

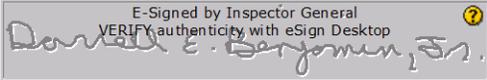


September 5, 2019

MEMORANDUM FOR: ROBERT CINTRON
VICE PRESIDENT, LOGISTICS

MARK A. GUILFOIL
(A) VICE PRESIDENT, SUPPLY MANAGEMENT

CARA M. GREENE
VICE PRESIDENT, CONTROLLER

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

SUBJECT: Management Alert – Charter Flights
(Report Number NL-MT-19-002)

This management alert (Project Number 19XG012NL000) presents issues identified during our ongoing audit of U.S. Postal Service Transportation Network Operations and Cost Optimization Practices (Project Number 19XG002NL000). The objective of this management alert was to provide Postal Service officials immediate notification of the issues identified during our ongoing audit. The issue outlined in this report requires immediate attention and remediation.

We identified this issue 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 enough 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

During our audit of U.S. Postal Service Transportation Network Operations and Cost Optimization Practices (Project Number 19XG002NL000), we identified that the Postal Service [REDACTED]

The air transportation network operates through negotiated contracts with [REDACTED] also known as Cargo Networks, and commercial airlines (CAIR). [REDACTED]

pounds of mail each quarter in FY 2018 and in Q1 of FY 2019. Postal Service Headquarters manages the air network by forecasting mail volume six months in advance, contracting air lift, assigning mail volume, and prioritizing assignments. Headquarters staff works with employees in the seven geographical Postal Service areas and mail processing plants throughout the country to execute mail assignment plans including meeting minimum contractual air lift requirements and accommodating excess mail volumes that require additional air lift. Differences between forecasted and actual mail volume are mitigated daily during morning operational meetings.

Supply Management negotiated and approved the [REDACTED]

From October 2017 through April 2019, the number of charter flights ranged from [REDACTED] in March 2018 to [REDACTED] in June 2018, excluding the December 2017 and 2018 peak months. The average number of charter flights per month is [REDACTED] during this period. As reflected below, the charter flights for December 2017 were [REDACTED] and for December 2018 it was [REDACTED]. This is significant because during these peak months, [REDACTED] provides additional capacity as negotiated in the [REDACTED] to handle peak season volume (see [Figure 1](#)).

delivery time to required delivery time. Delivery performance requirements for the day network service is [redacted] percent,² except in peak Season (December), during which it is [redacted] percent.

[redacted]

Modifications to the [redacted] are created when [redacted] accepts the Postal Service's request for chartered flights.

[redacted]

Over the period October 2017 through April 2019, the Postal Service contracted for [redacted] charters⁴ covering [redacted] flights costing [redacted] million and moving [redacted] million cubic feet of mail. Excluding December 2017 and December 2018 (peak operating periods), the average non-peak operating period had [redacted] chartered flights costing [redacted] million and moving [redacted] cubic feet of mail. [Figure 2](#) shows the quantity of mail flown on [redacted] charter flights per operating period.

² On-time performance is measured by dividing the total on-time handling units by lane for the operating period receiving a delivery scan by the total handling units by lane for the operating period receiving a delivery scan.

⁴ When the Postal Service calls for a charter flight, it [redacted] associated with that plane and attempts [redacted].

Figure 2. Mail Flown on [REDACTED] Charters from FY 2018 to April 2019



Source: Air Transportation Category Management Center.

From October 2017 through March 2019 (18 months), [REDACTED] adjusted service performance scores were extracted from the Postal Service's Surface Air Support System (SASS), which captures scanned handling units.⁶ The SASS system engages in a series of steps which account for circumstances that may affect [REDACTED] performance scores.⁷ Once complete, the system produces an adjusted on-time service performance score. Ordinarily, the Postal Service and [REDACTED] validate these scores;

