



July 14, 2010

TIMOTHY C. HANEY
VICE PRESIDENT, CAPITAL METRO AREA OPERATIONS

SUBJECT: Audit Report – Postal Vehicle Service Transportation
Routes – Southern Maryland Processing and Distribution Center
(Report Number NL-AR-10-006)

This report presents the results of our audit of the Southern Maryland Processing and Distribution Center's (P&DC) Postal Vehicle Service (PVS) transportation routes (Project Number 10XG013NL000). Our objectives were to determine whether selected PVS vehicle operations were effective and economical. The report is the tenth 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.

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 network distribution centers or P&DCs in or near metropolitan areas. PVS operations are normally conducted within 50 miles of the 154 Postal Service facilities with PVS operations. 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.

Conclusion

The Southern Maryland P&DC could more effectively manage PVS transportation processes and schedules, thereby reducing driver workhours as well as associated fuel use and damage claims. Additionally, management could eliminate or consolidate underutilized trips from highway contract routes (HCRs)¹ that serve the Southern Maryland P&DC. Once this occurs, we estimate the Postal Service could save about \$4.7 million over 10 years. The reduction in PVS and HCR transportation fuel use would also help achieve fuel consumption goals. We also observed that PVS drivers were not

¹ Although our audit focus was on PVS transportation, we also reviewed HCR transportation as part of overall facility transportation needs. We identified HCR routes that were underutilized and included the results in this report.

consistently restraining mail and equipment for transportation as required nor adequately securing some parked mail-hauling vehicles.

Excess Workhours and Associated Cost Reductions

Southern Maryland P&DC officials were not effectively managing PVS transportation processes and schedules as evidenced by unassigned driver time and underutilized trips. This occurred because management did not always conduct required schedule and vehicle utilization reviews. We concluded that management could remove 10,153 excess workhours from existing PVS schedules and reduce related fuel costs and damage claims, thereby saving the Postal Service about \$4.1 million over a 10-year period.² See [Appendix B](#) for our detailed analysis of this topic.

We recommend the vice president, Capital Metro Area Operations:

1. Ensure that Southern Maryland 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. Verify elimination of the 6,904 workhours identified in our audit, and already agreed to by management, from the Postal Vehicle Service trip schedules
3. Reassess the remaining 3,249 workhours identified in our audit and eliminate the workhours as indicated by the reassessment, or document the reasons for retaining the workhours.

Management's Comments

Management generally agreed with our findings and recommendations 1, 2, and 3. Management reissued instructions to local managers to follow the Postal Service's prescribed fleet management procedures and intends to document plant compliance. In addition, as of June 30, 2010, management confirmed the elimination of 6,904 workhours from the PVS schedules. Management agreed that the identified trips associated with the remaining 3,249 workhours are underutilized, but stated that current scheduling limitations included in the local union Memorandum of Understanding (MOU) prevent their ability to capture savings at this time. However, management agreed to reassess this recommendation and investigate other options, including the scheduling flexibility options under a national MOU currently being piloted in other sites in the country. Management stated they would complete this reassessment by July 31, 2010. See [Appendix D](#) for management's comments in their entirety.

² Funds that could be used more efficiently by implementing recommended actions.

Other Matters – Cost Reductions for HCRs

The Southern Maryland P&DC could reduce the number of HCR trips and save more than \$640,000 over the term of existing contracts by eliminating or consolidating underutilized trips. See [Appendix B](#) for our detailed analysis of this topic.

We recommend the vice president, Capital Metro Area Operations:

4. Reassess the eight trips identified in our audit and cancel or modify the trips as indicated by the reassessment, or document the reasons for retaining the trips.

Management's Comments

Management generally agreed with our findings and recommendation. As of June 30, 2010, management eliminated six of the eight trips recommended for elimination. Although they stated they cannot eliminate the final two trips due to service concerns, they agreed to evaluate eliminating alternative additional trips. Management stated they would complete this review by July 31, 2010.

Other Matters – Safety Concerns

We observed mail and equipment being transported on Southern Maryland P&DC PVS transportation that were not consistently restrained according to established safety policies.³ 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 blocks⁴ to secure mail-hauling vehicles parked at the loading dock. As required by Postal Service policy,⁵ 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 mail. Local officials were not consistently enforcing either of the safety policies referred to above. See [Appendix B](#) for our detailed analysis of this topic.

