



August 4, 2010

TIMOTHY C. HANEY
VICE PRESIDENT, CAPITAL METRO AREA OPERATIONS

SUBJECT: Audit Report – Postal Vehicle Service Transportation Routes –
Washington Network Distribution Center
(Report Number NL-AR-10-007)

This report presents the results of our audit of the Washington Network Distribution Center's (NDC) Postal Vehicle Service (PVS) transportation (Project Number 10XG013NL001). Our objectives were to determine whether selected PVS vehicle operations were effective and economical. The report is the eleventh 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 referred to as PVS. Management typically assigns PVS vehicles and personnel to Postal Service network facilities, such as NDCs or processing and distribution centers (P&DCs) in or near metropolitan areas. PVS operations are normally conducted within 50 miles of the 154 Postal Service facilities with PVS operations. In total, 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. PVS activities at NDCs are limited to "yard operations," which is the movement of trailers and equipment in or around a facility yard.

Conclusion

The Washington NDC's PVS operations were effective in moving trailers and equipment. However, Washington NDC officials were not always effectively managing PVS transportation since workhours assigned to yard activities did not match established productivity standards for this function. This occurred because management did not assess PVS workload and staffing requirements. We concluded that Washington NDC management could phase out 6,968 workhours by following established productivity standards and save about \$2.8 million over 10 years without negatively affecting service. See [Appendix B](#) for our detailed analysis of this topic.

Management Action

Washington NDC management began taking action during our audit to make PVS operations more effective by reducing some workhours and saving the Postal Service money.

We recommend the vice president, Capital Metro Area Operations:

1. Verify the phasing out of 6,968 workhours that management agreed were in excess of the workload.
2. Ensure that Network Distribution Center managers periodically assess Postal Vehicle Service workload and staffing requirements to maintain appropriate staffing levels.

Management's Comments

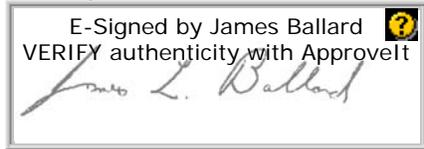
Management agreed with our findings and recommendations. As of July 30, 2010, management confirmed the elimination of four spotter tractor driver positions from the NDC transportation schedules in accordance with our recommendation and estimated a savings of 7,040 in annual workhours. In addition, area management reissued instructions to local managers to follow the Postal Service's prescribed fleet management procedures to ensure that NDC managers periodically assess PVS workload and staffing requirements. Area management also intends to document NDC compliance with procedures. See [Appendix D](#) for management's comments in their entirety.

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendations and management's 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 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.



for

Robert J. Batta
Deputy Assistant Inspector General
for Mission Operations

Attachments

cc: Patrick R. Donahoe
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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 referred to as PVS. Management typically assigns PVS vehicles and personnel to Postal Service network facilities, such as NDCs 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.



At the Washington NDC, as with all NDCs, PVS assets, such as this spotter tractor, are primarily used for yard operations.
May 18, 2010.

PVS is capital and personnel intensive. PVS capital assets include approximately 1,900 cargo vans, 1,850 tractors, 400 tractor spotters, and 4,100 trailers. Employees service and repair these vehicles at 319 Postal Service vehicle maintenance facilities (VMFs), VMF¹ auxiliaries, 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 activities at NDCs are limited to “yard operations,” which is the movement of trailers and equipment in or around a facility yard.

¹ A VMF Auxiliary is an extension of a VMF.

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 Washington NDC 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 audit we visited the Washington NDC. We reviewed relevant Postal Service policies and procedures, interviewed managers and employees, and observed and photographed operations. We considered Surface Transfer Center (STC) operations that were moved into the facility in November of 2009.

We obtained computer-generated data from Vehicle Tracking Analysis and Performance System (VTAPS) that included a consecutive 17-week period from October 1, 2009, through January 31, 2010. According to management, this data represented the PVS yard operational workload for the period; however, it did not include STC move data. Therefore, we gathered this data from management covering a 14-day period from May 18, 2010, through June 7, 2010, and included this with our analysis. In total, we identified 32,597 yard moves. We examined this workload in conjunction with previously established Postal Service productivity standards for NDC PVS operations. We conducted the analysis to determine whether management could reduce workhours and labor costs.



The view from the inside of a PVS tractor at the Washington NDC. May 18, 2010.



PVS driver yard operations are typically directed electronically from VTAPS to the Janus unit in the tractor. May 18, 2010.

