



OFFICE OF  
**INSPECTOR  
GENERAL**  
UNITED STATES POSTAL SERVICE

---

**Postal Vehicle Service Transportation  
Routes – Baltimore Processing and  
Distribution Center  
Audit Report**

July 25, 2011

---

Report Number NL-AR-11-004



***IMPACT ON:***

Baltimore, MD Processing and Distribution Center (P&DC). Savings in personnel costs, fuel costs, and tort claims.

***WHY THE OIG DID THE AUDIT:***

Our objective was to determine whether selected Postal Vehicle Service (PVS) operations were effective and economical.

***WHAT THE OIG FOUND:***

The Baltimore 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) that serve the Baltimore P&DC. Once this occurs, we estimate the Postal Service could save about \$8.2 million over 10 years. The reduction in PVS and HCR transportation fuel use would also help achieve the Postal Service's fuel consumption goals. We also observed that PVS drivers were not consistently restraining mail and equipment for transportation as required.

***WHAT THE OIG RECOMMENDED:***

We recommended the Baltimore P&DC managers follow prescribed fleet management procedures for making

PVS schedules effective, including conducting schedule and vehicle utilization reviews. Verify elimination of the 11,789 workhours identified in our audit and already agreed to by management from the PVS trip schedules. Reassess the remaining 7,273 workhours we identified for removal. Eliminate 24 trips from highway contracts identified in our audit and already agreed to by local and area management. Ensure that management re-emphasize guidance to drivers enforcing load restraint policies for PVS trips and provide oversight of load restraint processes.

***WHAT MANAGEMENT SAID:***

Management agreed with our findings and recommendations. Fleet management procedures were reissued. Management has revised PVS schedules to capture the 11,789 workhours savings already agreed on and agreed to reassess the additional 7,273 scheduled workhours identified in our report. In addition, during the audit, management reissued the standard operating procedure for properly restraining mail containers and held service talks on the subject.

[\*Link to review the entire report.\*](#)



July 25, 2011

**MEMORANDUM FOR:** DAVID C. FIELDS  
VICE PRESIDENT, CAPITAL METRO AREA OPERATION

E-Signed by Robert Batta  
VERIFY authenticity with e-Sign  


**FROM:** Robert J. Batta  
Deputy Assistant Inspector General  
for Mission Operations

**SUBJECT:** Audit Report – Postal Vehicle Service Transportation Routes  
– Baltimore Processing and Distribution Center  
(Report Number NL-AR-11-004)

This report presents the results of our audit of the Baltimore, MD Processing and Distribution Center's Postal Vehicle Service transportation routes (Project Number 11XG017NL000).

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

Attachments

cc: Patrick R. Donahoe  
Megan Brennan  
David C. Williams  
Cynthia F. Mallonee  
Pamela S. Grooman  
Corporate Audit and Response Management

## TABLE OF CONTENTS

Introduction .....	1
Conclusion .....	1
Excess Workhours and Associated Cost Reductions.....	1
Other Matters – Cost Reductions for HCRs .....	2
Other Matters – Safety Concerns .....	3
Recommendations .....	4
Management’s Comments .....	5
Evaluation of Management’s Comments.....	5
Appendix A: Additional Information .....	6
Background .....	6
Objectives, Scope, and Methodology .....	6
Prior Audit Coverage .....	8
Appendix B: Monetary Impact .....	10
Appendix C: Management’s Comments.....	11

## Introduction

This report presents the results of our audit of the Baltimore Processing and Distribution Center's (P&DC's) Postal Vehicle Service (PVS) transportation routes (Project Number 11XG017NL000). Our objective were to determine whether selected PVS vehicle operations were effective and economical. This report is one 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 that uses 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, district, area, and headquarters transportation officials manage them at the facility level.

## Conclusion

The Baltimore 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 Baltimore P&DC. Once this occurs, we estimate the Postal Service could save about \$8.2 million over 10 years, which is an average of \$820,000 per year. The reduction in PVS and HCR transportation fuel use would also help achieve the Postal Service's fuel consumption goals. Finally, we observed PVS drivers not consistently restraining mail and equipment for transportation as required.

## Excess Workhours and Associated Cost Reductions

Baltimore P&DC officials were not effectively managing PVS transportation processes and schedules as evidenced by unassigned driver time and underutilized trips. We found that PVS schedules included:

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

---

<sup>1</sup> Although our 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.

These issues occurred because managers did not always conduct PVS schedule reviews as required.<sup>2</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. According to Baltimore P&DC management, they have not performed this type of review since 2008.

We concluded that management could remove 19,062 excess workhours from existing PVS schedules and reduce related fuel costs and damage claims, thereby saving the Postal Service about \$725,375 per year<sup>3</sup> as reflected in Table 1.