We recommend the vice president, Capital Metro Area Operations:

5. Ensure that Southern Maryland Processing and Distribution Center management issues guidance to drivers enforcing load restraint policies for Postal Vehicle Service trips and provide oversight of load restraint processes.

³ Logistics Order LO200407, dated April 16, 2004, prescribed 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."

⁴ Wedges of sturdy material placed behind a vehicle's wheels to prevent accidental movement.

⁵ 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 the chock block(s) is missing, the driver is to notify the expeditor/platform personnel."

6. Ensure that Southern Maryland Processing and Distribution Center management issues guidance to drivers requiring compliance with Postal Service policies and processes on the use of chock blocks by Postal Vehicle Service motor vehicle operators.

Management's Comments

Management agreed with our findings and recommendations 5 and 6. Management has already issued guidance to drivers in the form of "service talks" and has added signage to the dock areas. Management will provide follow-up talks to personnel on a regular basis to ensure compliance with the policies. Finally, the Area Distribution Networks manager has scheduled a teleconference to discuss these findings and establish appropriate corrective actions for non-compliance.

Evaluation of Management's Comments

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

The OIG considers recommendations 1, 2, and 3 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
for Mission Operations

Attachments

cc: Patrick R. Donahoe
Steven J. Forte
Jordan M. Small
Cynthia F. Mallonee
Pamela S. Grooman
Corporate Audit Response Management

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 network distribution centers or P&DCs in or near metropolitan areas. PVS operations are normally conducted within 50 miles of the 154 Postal Service facilities with PVS operations. PVS drivers travel about 150 million miles every year. Because PVS operations are local, they are managed at the facility level under the guidance of district, area, and headquarters transportation officials.

PVS is capital- and personnel-intensive. Nationwide, PVS capital assets include approximately 1,900 cargo vans, 1,850 tractors, and 4,100 trailers. Employees service and repair these vehicles at 319 Postal Service vehicle maintenance facilities (VMFs), VMF auxiliaries⁶, and local commercial garages nationwide. PVS currently involves about 9,000 employees, including 7,919 uniformed drivers, 604 administrative support personnel, and 812 managers. The American Postal Workers Union represents PVS drivers and support personnel.

PVS operations typically 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.

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 Southern Maryland P&DC in the Postal Service's Capital Metro Area. The objectives of our audit were to determine whether PVS operations were effective and economical.

During our work, we visited the Southern Maryland 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

⁶ An extension of a VMF.

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 71 Southern Maryland P&DC driver schedules, identified 119,338 annual 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 December 2009 through July 2010 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 June 2, 2010, 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 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 table on the following page, since March 2007 we have issued nine audit reports that identified labor and other potential savings exceeding \$71.7 million. Management agreed with all of 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
<i>Postal Vehicle Service Transportation Routes – Cardiss Collins Processing and Distribution Center</i>	NL-AR-10-002	12/28/2009	18.3
Total			\$71.7⁷

⁷ Total slightly higher due to rounding difference.

APPENDIX B: DETAILED ANALYSIS

Excess Workhours and Associated Cost Reductions

Southern Maryland P&DC officials could more effectively manage PVS transportation processes and schedules to ensure efficiency. We found that PVS schedules included the following:

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

This occurred because managers did not always conduct PVS schedule reviews as required.⁸ In addition, given the dynamic and ever-changing transportation environment and the need 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.⁹ According to Southern Maryland P&DC management, they had not performed this type of review in recent years.

We concluded the Southern Maryland P&DC could reduce PVS workhours by 10,153 and save about \$4.1 million over 10 years without negatively affecting service. The Postal Service would achieve more than 95 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. PVS Potential Savings – Funds Put to Better Use
(Personnel, Fuel, and Damage Claims)**

Cost Category	Fiscal Year (FY) 2011 Total¹⁰ (Phased In)	FY 2012 (Annual) Total	10-Year Total¹¹ (FY 2011 to 2020)	Percentage
Personnel	\$225,928	\$443,125	\$3,919,294	95.4%
Fuel	11,235	11,148	108,517	2.6%
Damage Claims	8,647	8,522	81,047	2.0%
Total	\$245,810	\$462,795	\$4,108,859	100%

⁸ 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.