We conducted this performance audit from May through August 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 officials on July 1, 2010, and management stated that the required action is already in progress. We included their other 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 VTAPS and found the data reliable for the purposes of our audit, but it did not include STC moves. Therefore, we adjusted our work by requesting STC move data for May 18 through June 7, 2010. 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 10 audit reports that identified labor and other potential savings exceeding \$76.4 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
<i>Postal Vehicle Service Transportation Routes – Southern Maryland Processing and Distribution Center</i>	NL-AR-10-06	7/14/2010	4.7
Total			\$76.4²

² Total slightly higher due to rounding difference

APPENDIX B: DETAILED ANALYSIS

Excess PVS Workhours and Associated Cost Reductions

Although Washington NDC PVS operations were effective in moving trailers and equipment, management could make operations more effective by aligning workhours to standards. We found Washington NDC PVS drivers were averaging about 27 moves³ per workday, while the established productivity standard average is 40 moves per workday. Our observations of yard operations at the Washington NDC, as well as our analysis of the operational workload data, confirmed that established productivity standards were reasonable and attainable for PVS drivers at the facility.

In 2005, the Postal Service's Breakthrough Productivity Initiative established productivity standards for NDC PVS operations specifying that 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 an NDC yard during a 40-hour work week. Headquarters and senior area transportation managers have explained that this productivity standard was reasonable and conservative.

The Washington NDC did not achieve productivity standards because NDC managers did not assess workload and staffing requirements. If productivity was improved, we concluded the Capital Metro Area could phase out about 6,968 annual workhours associated with PVS operations and save about \$2.8 million over 10 years. We discussed this with management on July 1, 2010, and they began taking action during our audit to make PVS operations more effective and economical by reducing some workhours and saving the Postal Service money.

³ A move consists of moving trailers and equipment from one location to another in the NDC yard.

APPENDIX C: MONETARY IMPACTS

Excess PVS 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.

Impact Category – Funds put to better use

Cost Category	FY 2011 Total⁴ (Phased in)	FY 2012 (Annual) Total	10-Year Total⁵ (FYs 2011 to 2020)
Personnel	\$271,880	\$304,214	\$2,791,349 ⁶

Rates by Type⁷	Factor
Discount Rate/Cost of Borrowing	3.875%
Labor Escalation Rate	1.7%

⁴ Our FY 2011 figures are conservative to allow for phase-in of workhour reductions during the year.

⁵ 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.

⁶ We analyzed total workload at the facility and applied established productivity standards of 40 moves per hour. Based on our analysis, we identified a total reduction of 6,968 hours that could be achieved if standards were met without affecting operations. We then applied appropriate labor rates for PVS drivers to the identified hours to arrive at our projected amount of \$2,791,349. Management agreed with our recommended reduction.

⁷ Rates published May 7, 2010.

APPENDIX D: MANAGEMENT'S COMMENTS

MANAGER, OPERATIONS SUPPORT
CAPITAL METRO AREA OPERATIONS



July 30, 2010

LUCINE M. WILLIS
DIRECTOR AUDIT OPERATIONS

SUBJECT: OIG Draft Audit Report – Postal Vehicle Service Transportation Routes
Washington Network Distribution Center – (Report Number NL-AR-10-DRAFT)

The Capital Metro Area has reviewed the OIG Draft Audit Report – Postal Vehicle Service Transportation Routes – Washington Network Distribution Center – (Report Number NL-AR-10-DRAFT) and concurs with the general deficiencies of the OIG audit team. We agree in principle that a monetary impact exists and commit to capturing potential savings through implemented efficiencies. Additionally, this report and management's response do not contain information that may be exempt from disclosure under the FOIA (Freedom of Information Act).

Recommendation #1: Verify the phasing out of 6,968 workhours that management agreed were in excess of the workload.

Management Response: Capital Metro Area concurs with the findings and recommendation, and has confirmed that four spotter positions have been eliminated from the NDC transportation schedules in accordance with the recommendation. Using the national transportation BPI annual workhour calculation, this equates to 7,040 in annual workhour savings.

Recommendation #2: Ensure that Network Distribution Center managers periodically assess Postal Vehicle Service workload and staffing requirements to maintain appropriate staffing levels.

Management Response: Capital Metro Area concurs with the findings and recommendation. 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.

Should you have any questions regarding this response, please contact Robert Borris, Capital Metro Area Manager Distribution Networks at 301-548-6930.

Jeffrey A. Becker

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