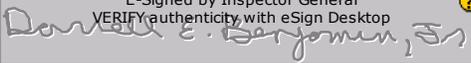




July 19, 2019

**MEMORANDUM FOR:** ROBERT CINTRON  
VICE PRESIDENT, NETWORK OPERATIONS

MARK A. GUILFOIL  
ACTING VICE PRESIDENT, SUPPLY MANAGEMENT

E-Signed by Inspector General  
VERIFY authenticity with eSign Desktop  


**FROM:** Darrell E. Benjamin, Jr.  
Deputy Assistant Inspector General  
for Mission Operations

**SUBJECT:** Management Alert – Commercial Air Contractor Scanning  
(Report Number NL-MT-19-001)

This management alert presents issues identified during our ongoing audit of U.S. Postal Service Transportation Network Operations and Cost Optimization Practices (Project Number 19XG002NL000). The purpose of this management alert is to provide Postal Service officials immediate notification of the issues identified during our ongoing audit. The issues outlined in this report require immediate attention and remediation (Project Number 19XG008NL000).

We identified these issues while conducting our performance audit in accordance with generally accepted government auditing standards. 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.

We appreciate the cooperation and courtesies provided by your staff. If you have questions or need additional information, please contact Carmen Cook, Director, Transportation, or me at 703-248-2100.

Attachment

cc: Postmaster General  
Corporate Audit Response Management

## Introduction

The purpose of this management alert is to highlight concerns identified during the U.S. Postal Service Transportation Network Operations and Cost Optimization Practices audit (Project Number 19XG002NL000). The Postal Service Chief Operating Officer raised concerns regarding domestic commercial air contractors' delivery scans and providing mail to the Postal Service timely at the Atlanta, Detroit, and Newark international airports. We discussed details with the Postal Service's manager of logistics and the manager of commercial air networks and were informed of complaints from employees at the processing and distribution centers (P&DC) and ramp clerks regarding Delta Air Lines' (Delta) performance. Our objective was to determine if Delta Air Lines and its subcontractors were properly scanning mail arriving at airports and making mail available to the Postal Service timely.

The Postal Service contracts with certain commercial airlines (CAIR) to transport primarily First-Class<sup>1</sup> mail to meet established service standards. CAIR utilizes available space on existing commercial passenger flights and is generally the most economical air transport option when available. American Airlines (American), Delta, and United Airlines (United) are the three primary CAIR contractors. In fiscal year 2018, the Postal Service spent about \$213 million to ship 484 million pounds of mail through CAIR.

The current Delta contract<sup>2</sup> was effective September 30, 2017, for a three-year base period with a two-year priced option period. The contract is a fixed price per pound, indefinite quantity contract<sup>3</sup> with a minimum volume guarantee. The minimum volume guarantee for the three-year base period is about 336 million pounds of mail with an estimated cost of \$143 million.

Dispatch and routing (D&R) tags establish the air transport routings and are the basis for air tender and delivery scans that are the primary evidence for proper performance of air transport service by the carrier. Air contractor scanning should be conducted in a timely manner prior to mail staging and transport to mail processing facilities. CAIR delivery scans should be made at the actual time the mail is delivered to the Postal Service.

## Conclusion

We observed operations at Delta Cargo facilities at the Atlanta, GA (ATL); Detroit, MI (DTW); and Newark, NJ (EWR) airports and found that while Delta Air Lines and its subcontractors provided mail to the Postal Service in a timely manner, they improperly

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<sup>1</sup> Delta Airlines Commercial Air Contract (CAIR-17-DL) requires Delta Air Lines to transport mail in excess of 16 ounces per piece in accordance with current Transportation Security Administration requirements.

<sup>2</sup> Delta Air Lines Commercial Air Contract (CAIR-17-DL) is for commercial air transportation for domestic mail to and from destinations within the contiguous 48 states as well as non-contiguous states, including points in AK, HI, Puerto Rico, and the U.S. Virgin Islands.

<sup>3</sup> A type of contract where the quantities of supplies or services specified are not purchased until ordered.

scanned arriving mail as delivered to the Postal Service prior to it actually being provided to the Postal Service in violation of the contract. We also noted other matters requiring attention, including Delta and its subcontractors not properly separating mail and putting it in the incorrect containers. We further noted that Postal Vehicle Service (PVS) information was not always updated in the Postal Service's Vehicle Information Transportation Analysis Logistics (VITAL) system.

### Mail Improperly Scanned as Delivered

Delta and its subcontractors were not complying with the contract terms involving mail scanning. Specifically, we observed Delta employees and subcontractors scanning the mail as delivered prior to delivering it to the Postal Service.