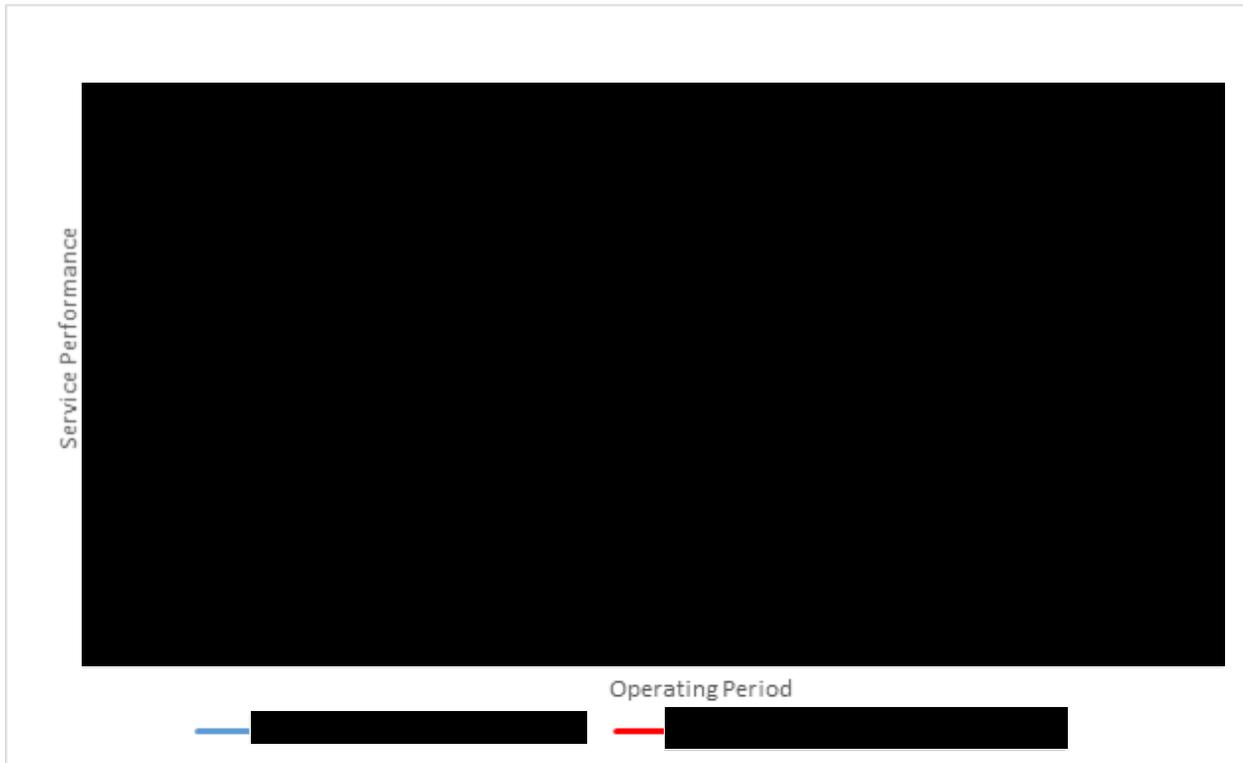
[REDACTED] The SASS service performance score represents the best available information for analysis. As illustrated in Figure 3, [REDACTED] for any of the 18 operating periods and [REDACTED]

[REDACTED]

⁶ A handling unit is a container of mail that receives a dispatch and routing tag, which indicates the air information for that piece of mail. This includes air carrier, flight number, and destination air stop.

⁷ Circumstances include such things as weather events, plant delays, and Terminal Handling Service delays.

Figure 3. [REDACTED] Adjusted Service Performance Summary
From FY 2018 to March 2019



Source: SASS.

Supply Management [REDACTED]

Supply Management and Network Operations managers further explained that they evaluated the business decision associated with this [REDACTED] [REDACTED] charters and determined that the need to transport the mail outweighed the related risks which include:

- Failing to achieve service performance standards for excess mail;
- Impacting customer service satisfaction;
- Placing Postal Service revenues at risk; and
- Compromising the Postal Service’s goodwill and branding.

[REDACTED]

To address these issues, the Postal Service [REDACTED] [REDACTED] Starting in FY 2019 it began an increased effort on using point-to-point supplemental air carriers [REDACTED].⁹ Specifically, for FY 2019, Q2, the Postal Service used supplemental air carriers to transport over 20 million pounds of mail [REDACTED] [REDACTED]

As reflected in Table 2, the Postal Service [REDACTED] charters for the January through April 2019 operating period by [REDACTED] percent for flights and [REDACTED] percent for cubic feet of mail flown over the same period in 2018.

Table 2. [REDACTED] Charters – January – April 2019 Compared to Same Period Last Year (2018)

Operating Period	Flights	Cost	Cubic Feet
Jan. – April 2019	[REDACTED]	[REDACTED]	[REDACTED]
Jan. – April 2018	[REDACTED]	[REDACTED]	[REDACTED]
Difference	[REDACTED]	[REDACTED]	[REDACTED]
Percent Change	[REDACTED]	[REDACTED]	[REDACTED]

Source: OIG analysis of Postal Service contract data.