⁹ 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.

¹⁰ The FY 2011 figure is conservative to allow for phase-in of workhour reductions during the year.

¹¹ 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 outlined in the Postal Service’s National Energy Plan by reducing the fuel use of 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 6,904 of the 10,153 workhours we identified as unnecessary, and we believe the remaining 3,249 workhours could produce savings without jeopardizing on-time performance.

Other Matters – Cost Reductions for HCR

We also determined the Southern Maryland P&DC could improve the effectiveness of scheduled HCRs and save more than \$640,000 over the term of existing HCR contracts by canceling 8 trips, as depicted in Table 2. The Postal Service could eliminate these trips without negatively affecting on-time service because trip mail volume was low and mail could be consolidated on other trips. Throughout our audit, we coordinated proposed trip changes with Capital Metro Area transportation managers. The managers reviewed each proposal in conjunction with their own assessment of operational requirements and we discussed any differences with them. Although management disagreed with the trips we identified, we continue to believe these eight trips could be eliminated without jeopardizing on-time performance.

Table 2. HCR Potential Savings for Cancelled Trips – Funds Put to Better Use (Contract and Fuel)

Contract Number	Number of Trips	Estimated Savings¹²
20637	2	\$127,383
20731	2	138,567
21015	2	239,685
207L6	2	141,767
Total	8	\$647,402¹³

¹² Estimated savings are based on the remaining value of existing contracts and are negotiated between the Postal Service and their suppliers. The standard OIG methodology for calculating the months remaining in the contract is to use actual months remaining as of a specified date. But if the months remaining are less than 1 year, the number of months in the renewal is used.

¹³ This amount will be classified as funds put to better use (funds that could be used more efficiently by eliminating these trips) and consists of \$510,346 in contract savings and \$137,056 in HCR fuel savings.

Other Matters – Safety Concerns

During our observations of PVS vehicles being loaded and unloaded at the Southern Maryland P&DC, we found employees were securing up to 55 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.

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



A single restraint was used at the end of a load on this Southern Maryland P&DC PVS College Park trip #20740. Picture taken on 2/17/10.



Southern Maryland PVS vehicles not properly chocked, but unused chock readily available. Picture taken on 3/31/10.

In addition, during our observations of PVS vehicles parked at the Southern Maryland P&DC dock, we found that over 70 percent of the trailers were not chocked. Postal Service policies require PVS drivers to approach loading docks by backing vehicles to the door or platform space, setting the brake, shutting off the engine, and placing the chock blocks behind the wheels. The chock blocks are intended to prevent accidental movement of the vehicle and if they are missing, the driver is to notify the expeditor or platform personnel.¹⁴ Local officials had not been enforcing this policy.

¹⁴ As required by November 7, 2007, Standard Operating Procedures, *Receiving and Dispatching Vehicles*, issued by the manager, Surface Operations.

APPENDIX C: MONETARY IMPACT

Excess Workhours and Associated Cost-Reduction Findings. We employed 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) 2011 Total ¹⁵ (Phased In)	FY 2012 (Annual) Total	10-Year Total (FY 2011 to 2020)
Personnel	\$225,928	\$443,125	\$3,919,294
Fuel	11,235	11,148	108,517
Damage Claims	8,647	8,522	81,047
Total	\$245,810	\$462,795	\$4,108,859¹⁶

Rates by Type ¹⁷	Factor
Discount Rate/Cost of Borrowing	3.5%
Labor Escalation Rate	1.5%
Fuel Cost Escalation Rate	2.7%
Tort Cost Claim Escalation Rate	2.0%

Cost Reductions for HCRs Finding. To calculate the months remaining in HCR contracts, we used actual months as of a specified date. If the months remaining were less than 1 year, we used the number of months in the renewal contract.

Recommended Reduction	Contract Number	Number of Trips	Annual Miles Reduced	Estimated Savings ¹⁸
Disagreed	20637	2	15,517	\$127,383
	20731	2	16,798	138,567
	21015	2	30,389	239,685
	207L6	2	22,280	141,767
Total		8	84,984	\$647,402

¹⁵ The FY 2011 figure is conservative to allow for phase-in of workhour reductions during the year.

