

July 27, 2000

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VICE PRESIDENT, MID ATLANTIC AREA OPERATIONS

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SERVICE CENTER NETWORK PROGRAM

SUBJECT: Audit Report – Extra Trip Expenditures within the Mid Atlantic Area
(Report Number TR-AR-00-009)

This report presents the results of our audit of extra trip expenditures in the Mid Atlantic Area. Our overall objective was to determine how the Postal Service could reduce extra trip expenditures. The audit disclosed that the three major mail processing centers in the Mid Atlantic Area-Greensboro, Louisville, and Charlotte-could save about \$2.5 million over the next five years by eliminating extra trips to move unprocessed mail and mail transport equipment, and by discontinuing payment of diversion rates for unscheduled stops on rural routes. The audit also disclosed that management could further reduce costs by optimizing trailer space, increasing oversight of dispatch operations, and increasing control over extra trip certification and payment. Management agreed with our findings and recommendations. Management's comments, in their entirety, are included in the appendix to this report.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have questions or need additional information, please contact Mr. Joseph Oliva, director, Transportation, at (703) 248-2317 or me at (703) 248-2300.

Ronald K. Stith
Acting Assistant Inspector General
for Business Operations

Attachment

cc: Anthony M. Pajunas
Paul E. Vogel
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TABLE OF CONTENTS

Part I

| | |
|-------------------|---|
| Executive Summary | i |
|-------------------|---|

Part II

Introduction

| | |
|------------------------------------|---|
| Background | 1 |
| Objectives, Scope, and Methodology | 1 |
| Prior Audit Coverage | 2 |

Audit Results

Major Causes of Extra Trip Expenditures

| | |
|--|---|
| Optimization of Trailers and Containers | 3 |
| Route Service Changes | 5 |
| Issues Unique to Louisville Center | 6 |
| Issues Unique to Charlotte Center | 7 |
| Expenditures Unique to Greensboro Center | 7 |
| Recommendations | 8 |
| Management's Comments | 8 |
| Evaluation of Management's Comments | 9 |

Internal Controls

| | |
|--|----|
| Completion and Authorization of Extra Trip Forms at the Louisville Center | 10 |
| Certification of Extra Trip Mileage at the Charlotte Center | 10 |
| Separation of Duties at the Greensboro Center | 11 |
| Recommendations | 11 |
| Management's Comments | 11 |
| Evaluation of Management's Comments | 11 |

Appendix. Management's Comments

EXECUTIVE SUMMARY

Introduction

The Office of Inspector General conducted an audit of the Postal Service's expenditures for extra trips on highway contract routes in the Mid Atlantic Area. In fiscal year (FY) 1999, extra trip expenditures in the Mid Atlantic Area totaled over \$16 million. The audit focused on the Greensboro Bulk Mail Center (Greensboro center), Louisville Processing and Distribution Center (Louisville center), and the Charlotte Processing and Distribution Center (Charlotte center), which were collectively responsible for \$6.5 million or 41 percent of total extra trip expenditures in the Mid Atlantic Area.

The audit was conducted in response to issues identified by Transportation managers during the development of our FY 2000 audit workload plan. Specifically this report addresses the (1) major causes of extra trips, and (2) adequacy of internal controls over extra trip expenditures.

Results in Brief

Our audit disclosed that extra trip expenditures in the three centers were caused, in part, by suboptimization of trailer space and containers and the need for route scheduling changes. Trailer space and containers were not optimized because all three centers were not able to obtain adequate mail transport equipment. In addition, the centers were unable to identify underutilized trailer space on existing trips due to inaccurate trailer load data in the Transportation Information Management Evaluation System.¹ Further, scheduling changes to convert extra trips to regular contract service were not made due to poor dispatch discipline.²

Extra trip expenditures were also due to factors unique to each of the centers, that if addressed, could reduce expenditures by \$2.5 million over the next five years. At the Louisville center, 45 percent of extra trip charges were either made by other Kentucky centers or other extra trips transporting unprocessed mail to another facility to eliminate processing delays. The Louisville center could reduce its costs by \$525,000 over the next five years by eliminating

¹ The Transportation Information Management Evaluation System records truck dispatch and arrival times and trailer utilization rates.

² Dispatch discipline ensures that processed volumes are actually moved as planned to meet intended transportation that fits the transportation window and achieves the best possible service at the most cost-effective rate.

those extra trips used to redistribute unprocessed mail. The Charlotte center could save \$352,000 over the next five years by using space on regular trips, instead of extra trips, to deliver empty mail transport equipment to small centers not serviced by the area mail transport equipment service center. The Greensboro center could save \$1.6 million in extra trip expenditures by discontinuing the payment of costly diversion rates for rural routes.