We visited the cargo facilities at ATL on March 26-28, 2019, and observed Delta subcontractors scanning the mail as delivered at the cargo facility while separating incoming mail from transfer mail destined to other cities. During our visit to DTW on April 16-17, 2019, we found Delta employees scanning mail under the passenger terminal multiple times, approximately 50 percent during our observations, before bringing it to the cargo facility. On May 7-8, 2019, we observed Delta subcontractors at EWR scanning mail when it was brought into the cargo facility but then placing it on pallets and separating the mail up to four hours afterwards. According to the contract, a delivery scan is a scan made with a hand-held scanner that records the actual time of delivery at the designated delivery point. The contract further identifies the Delta cargo building as the designated delivery point and delivery should occur during mail separation. Improper scanning occurred because the Postal Service ramp clerks responsible for monitoring Delta employees were not familiar with the contract detailing where and when the mail should be scanned as delivered. As a result, the Postal Service may not be able to correctly assess timeliness penalties if delivery scans are conducted prior to the actual time of delivery and the mail is delivered after the required delivery times.

**Recommendation #1:** We recommend the **Vice President, Network Operations**, establish processes to train ramp and mail clerks on contract provisions concerning when and where Delta Air Lines employees are required to scan the mail.

**Recommendation #2:** We recommend the **Acting Vice President, Supply Management**, inform Delta Air Lines of contract non-compliance issues concerning when and where Delta Air Lines employees are required to scan the mail.

## Shape-Based Separations Were Not Made

We found Delta employees and subcontractors at DTW and EWR were not always separating the mail by shape as required by the contract. At DTW, we observed eight all-purpose containers (APC)<sup>4</sup> and three over-the-road (OTR)<sup>5</sup> containers that contained First-Class letter trays and tubs mixed inside. At EWR, we also observed at least five APCs that contained First-Class letter trays and tubs mixed inside. According to the CAIR-17-DL contract, Delta is required to unload mail from its equipment into mail transportation equipment (MTE) provided by the Postal Service, while making shape-based separations, such as letter trays, flat tubs, and sacks. This occurred because the Postal Service does not have a formal MTE ordering process at the cargo facility and Delta employees were not always provided with enough MTE at DTW to separate the mail. In addition, Delta Air Lines' subcontractors at Alliance Ground International (AGI) at EWR were not familiar with contract requirements involving mail separation. As a result, mail arriving from AGI required sorting by Postal Service employees at the local P&DCs, which is costlier than if the mail had been sorted correctly by AGI employees as required by the contract.

## Missent Mail

We also found Delta Global Service employees, a Delta contractor, at ATL are not always placing mail in the correct OTR container according to its intended destination. We observed two First-Class letter trays and one First-Class sack with D&R tags destined for the Atlanta P&DC but placed in OTRs destined for the North Metro P&DC. In addition, we observed one First-Class letter tray with a D&R tag destined for the North Metro P&DC but placed in an OTR that was destined for the Augusta P&DC. According to the contract, Delta Global Service employees are required to sort the mail into MTE intended for destinations outlined in the contract. Mail clerks responsible for monitoring Delta Global Service sorting operations were not providing proper oversight in verifying if mail was placed in the correct OTRs. As a result, the Postal Service will incur additional costs to transport the mail to the correct destination.

## Insufficient Contractor Space to Collect Mail

At EWR we observed three Postal Service vehicles attempting to come to the Delta subcontractor's facility but unable to because the dock doors were occupied with AGI vehicles. The mail was collected by different postal vehicles that arrived at a later time. According to the contract, the contractor must provide sufficient resources to efficiently and effectively perform the line haul, ground handling, and terminal handling services for its network. This includes the possession, transportation, scanning, loading, and delivery of all mail to the designated destination on or before the required delivery time. As a result of the Delta subcontractor not having adequate space, the mail may not always be delivered to the P&DCs on time and the Postal Service may incur additional costs.

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<sup>4</sup> An aluminum and plastic container with a web door, 42" long x 29" wide x 70" high, used to transport mail.

<sup>5</sup> An aluminum container, 63.5" long x 43" wide x 70" high, used to transport mail.

**Recommendation #3:** We recommend the **Vice President, Network Operations**, ensure that Delta Air Lines has enough mail transportation equipment to separate the mail according to the contract.

**Recommendation #4:** We recommend the **Vice President, Network Operations**, ensure mail clerks monitor Delta Global Service employees sort mail into the correct mail transport equipment.

**Recommendation #5:** We recommend the **Acting Vice President, Supply Management**, inform Delta Air Lines of contract non-compliance space issues.

### Other Contract-Related Matters

Delta employees and its subcontractors were not always separating mail properly before making it available to the Postal Service. Specifically, during our observations we noted they were not separating the mail by shape as required by the contract. We also noted they were placing the mail in the wrong containers to be delivered to local P&DCs. In addition, we found that Delta's subcontractor did not have enough space at its facility for the Postal Service to collect the mail.

### Other Matters

We identified another matter unrelated to our objective that warranted management's attention. We noted PVS information was not always updated in the Postal Service's VITAL system.

#### VITAL Was Not Updated

We found the PVS transportation information from the Delta Cargo facility to local P&DCs in Atlanta was not current in the VITAL system. The Atlanta District transportation manager stated that schedule changes were made four weeks prior in order to improve performance scores at the Peachtree P&DC, but these schedules were not updated in VITAL due to time constraints. As a result, Postal Service managers may not know the actual arrival and departure times of PVS trips to plan for the mail to be processed timely.