Even with the [REDACTED] charters, the Postal Service still required [REDACTED] chartered flights in the April 2019 operating period to move [REDACTED] cubic feet of excess mail volume. These [REDACTED] chartered flights occurring over four weeks in April 2019 were distributed daily as reflected in Table 3.¹⁰

Table 3. [REDACTED] Charters – April 2019 Flights

Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: OIG analysis of Postal Service contract data.

[REDACTED] [REDACTED] The U.S. cargo market has limited options in terms of national reach and sorting capabilities needed to meet the Postal Service’s transportation requirements, and the Postal Service is prohibited from entering into agreements with non-U.S. air carriers.

⁹ Supplemental charters provide point to point transportation and do not involve the additional costs of sortation or transfers at hub location. Additionally, they are paid [REDACTED]

¹⁰ [REDACTED]

[REDACTED]

[REDACTED]

Recommendation #1: We recommend the Vice President, Network Operations, in coordination with the Vice President, Supply Management, evaluate the [REDACTED].

Recommendation #2: We recommend the Vice President, Network Operations, in coordination with the Vice President, Supply Management, evaluate opportunities to further [REDACTED].

Recommendation #3: We recommend the Vice President, Network Operations and Vice President, Controller, track the amount of [REDACTED].

Management's Comments

Management agreed with our finding and recommendations. After subsequent conversations with Postal Service management, the target implementation date for recommendation 1 is November 29, 2019. Management stated that corrective actions for recommendations 2 and 3 have been taken and requested immediate closure of these recommendations upon report issuance.

[REDACTED]

Regarding recommendation 1, management agreed to periodically monitor and assess the opportunity to [REDACTED] the operating period when charters are ordered.

Regarding recommendation 2, management stated [REDACTED]. Management further stated this procured alternate capacity has resulted in a [REDACTED] percent reduction in charters nationally.

Regarding recommendation 3, management stated it implemented a process to [REDACTED]

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.

Regarding recommendation 1, management did not provide a timeline of when they would periodically monitor and assess the opportunity to [REDACTED] within the operating period when charters are ordered. In subsequent conversations with management, they agreed to provide this information with a target implementation date of November 29, 2019.

Regarding recommendation 2, management requested that we close the recommendation upon issuance of the report. In subsequent conversations, management provided supporting documentation validating [REDACTED]

Therefore, we are closing this recommendation.

Regarding recommendation 3, management requested that we close the recommendation upon issuance of the report. In subsequent conversations, management provided a [REDACTED] which provides the data related to [REDACTED]. However, this documentation does not reflect [REDACTED]

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



August 23, 2019

LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Response to Management Alert – [REDACTED]
[REDACTED] (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 [REDACTED]. Management agrees with the observations and report's recommendations and will address each recommendation below. We officially request closure for Recommendations 2 and 3 at this time. The solutions for these recommendations have been implemented and there is no further action needed.

Recommendation #1:

We recommend the Vice president, Network Operations, in coordination with the Vice President, Supply Management, evaluate the [REDACTED]

Management Response to Recommendation 1:

We agree with this recommendation. The Postal Service will periodically monitor and assess the opportunity to [REDACTED] within the operating period when charters are ordered.

Responsible Official:

Manager, Air Transportation Operations and Manager, Air Transportation CMC

Target Implementation Date:

November 2019

Recommendation #2:

We recommend the Vice President, Network Operations, in coordination with the Vice President, Supply Management, evaluate opportunities to further minimize [REDACTED] charters.

Management Response to Recommendation 2:

Management agrees with this recommendation. The Postal Service has contracted with additional suppliers to provide alternative capacity to minimize [REDACTED] charters. The procurement of this alternate capacity has resulted in a [REDACTED] reduction in charters nationally and a [REDACTED] reduction in the west coast markets. We will continue to pursue opportunities to further reduce the dependency on [REDACTED] charters resulting in reduced cost and improved service.

Target Implementation Date:

Already Implemented

Recommendation #3:

We recommend the Vice President, Network Operations and Vice President, Controller, track [REDACTED]

Management Response to Recommendation 3:

Management agrees with this recommendation. We have implemented a process to track the [REDACTED] charters [REDACTED]

Target Implementation Date:

Already Implemented



Robert Cintron
Vice President, Network Operations

E-SIGNED by MARK GUILFOIL
on 2019-08-21 13:54:30 CDT

Mark A. Guilfoil
Vice President, Supply Management



Cara M. Greene
Vice President, Controller

cc: Manager, Corporate Audit & Response Management