Finally, internal controls over the authorization of extra trips and payment documents were inadequate at the three centers, providing no assurance that contractors were paid only for work performed and that payments were reasonable. Extra trip authorization forms at the Louisville center were missing information essential for tracking, analyzing, and assessing the quality of dispatch operations. In addition they were not properly authorized. At the Charlotte center, management and staff regularly certified extra trip mileage over the telephone with incomplete or without supporting documentation. This resulted in the payment of at least one contractor for trips not performed. At the Greensboro center, no separation of duties over extra trip certification and payment were present to prevent fraud, waste, and abuse.

**Summary of
Recommendations**

To reduce extra trip expenditures, we recommend the vice president, Mid Atlantic Area ensure mail transport equipment problems are documented and reported, dispatch discipline reviews are performed, and extra trip costs at the Louisville center are charged to originating facilities. Further, we recommend the Charlotte center use existing space on regular trips to transport empty mail transport equipment, review documentation supporting extra trips and recover any unsupported payments; and the Greensboro center immediately discontinue payment of diversion rates. Also, internal controls at all three centers should be strengthened.

Finally, we recommend the executive director, Mail Transport Equipment Service Center Network Program requirements for mail transport equipment.

**Summary of
Management's
Comments**

Management agreed with our recommendations, stating that corrective actions would result in cost savings, the amount of which could not be determined. Management provided corrective actions to (1) ensure adequate mail transport equipment is available at processing centers, (2) conduct dispatch discipline reviews, (3) charge extra trip costs to originating centers, (4) utilize regular trips for transporting empty mail transport equipment, (5) renegotiate diversion rates, and (6) improve internal controls over extra trip expenditures. Management's comments, in their entirety, are included in the Appendix of this report.

**Overall Evaluation of
Management's
Comments**

Management's comments were responsive to our findings and recommendations. We believe that the actions taken and planned should correct the issues identified in our report.

INTRODUCTION

Background

Highway contract routes provide regularly scheduled surface transportation between postal facilities. If unforeseen transportation needs arise that cannot be met by established routes, the Postal Service can request that contractors perform extra trips on existing routes. In FY 1999, the Mid Atlantic Area spent \$16 million on extra trip expenditures.

Responsibility for managing extra trips is currently divided between Networks Operations staff in the field and transportation staff at processing and distribution centers and bulk mail centers. Purchasing and Materials staff in each area also process service changes affecting highway contract routes.

Objective, Scope, and Methodology

The objective of the audit was to determine how the Postal Service could reduce extra trip expenditures at three locations within the Mid Atlantic Area—the Greensboro Bulk Mail Center, Louisville Processing and Distribution Center, and Charlotte Processing and Distribution Center. The three facilities were judgmentally selected because collectively they were responsible for \$6.5 million or 41 percent of total trip expenditures in the Mid Atlantic Area. To identify opportunities for reducing expenditures, we determined the (1) major causes for extra trips, and (2) adequacy of internal controls over extra trip expenditures.

To determine the major causes for extra trips, we observed dispatch operations, identified sources of expenditures, reviewed trailer load rates reported in the Transportation Information Management Evaluation System, and analyzed dispatch schedules for regularly scheduled highway routes during FY 1999. We did not determine the causes of trips operated by other facilities that charged their expenditures to the facilities we visited.

To determine the adequacy of internal controls over extra trips, we reviewed extra trip authorization and payment certification forms, and interviewed managers and networks specialists at the three centers and the distribution networks office.

This audit was conducted between November 1999 and July 2000 in accordance with generally accepted government auditing standards, and included tests of internal controls as were considered necessary under the circumstances. We discussed our findings with appropriate management officials, and included their comments, where appropriate.

Prior Audit Coverage

In our September 29, 1999, report, Emergency and Extra Trip Expenditures on Highway Routes (TR-AR-99-003), we found extra trip rates were excessive because they included fixed costs, such as general overhead and insurance, for which the Postal Service already paid contractors as part of regular contract service. Eliminating fixed costs would have produced annual savings of about \$739,000 based on FY 1999 extra trip expenditures in the Mid Atlantic Area. We also reported that better monitoring of extra trip expenditures could have led to identifying extra trips that occurred with such frequency they were “regularly scheduled trips.” We recommended that extra trip rates be established when regular service contracts are negotiated, and that distribution networks offices monitor extra trip expenditures. The Postal Service concurred with our findings and agreed to establish a pilot to negotiate extra trip rates at contract award or renewal and to develop a tracking system to monitor extra trip expenditures.