Furthermore, we observed eight of the 11 PVS trips departing from the Delta Global Service's facility between five and 30 minutes late.

**Recommendation #6:** We recommend the Vice President, Network Operations, ensure districts update Postal Vehicle Service routes in the Vehicle Information Transportation Analysis Logistics system timely.

### Management's Comments

Management agreed with our findings and recommendations. The target implementation date for each recommendation is August 30, 2019.

Regarding recommendation 1, management agreed to develop standard work instructions (SWI) for ramp clerk duties and responsibilities and issue to the field.

Regarding recommendation 2, management agreed to issue a communication to the supplier highlighting the OIG's findings on non-compliance issues concerning when and where employees are required to scan mail.

Regarding recommendation 3, management agreed to provide all CAIR suppliers with the appropriate contact information for local Postal Service personnel responsible for MTE inventory.

Regarding recommendation 4, management agreed to ensure ramp clerks are properly trained on commercial air carrier contractual requirements and local mail separations. In addition, management will include monitoring compliance of required separations as part of the SWI that will be developed for recommendation 1.

Regarding recommendation 5, management agreed to issue a communication to the supplier highlighting the OIG's findings regarding contract non-compliance space issues.

Regarding recommendation 6, management agreed to distribute communication to the area transportation personnel responsible for overseeing VITAL accuracy to ensure compliance.

See [Appendix A](#) for management's comments in their entirety.

### Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations in the report.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed.

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. MANAGEMENT'S COMMENTS



July 18, 2019

LAZERICK POLAND  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Response to Management Alert - Commercial Air Contractor Scanning  
(Report Number NL-MT-19-DRAFT)

Thank you for providing the United States Postal Service with an opportunity to review and comment on the subject draft management alert regarding Commercial Air Contractor Scanning. Management agrees with the observations and report's recommendations and will address each recommendation below.

**Recommendation 1:**

Establish processes to train ramp and mail clerks on contract provisions concerning when and where Delta Air Lines employees are required to scan the mail. *(Vice President, Network Operations)*

**Management Response/Action Plan 1:**

Standard Work Instructions (SWI) will be developed for Ramp Clerk duties and responsibilities and will be issued to field.

**Target Implementation Date:**

August 30, 2019

**Responsible Official:**

Manager, Commercial Air Networks

**Recommendation 2:**

Inform Delta Air Lines of contract non-compliance issues concerning when and where Delta Air Lines employees are required to scan the mail. *(Vice President, Supply Management)*

**Management Response/Action Plan 2:**

Management agrees with this recommendation. Management will issue a communication to the supplier highlighting the OIG's findings regarding the non-compliance issues concerning when and where employees are required to scan the mail.

**Target Implementation Date:**

August 30, 2019

**Responsible Official:**  
Manager, Air Transportation CMC

**Recommendation 3:**  
Ensure that Delta Air Lines has enough mail transportation equipment to separate the mail according to the contract. *(Vice President, Network Operations)*

**Management Response/Action Plan 3:**  
Provide all CAIR suppliers the appropriate contact information for local USPS personnel responsible for MTE inventory.

**Target Implementation Date:**  
August 30, 2019

**Responsible Official:**  
Manager, Commercial Air Networks

**Recommendation 4:** Ensure mail clerks monitor Delta Global Service employees sort mail into the correct mail transport equipment. *(Vice President, Network Operations)*

**Management Response/Action Plan 4:**  
Ensure Ramp Clerks are properly trained on air carrier contractual requirements and local separations. Monitoring compliance of the required separations will be part of the Standard Work Instruction (SWI) that will be developed for Recommendation 1.

**Target Implementation Date:**  
August 30, 2019

**Responsible Official:**  
Manager, Commercial Air Networks

**Recommendation 5:**  
Inform Delta Air Lines of contract non-compliance space issues. *(Vice President, Supply Management)*

**Management Response/Action Plan 5:**  
Management agrees with this recommendation. Management will issue a communication to the supplier highlighting the OIG's findings regarding contract non-compliance space issues.

**Target Implementation Date:**  
August 30, 2019

**Responsible Official:**  
Manager, Air Transportation CMC

**Recommendation 6:**

Ensure districts update Postal Vehicle Service routes in the Vehicle Information Transportation Analysis Logistics system timely. (*Vice President, Network Operations*)

**Management Response/Action Plan 6:**

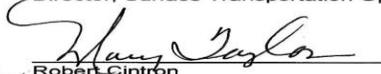
Communication will be distributed to the Area Transportation personnel responsible for overseeing VITAL accuracy to ensure compliance.

**Target Implementation Date:**

August 30, 2019

**Responsible Official:**

Director, Surface Transportation Operations

for   
Robert Cintron  
VP, Network Operations

  
Mark Guilfoil  
A/VP, Supply Management

cc: Manager, Corporate Audit & Response Management