopardizing on-time performance.

Other Matters – Safety Concerns

During our observations of PVS vehicles being loaded and unloaded at the Cardiss Collins P&DC, we found that employees were securing up to 52 percent of these vehicles' loads of rolling stock of mail and equipment with single — instead of the required double — restraints at the ends of their loads.



**A single restraint was used on this Cardiss
Collins P&DC PVS
load of mail and equipment. Picture taken August 27, 2009.**

Improperly restrained Postal Service mail and equipment can lead to accidents, damage to property, undue liability, and unwarranted costs for the Postal Service.

In addition, during our observations of PVS vehicles parked at the dock, we found that up to 67 percent of the trailers at the Cardiss Collins P&DC loading dock were not chocked. We also found that 100 percent of the trailers at the colocated Chicago Truck

Terminal (CTT) were not chocked.¹⁰ Postal Service policies require PVS drivers to approach the loading dock by backing the vehicle to the door or platform space, set the brake, shut off the engine, and place the chock blocks behind the wheels. If chock blocks are missing, the driver is to notify the expeditor or platform personnel.¹¹ This policy had not been enforced by local officials.



Sign posted on the CTT load dock wall. Picture taken August 26, 2009.



None of the trailers observed at the CTT were chocked. Picture taken August 26, 2009.

¹⁰ During our observations of the CTT on August 26, 2009, we could not find any serviceable chock blocks (readily available to drivers) outside.

¹¹ As required by the November 7, 2007, Standard Operating Procedures, *Receiving and Dispatching Vehicles*, issued by the manager of Surface Operations.

APPENDIX C: MONETARY IMPACT

Excess Workhours and Associated Cost Reductions. The standard OIG practice for calculations of this type employs a 10-year cash flow methodology, discounted to present value by applying the following factors published by Postal Service Headquarters Finance.

| Cost Category | Fiscal Year (FY) 2010 Total¹² (Phased in) | FY 2011 (Annual) Total | FY 2012 (Annual) Total | 10-Year Total (FY 2010 to 2019) |
|----------------------|---|-------------------------------|-------------------------------|--|
| Personnel | \$995,455 | \$1,948,592 | \$1,907,172 | \$17,113,329 |
| Fuel | 57,489 | 56,212 | 54,963 | 520,680 |
| Damage Claims | 71,075 | 69,290 | 67,549 | 635,559 |
| Total | \$1,124,019 | \$2,074,093 | \$2,029,684 | \$18,269,569¹³ |

| Rates by Type | Factor | Published |
|-----------------------------------|---------------|------------------|
| Discount Rate / Cost of Borrowing | 3.5 percent | 5/27/09 |
| Labor Escalation Rate | 1.3 percent | 5/27/09 |
| Fuel Cost Escalation Rate | 1.2 percent | 5/27/09 |
| Tort Cost Claim Escalation Rate | 0.9 percent | 5/27/09 |

¹² The FY 2010 figure is conservative to allow for phase-in of workhour reductions during the year.

¹³ Impact Category: Funds put to better use are funds that could be used more efficiently by implementing recommended actions.

APPENDIX D: MANAGEMENT'S COMMENTS



December 14, 2009

LUCINE M. WILLIS
DIRECTOR, AUDIT OPERATIONS

Subject: Draft Audit Report-Postal Vehicle Service Transportation
Routes-Cardiss Collins Processing & Distribution Center,
Great Lake Area (Report Number NL-AR-10 DRAFT)

The Great Lake Area and the Chicago District have reviewed the subject draft audit report (Project # 09XG028NL000). Our response to the findings, recommendations, and monetary amount is provided below.

Recommendation 1: Ensure that Cardiss Collins Processing and Distribution Center managers follow prescribed fleet management procedures for making postal vehicle service schedules effective, including conducting schedule and vehicle utilization reviews.

Management Response: To ensure managers follow the prescribed fleet management procedures for making postal vehicle service schedules effective, including conducting schedule and vehicle utilization review, Cardiss Collins PDC Transportation will perform vehicle utilization reviews and completion of Postal Service (PS) Form 4575, Motor Vehicle Service (MVS) Vehicle Survey; PS Form 4572, Tractor Log; and PS Form 4569, Vehicle Use Plan, at least annually to maintain effectiveness and efficiency every year in the month of August. In an effort to prepare for our annual review, we will perform a dry run after the Christmas season. This will also be used as a training platform for our managers.

Recommendation 2: Eliminate 43,264 work hours already agreed to by local and area management from postal vehicle service trip schedules.

Management Response: To eliminate the 43,264 work hours, we agree that we could reduce 43,264 work hours from twenty-nine (29) postal vehicle service trip schedules. These saving will be captured by the end of FY 2010. Our focus will be on:

- Eliminating duplicate trips
- Combining underutilized trips
- Eliminating unassigned time
- Increase percent load where possible

By focusing on these items, Cardiss Collins would achieve savings through personnel work hour reductions, fuel cost and damage claim savings.

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Recommendation 3: Reassess the remaining 2,424 work hours and eliminate the work hours as indicated by the reassessment, or document the reasons for retaining the work hours.

Management Response: Cardiss Collins has and will continue to review all areas of transportation to reduce the remaining 2,424 work hours. Other runs are being considered for additional cuts that may enable us to recognize additional savings.

Recommendation 4: Ensure that Cardiss Collins Processing and Distribution Center management issues a memorandum to drivers enforcing load restraint policies for postal vehicle service trips and provide oversight of load restraint processes.

Management Response: Cardiss Collins will issue a memorandum to drivers enforcing load restraint policies for postal vehicle service trips and provide oversight of load restraint processes. In addition management will document the names of all employees receiving the memorandum. The letter will be issued by December 31, 2009 and will reference the proper procedures outlined on Label 62. Compliance checks will be performed through dock observations, safety talks and daily walk through.

Recommendation 5: Ensure that Cardiss Collins Processing and Distribution Center management issues a memorandum to drivers requiring their compliance with Postal Service policies and periodically monitor and enforce compliance regarding the use of chock blocks by postal vehicle service motor vehicle operators.

Management Response: Cardiss Collins will issue a memorandum to drivers highlighting Postal policies regarding chock blocks, while periodically monitoring and enforcing compliance regarding the use of chock blocks by Postal Vehicle Service Motor Vehicle Operators. In addition management will document the names of all employees receiving the memorandum. The letter will be issued by December 31, 2009 and will reference the proper procedures outlined in our SOP that highlights signage informing drivers "CAUTION! TRUCK WHEELS MUST BE CHOCKED. Compliance checks will be performed through dock observations, safety talks and daily walk through.

If you have any questions or concerns please contact me at 312-983-8030.


Gloria E. Tyson