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

Cost Category	FY 2011 <sup>4</sup> Total (Phased In)	FY 2012 (Annual) Total	10-Year Total (FYs 2011 to 2020)	Percentage
Personnel	\$209,539	\$834,557	\$7,121,257	98.2%
Fuel	8,592	8,528	83,095	1.1%
Damage Claims	5,286	5,206	49,395	0.7%
<b>Total</b>	<b>\$223,417</b>	<b>\$848,291</b>	<b>\$7,253,747<sup>5</sup></b>	<b>100.0%</b>

Throughout our audit, we coordinated proposed schedule realignments with local transportation managers. The managers reviewed each proposal with their own assessment of operational requirements, and we discussed any differences.

### Other Matters – Cost Reductions for HCRs

The Baltimore P&DC could improve the effectiveness of scheduled HCRs by cancelling 24 trips. The Postal Service could eliminate these trips without negatively affecting on-time service, because trip mail volume is low and mail could be consolidated on other trips. This occurred because management did not follow prescribed highway contract procedures,<sup>6</sup> including continued monitoring and adjustment of trips based on need.

We concluded that management could eliminate or consolidate underutilized trips and save more than \$986,859 over the term of existing contracts as detailed in Table 2.

<sup>2</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>3</sup> Funds that could be used more efficiently by implementing recommended actions.

<sup>4</sup> The FY 2011 figure is conservative to allow for phase-in of workhour reductions during the year.

<sup>5</sup> Impact Category: Funds put to better use are funds that could be used more efficiently by implementing recommended actions.

<sup>6</sup> Postal Service Handbook (M-22) *Dispatch and Routing Policies*, Section 214 states the local networks manager "is responsible for working with the area offices to develop local networks composed of postal-owned (Postal Vehicle Service) and -contracted transportation services to ensure efficient and timely service to the processing and distribution service areas."

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

Recommended Reduction	Contract Number	Number of Trips	Estimated Savings <sup>7</sup>
Agreed to by Management	21015	4	\$218,727
	21033	12	517,413
	21035	2	60,630
	21040	2	69,999
	210L1	4	120,090
<b>Total</b>		<b>24</b>	<b>\$986,859</b>

**Other Matters – Safety Concerns**

We observed mail and equipment being transported on Baltimore P&DC PVS transportation that was not consistently restrained according to established safety policies.<sup>8</sup> See Illustration 1. We found 55 percent of loads with single- rather than the required double-restraints at the ends of their loads, which is not in accordance with established safety policies. We concluded that local officials were not enforcing the safety policy as required. Improperly restrained Postal Service mail and equipment can lead to accidents, damage to property, undue liability, and unwarranted costs for the Postal Service.

**Illustration 1. Improperly Restrained Mail at Baltimore P&DC PVS**



**Source: OIG. Single-strap usage observed during Tour 1 dispatch at the Baltimore P&DC on Tuesday, March 1, 2011.**

<sup>7</sup> Estimated savings are based on the remaining value of existing contracts and are negotiated between the Postal Service and their suppliers.

<sup>8</sup> 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.”

## Recommendations

We recommend the vice president, Capital Metro Area Operations:

1. Ensure that the Baltimore 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 11,789 workhours identified in our audit from the Postal Vehicle Service trip schedules.
3. Reassess the remaining 7,273 workhours and eliminate the workhours as indicated by the reassessment, or document the reasons for retaining them.
4. Eliminate from highway contracts 24 trips identified in our audit.
5. Ensure that the Baltimore Processing and Distribution Center management re-emphasizes guidance to drivers enforcing load restraint policies for Postal Vehicle Service trips and provides oversight of load restraint processes.

## Management's Comments

Management agreed with our findings and recommendations. Management reissued the Fleet Management Handbook to all area executives reminding them of their responsibilities with PVS operations. In addition, management revised PVS schedules to capture the 11,789 workhours savings already agreed upon and provided schedule details showing those reductions. Management also agreed to reassess the additional 7,273 scheduled workhours recommended for reduction by August 25, 2011. Finally, during the audit, management reissued the standard operating procedure for properly restraining mail containers and held service talks on the subject. See [Appendix C](#) 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 in the report and the corrective actions should resolve the issues identified in the report.

The OIG considers recommendations 1 through 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.

## 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 that uses 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, district, area, and headquarters transportation officials manage them at the facility level.

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 309 Postal Service vehicle maintenance facilities (VMFs), VMF auxiliaries,<sup>9</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.

### Objectives, Scope, and Methodology

Our objectives were to determine whether selected PVS vehicle operations were effective and economical. We conducted this performance audit from December 2010 through July 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on June 2, 2011, and included their comments where appropriate.

Using Postal Service computer-generated data and other records, we analyzed 92 Baltimore P&DC driver schedules, identified 189,329 annual workhours associated with those schedules, and evaluated individual trips and trip load volume. We conducted

---

<sup>9</sup> Extension of a VMF.

the analysis to determine whether management could reduce workhours and labor costs. As part of our review, 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 fiscal year (FY) 2010 Strategic Sustainability Performance Plan and determined whether our recommendations impacted the initiatives.

We noted several weaknesses in the computer-generated data that limited our work. For example, some computer records were missing data and had 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 workhours and cost-reduction estimates.