¹⁶ Impact Category: Funds put to better use are funds that could be used more efficiently by implementing recommended actions.

¹⁷ Rates published 12/23/09.

¹⁸ Estimated savings are based on the remaining value of existing contracts and are negotiated between the Postal Service and their suppliers.

APPENDIX D: MANAGEMENT'S COMMENTS



June 30, 2010

LUCINE M. WILLIS
DIRECTOR AUDIT OPERATIONS

SUBJECT: OIG Draft Audit Report – Postal vehicle Service Transportation Routes – Southern MD Processing and Distribution Center – (Report Number NL-AR-10-DRAFT)

In response to the OIG Draft Audit Report – Postal vehicle Service Transportation Routes – Southern MD Processing and Distribution Center – (Report Number NL-AR-10-DRAFT), the Capital Metro Area offers the following:

Recommendation #1: *Ensure that Southern Maryland 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: The Area Manager Distribution Networks has reissued instructions derived from Handbook PO-701 to the Capital Metro Area Transportation and Networks Managers advising them of their responsibility to conduct annual efficiency reviews of the PVS operations under their supervision. In addition a master log will be maintained at the Area DN Office to document compliance to this requirement.

Recommendation #2: *Verify elimination of the 6,904 workhours identified in our audit, and already agreed to by management, from the Postal Vehicle Service trip schedules.*

Management Response: Capital Metro Area concurs with the findings and recommendation. In addition to meeting with the Southern MD Manager Transportation and Networks regarding this specific finding, a review of VITALS was conducted, whereby it was determined that the schedules associated with the 6,904 hours excess to the needs of the service have been eliminated.

Recommendation #3: *Reassess the remaining 3,249 workhours included in our audit and eliminate the workhours as indicated by the reassessment, or document the reasons for retaining the workhours.*

Management Response: While we agree that the identified trips associated with the remaining 3,249 workhours are underutilized, the current scheduling under the existing local MOU hinders our ability to capture these savings without adding residual workhour impacts in excess of this opportunity. This opportunity as well as others could be captured, provided the site had the scheduling flexibility provided in the PVS MOU currently under review in several sites throughout the country. The Area DN staff will review the Southern MD PVS operation for possible inclusion into this pilot program, as well as review other potential options to capture these underutilized trips. It is our intent to conclude this analysis by NLT July 31, 2010.

Recommendation #4: *Reassess the eight trips identified in our audit, and cancel or modify the trips as indicated by the reassessment, or document the reasons for retaining the trips.*

- 2 -

Management Response: Six of the eight trips identified and operated on routes 20637, 20731, and 207L6 have been eliminated. Capital Metro Area is not in agreement with the recommendation to eliminate one round trip on route 21015 due to service concerns; however, the Area DN will review additional trips operating between the Baltimore District and the Capital Metro NDC/STC as a possible alternative. It is our intent to complete this review by NLT July 31, 2010.

Recommendation #5: *Ensure that Southern Maryland 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: Local Management has issued service talks to both the drivers and dock personnel regarding the proper procedures and expectations for proper application of load restraints. The Area has also instructed the Sr. Manager to procure and place signage in the dock Areas to serve as daily reminders. Follow-up talks will also be provided to the aforementioned personnel on a regular basis. The Area DN Manager has scheduled a telecom with the District Transportation Managers to discuss these findings and to establish guidelines for appropriate corrective actions for non-compliance.

Recommendation #6: *Ensure that Southern Maryland 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: Local Management has issued service talks to the drivers regarding the proper procedures and expectations for proper use of chock blocks. The Area has also instructed the Sr. Manager to procure and place signage in the dock Areas to serve as daily reminders. Follow-up talks will also be provided to the aforementioned personnel on a regular basis. The Area DN Manager has scheduled a telecom with the District Transportation Managers to discuss these findings and to establish guidelines for appropriate corrective actions for non-compliance.

Please contact me at your earliest opportunity should you have any further questions regarding this response.



Robert Borris
Manager, Distribution Networks
Capital Metro Area
301-548-6930