



January 13, 2011

TIMOTHY C. HANEY  
VICE PRESIDENT, CAPITAL METRO AREA OPERATIONS

SUBJECT: Final Audit Report – Postal Vehicle Service Transportation  
Routes – Suburban Maryland Processing and Distribution Center  
(Report Number NL-AR-11-001)

This report presents the results of our audit of the Suburban Maryland Processing and Distribution Center's (P&DC) postal vehicle service (PVS) transportation routes (Project Number 10XG013NL002). Our objectives were to determine whether selected PVS vehicle operations were effective and economical. The report is the 12<sup>th</sup> in a series of reports responding to a request from a former U.S. Postal Service 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 Suburban 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)<sup>1</sup> that serve the Suburban Maryland P&DC. Once this occurs, we estimate the Postal Service could save about \$6.5 million over 10 years, or about \$650,000 per year. The reduction in PVS and HCR transportation fuel use would also help the Postal Service achieve its fuel consumption goals. Finally, we observed that PVS drivers were not consistently restraining mail and equipment for transportation as required.

---

<sup>1</sup> 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.

## Excess Workhours and Associated Cost Reductions

Suburban 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 14,177 excess workhours from existing PVS schedules and reduce related fuel costs and damage claims, thereby saving the Postal Service about \$650,000 per year.<sup>2</sup> See [Appendix B](#) for our detailed analysis of this topic.

We recommend the vice president, Capital Metro Area Operations:

1. Ensure that Suburban 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 14,177 workhours identified in our audit, and already agreed to by management, from the postal vehicle service trip schedules.

## Management's Comments

Management agreed with the recommendations. Management reissued instructions to local managers to follow the Postal Service's prescribed fleet management procedures, and the manager of Transportation/Networks agreed to perform annual reviews of all PVS operations and utilization, starting June 1, 2011. Management agreed with elimination of underutilized PVS trips and will incorporate the trip reductions with PVS schedule changes underway due to Flats Sequencing System deployment. It is anticipated the new runs reflecting these changes will be awarded by January 29, 2011. See [Appendix D](#) for management's comments.

## Other Matters – Cost Reductions for HCRs

The Suburban Maryland P&DC could eliminate or consolidate underutilized trips and save more than \$564,000 over the term of existing contracts. See [Appendix B](#) for our detailed analysis of this topic.

We recommend the vice president, Capital Metro Area Operations:

3. Verify the elimination of two trips initiated by management identified during our audit fieldwork.
4. Eliminate from highway contracts 11 trips identified in our audit and already agreed to by local and area management.

---

<sup>2</sup> Funds that could be used more efficiently by implementing recommended actions.

## Management's Comments

Management agreed with our findings and recommendations. Management has already initiated service change requests to Headquarters Contracts group to eliminate the 13 HCR trips identified in the audit. They anticipate finalized contracts to be completed by February 5, 2011.

## Other Matters – Safety Concerns

We observed mail and equipment being transported on Suburban Maryland P&DC PVS transportation that was not consistently restrained according to established safety policies.<sup>3</sup> Improperly restrained mail and equipment can lead to accidents, property damage, undue liability, and unwarranted costs for the Postal Service. This occurred because local officials were not consistently enforcing the safety policy. See [Appendix B](#) for our detailed analysis of this topic.

We recommend the vice president, Capital Metro Area Operations:

5. Ensure that Suburban 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.

## Management's Comments

Management indicated agreement with our finding and recommendation. Management has reissued instructions regarding the proper use of load restraints to the Suburban P&DC PVS drivers in the form of a safety talk. Transportation staff has been advised to include observations of load restraint policy adherence to their field reviews.

## Evaluation of Management's Comments

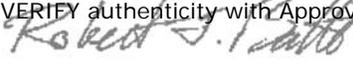
The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive and management's corrective actions should resolve the issues identified in the report.

The OIG considers recommendations 1, 2, 3 and 4 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.

---

<sup>3</sup> 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."

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: Megan Brennan  
David E. Williams, Jr.  
Cynthia F. Mallonee  
Pamela S. Grooman  
Corporate Audit and 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 2,180 cargo vans, 1,840 tractors, and 4,070 trailers. Employees service and repair these vehicles at 312 Postal Service vehicle maintenance facilities (VMFs), VMF auxiliaries<sup>4</sup>, and local commercial garages nationwide. PVS currently involves about 8,900 employees, including 7,360 drivers, 598 administrative support personnel, and 932 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.