Prior Audit Coverage

At the request of the vice president, Network Operations Management, the OIG has worked with the Postal Service to reduce PVS costs. As indicated in the following chart, since March 2007, we have issued numerous audit reports that identified labor and other potential savings of \$145.8 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>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
<i>Postal Vehicle Services – Scheduling and Staffing – Atlanta District</i>	NL-AR-10-008	9/29/2010	40.1
<i>Postal Vehicle Service Transportation Routes – Suburban Maryland Processing and Distribution Center</i>	NL-AR-11-001	1/13/2011	6.5
<i>Connecticut Valley District – PVS Scheduling and Staffing</i>	NL-AR-11-002	3/18/2011	19.9
<b>Total</b>			<b>\$145.8<sup>10</sup></b>

<sup>10</sup> Total in chart slightly higher due to rounding difference.

### Appendix B: 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>11</sup> Total (Phased In)	FY 2012 (Annual) Total	10-Year Total (FYs 2011 to 2020)	Percentage
Personnel	\$209,539	\$834,557	\$7,121,257	98.2%
Fuel	8,592	8,528	83,095	1.1%
Damage Claims	5,286	5,206	49,395	0.7%
<b>Total</b>	<b>\$223,417</b>	<b>\$848,291</b>	<b>\$7,253,747<sup>12</sup></b>	<b>100.0%</b>

Rates by Type <sup>13</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>14</sup>
Agreed to by Management	21015	4	55,604	\$218,727
	21033	12	114,300	517,413
	21035	2	20,003	60,630
	21040	2	12,598	69,999
	210L1	4	13,297	120,090
<b>Total</b>		<b>24</b>	<b>215,801</b>	<b>\$986,859</b>

<sup>11</sup> The FY 2011 figure is conservative to allow for phase-in of workhour reductions during the year.

<sup>12</sup> Impact Category: Funds put to better use are funds that could be used more efficiently by implementing recommended actions.

<sup>13</sup> Rates published May 7, 2010.

<sup>14</sup> Estimated savings are based on the remaining value of existing contracts and are negotiated between the Postal Service and their suppliers.

## Appendix C: Management's Comments

AREA VICE PRESIDENT  
CAPITAL METRO AREA OPERATIONS



July 8, 2011

LUCINE M. WILLIS  
DIRECTOR AUDIT OPERATIONS

SUBJECT: OIG Draft Audit Report – Postal Vehicle Service Transportation Routes  
Baltimore MD Processing and Distribution Center  
(Report Number NL-AR-11-DRAFT)

In response to the OIG Draft Audit Report – Postal Vehicle Service Transportation Routes – Baltimore MD Processing and Distribution Center – (Report Number NL-AR-11-DRAFT), the Capital Metro Area offers the following:

**Recommendation #1:** *Ensure that the Baltimore 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:** We agree with the audit findings and have reissued instructions derived from Handbook PO-701 to the Capital Metro Area Executives advising them of their responsibility to assure that annual efficiency reviews of the PVS operations under their supervision are conducted as required.

**Recommendation #2:** *Verify elimination of the 11,789 workhours identified in our audit from the Postal Vehicle Service trip schedules.*

**Management Response:** Capital Metro Area concurs with the findings and recommendation. The PVS run changes that local management agreed with the OIG auditors to reduce through consolidation will go into effect on July 29. The new bids were posted on July 2, and will close on July 12. A copy of the new runs is attached to management's response.

**Recommendation #3:** *Reassess the remaining 7,273 workhours and eliminate the workhours as indicated by the reassessment, or document the reasons for retaining them.*

**Management Response:** While we agree that the identified trips associated with the remaining 7,273 workhours are underutilized, capturing this opportunity through the recommendations provided by the auditors may have exponential cost and service impacts for Customer Service Operations that outweigh the identified transportation savings. We are presently evaluating the potential impacts as well as alternative mail processing and transportation scheduling strategies that may enable us to capture the remaining opportunity identified in the audit. It is our expectation to complete this study NLT August 25, 2011.

MAILING ADDRESS:  
16501 SHADY GROVE ROAD  
GAITHERSBURG MD 20898-9998  
301-548-1410  
FAX: 301-548-1434

- 2 -

**Recommendation #4:** *Eliminate from highway contracts 24 trips identified in our audit.*

**Management Response:** The Capital Metro Area is in agreement with the audit finding and has taken action to eliminate 24 trips. A copy of the SCRs in progress to eliminate these trips is attached to management's response.

**Recommendation #5:** *Ensure that the Baltimore Processing and Distribution Center management reemphasizes guidance to drivers enforcing load restraint policies for Postal Vehicle Service trips and provides oversight of load restraint processes.*

**Management Response:** The Capital Metro Area is in agreement with the audit finding and recommendation. Local Management has issued Service Talks and a copy of the revised SOP for properly Restraining Mail Containers (attached) to both the drivers and dock personnel regarding the proper procedures and expectations for proper application of load restraints. Area management has discussed this finding with senior leadership in the Baltimore District and has scheduled a spot audit to verify compliance.

Please contact Robert Borris, Manager Distribution Networks, at 301-548-6930 if you have any questions regarding this response.



David C. Fields  
Attachments