### OBJECTIVE, SCOPE, AND METHODOLOGY

A former vice president, Network Operations, requested that we audit PVS operations nationwide. Because individual facilities control PVS operations, we localized our approach and focused on PVS operations at the Suburban Maryland P&DC in the Postal Service's Capital Metro Area. The objective of our audit was to determine whether PVS operations were effective and economical.

During our work, we visited the Suburban Maryland P&DC and other regional facilities. 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

---

<sup>4</sup> Extension of a VMF.

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 Suburban Maryland P&DC driver schedules, identified 119,910 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 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 August 2010 through January 2011 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 October 21, and November 23, 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 a former vice president, Network Operations, the OIG previously worked with the Postal Service to reduce PVS costs. As indicated by the following table, since March 2007 we have issued 11 audit reports that identified labor and other potential savings of \$79.3 million. Management agreed with all of our recommendations. This report used the same methodology and had comparable findings.

<b>Report Title</b>	<b>Report Number</b>	<b>Final Report Date</b>	<b>Monetary Impact (In millions)</b>
<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>PVS 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-10-006	7/14/2010	4.8
<i>Postal Vehicle Service Transportation Routes – Washington Network Distribution Center</i>	NL-AR-10-007	8/4/2010	2.8
<b>Total</b>			<b>\$79.3<sup>5</sup></b>

<sup>5</sup> Total slightly higher due to rounding difference.

## APPENDIX B: DETAILED ANALYSIS

### Excess Workhours and Associated Cost Reductions

Suburban 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.<sup>6</sup> 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.<sup>7</sup> According to Suburban Maryland P&DC management, they have not performed this type of review – since 2006.

We concluded the Suburban Maryland P&DC could reduce PVS workhours by 14,177 and save about \$5.9 million over 10 years without negatively affecting service. The Postal Service would achieve more than 91 percent of the savings through personnel workhour reductions and 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 Total <sup>8</sup> (Phased In)	FY 2012 (Annual) Total	10-Year Total <sup>9</sup> (FYs 2011 to 2020)	Percentage
Personnel	\$315,472	\$616,517	\$5,421,409	91.7%
Fuel	29,984	29,760	289,967	4.9%
Damage Claims	21,469	21,143	200,616	3.4%
<b>Total</b>	<b>\$366,925</b>	<b>\$667,420</b>	<b>\$5,911,992</b>	<b>100%</b>

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

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

<sup>8</sup> The FY 2011 figure is conservative to allow for phase-in of workhour reductions during the year.

<sup>9</sup> 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 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 all 14,177 of the workhours we identified as unnecessary.

**Other Matters – Cost Reductions for HCR**

We also determined the Suburban Maryland P&DC could improve the effectiveness of scheduled HCRs and save more than \$564,000 over the term of existing HCR contracts by canceling 13 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. This occurred because management did not always conduct required schedule and vehicle utilization reviews. On September 15, 2010, the Capital Metro Area requested that transportation managers review HCR trips. As a result of the review, a service change request was submitted to eliminate two trips from HCR 208L2. We worked with management during the audit and they subsequently agreed to eliminate the remaining 11 trips identified.

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

	<b>Contract Number</b>	<b>Number of Trips</b>	<b>Estimated Savings<sup>10</sup></b>
Postal Initiated	208L2	2	\$78,554
Agreed	202U1	1	108,578
	20810	4	124,877
	20830	2	17,452
	208L3	2	140,729
	208L2	2	94,221
<b>Total</b>		<b>13</b>	<b>\$564,411<sup>11</sup></b>

**Other Matters – Safety Concerns**

During our observations of PVS vehicles being loaded and unloaded at the Suburban Maryland P&DC, we found employees were securing up to 76 percent of these vehicles’

<sup>10</sup> 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.

<sup>11</sup> 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 \$458,801 in contract savings and \$105,610 in HCR fuel savings.

loads of rolling stock of mail and equipment with single – instead of the required double – restraints at the ends of their loads. This occurred because local officials were not consistently enforcing the safety policy.

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



Single strap usage picture taken at the Suburban Maryland P&DC located at 16499 Shady Grove Road, Gaithersburg, MD. Picture taken on September 29, 2010.

**APPENDIX C: MONETARY IMPACT**

Excess Workhours and Associated Cost Reductions 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	FY 2011 <sup>12</sup> Total (Phased in)	FY 2012 (Annual) Total	FY 2013 (Annual) Total	10-Year Total (FYs 2011 to 2020)
Personnel	\$315,472	\$616,517	\$603,608	\$5,421,409
Fuel	29,984	29,760	29,538	289,967
Damage Claims	21,469	21,143	20,823	200,616
<b>Total</b>	<b>\$366,925</b>	<b>\$667,420</b>	<b>\$653,969</b>	<b>\$5,911,992<sup>13</sup></b>

Rates by Type <sup>14</sup>	Factor
Discount Rate/Cost of Borrowing	3.875%
Labor Escalation Rate	1.7%
Fuel Cost Escalation Rate	3.1%
Tort Cost Claim Escalation Rate	2.3%

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 <sup>15</sup>
Postal Initiated	208L2	2	11,309	\$ 78,554
Agreed	202U1	1	12,199	108,578
	20810	4	54,916	124,877
	20830	2	5,455	17,452
	208L3	2	19,942	140,729
	208L2	2	13,335	94,221
<b>Total</b>		<b>13</b>	<b>117,156</b>	<b>\$564,411</b>

<sup>12</sup> The FY 2011 figure is conservative to allow for phase-in of workhour reductions during the year.

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

<sup>14</sup> Rates published May 7, 2010.

<sup>15</sup> 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



January 6, 2011

LUCINE WILLIS  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Transmittal of Draft Audit Report – Postal Vehicle Service  
Transportation  
Routes – Suburban Maryland Processing and Distribution Center  
(Report Number NL-AR-11-DRAFT)

The Capital Metro Area has reviewed the subject titled audit and is in agreement with the findings. We further agree with the annualized estimates of the cost savings associated with eliminating the underutilized trips identified in this review.

**Recommendation 1:** Ensure that Suburban 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/Action Plan:** The Area Manager Distribution Networks has reissued instructions 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 compliance with this directive, Suburban P&DC Transportation Manager Walter Stokes has notified the Area of the scheduled date for his FY 2011 review (attached).

**Recommendation 2:** Verify elimination of the 14,177 work hours identified in our audit, and already agreed to by management, from the postal vehicle service trip schedules.

**Management Response/Action Plan:** Management agrees with the audit findings and elimination of the identified underutilized PVS trips. Implementation of the new runs reflecting these trips reductions are currently pending, as the Suburban Plant is presently undergoing the deployment of FSS. For continuity purposes, the PVS schedule changes associated with this project are being incorporated along with the trip reductions identified in the audit. It is anticipated that the new runs reflecting these trip eliminations will be awarded by January 29th, 2011.

**Recommendation 3:** Verify the elimination of two trips initiated by management identified during our audit fieldwork.

**Management Response/Action Plan:** Management concurs with the audit findings and has initiated a Service Change Request to eliminate the 2 trips on Route 208L2 (attached). Headquarters Contracts group has been advised to discontinue service on these trips with the supplier. We anticipate finalized contract action to be completed by February 5, 2011

16501 Shady Grove Rd.  
Gaithersburg, MD 20898-9998  
301-548-1410  
FAX: 301-548-1434

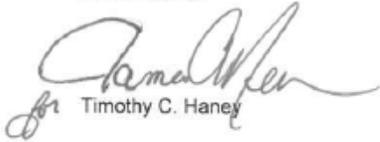
**Recommendation 4:** Eliminate from highway contracts 11 trips identified in our audit and already agreed to by local and area management.

**Management Response/Action Plan:** Management concurs with the audit findings and has initiated Service Change Requests to eliminate 11 additional trips on Contracts 202U1, 20810, 20830, 208L3, and 208L2 (attached). Headquarters Contracts group has been advised to discontinue service on these trips with the supplier. We anticipate finalized contract action to be completed by February 5, 2011.

**Recommendation 5:** Ensure that Suburban 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.

**Management Response/Action Plan:** The Suburban TANs Manager has reissued instructions regarding the proper use of load restraints to the Suburban P&DC PVS drivers in the form of a service talk (attached). Capital Metro Area Distribution Networks staff has also been advised to include observations of load restraint policy adherence to their field reviews.

Please direct any questions or concerns regarding this response to Manager Distribution Networks, Robert Borris.



for Timothy C. Haney

Attachments