In our December 6, 1999, report, Mail Processing Delays at the Louisville Processing and Distribution Center, (TR-MA-00-001), we found the equivalent of 20 trailers of unprocessed Periodicals and Standard Mail staged in various areas of the facility. Due to the backlog, district officials used extra highway trips to redirect some mail to other locations for processing and then return mail to Louisville for final distribution. Management agreed with our suggestions and stated that the review led to decisions, which will create better control and integrity in the processing and reporting of mail volumes.

AUDIT RESULTS

Major Causes of Extra Trip Expenditures

Our audit disclosed that extra trip expenditures in the three centers in Mid Atlantic Area were caused, in part, by suboptimization of trailer space and containers and the need for route scheduling changes. Trailer space and containers were not optimized because all three centers were not able to obtain adequate mail transport equipment. The centers were unable to identify underutilized trailer space on existing trips due to inaccurate trailer load data in the Transportation Information Management Evaluation System. Further, scheduling changes to convert extra trips to regular contract service were not made due to poor dispatch discipline.³

Additionally, at the Louisville center, 45 percent of extra trip charges were made by other Kentucky centers. This impacted the center's ability to manage costs. Of those extra trips operated by the Louisville center, some were used to transport unprocessed mail to another facility to eliminate processing delays that had been corrected during the audit. Therefore, the Louisville center could reduce its costs by \$525,000 over the next five years by eliminating those extra trips used to redistribute unprocessed mail. The Charlotte center could save \$352,000 over the next five years by using space on regular trips, instead of extra trips, to deliver empty mail transport equipment to small centers not serviced by the area mail transport equipment service center. Finally, the Greensboro center could save \$1.6 million in extra trip expenditures by discontinuing the payment of costly diversion rates for unscheduled stops on rural routes.

Optimization of Trailers and Containers

Management at the three centers did not always optimize trailer or container space. For example, the Charlotte center dispatched two extra trips on November 5 and 6, 1999, with load percentages of 5 and 15 percent, respectively. Trailer space could not be optimized because centers transported mail in palletized cardboard boxes that consumed more trailer space than other types of mail

³ Dispatch discipline ensures that processed volumes are actually moved as planned to meet intended transportation that fits the transportation window and achieves the best possible service at the most cost-effective rate.

transport equipment. As illustrated in the following photograph, palletized cardboard boxes could not be stacked on top of each other and lost their shape once they were loaded.



Figure 1. Suboptimization of trailer space

Additionally, mail transport equipment was often larger than what was needed to transport the mail volume. Volumes easily handled by sacks were loaded into over-the-road containers and cardboard boxes. Because containers used were larger than needed, trailer space was not optimized. For example, as illustrated below, a cardboard box was used to transport a small amount of mail.



Figure 2. Suboptimization of mail transport equipment

Although management recognized the use of cardboard boxes was inefficient, they were not always able to get the proper mail transport equipment, such as over-the-road containers, from the mail transport equipment service center to optimize space on trailers. In particular, there was a shortage of smaller containers, such as sacks, needed to handle smaller volumes of mail.

Further, all three centers were not able to identify underutilized trailer space due to inaccurate trailer load data in the Transportation Information Management Evaluation System. Trailer utilization data was inaccurate because center personnel subjectively determined capacity usage based on floor coverage versus the quantity of mail loaded on the trailers. However, given that trips to delivery units require specific mail separation, a more accurate measure of trailer utilization may not be possible. For this reason centers and the distribution networks office need to more frequently review dispatch discipline to ensure existing transportation is optimized.

Route Service
Changes

Management at the three centers allowed daily scheduled extra trips to operate over extended periods without reviewing the need for service changes. As shown in the following chart, the three centers collectively operated 23 routes that had extra trips on a recurring basis during FY 1999.

| | Charlotte | Greensboro | Louisville | Total |
|--|-----------|------------|------------|-------|
| Number of routes reviewed with recurring extra trips | 15 | 6 | 2 | 23 |

According to the Postal Service Purchasing Manual, extra trips are to be used only when an unanticipated increase in mail volume or other conditions arise. However, the Charlotte center operated daily extra trips on one route for about three years, spending over \$1 million before pursuing a service change. As a result, these trips were extended even though they no longer met the criteria of being unanticipated.

Service changes were not always timely because neither the centers nor the distribution networks office conducted dispatch discipline reviews. According to the Postal Service's M-22 Handbook,⁴ both district Networks offices and processing facilities should perform dispatch discipline reviews to assess whether mail volumes move as planned to meet intended transportation windows and that transportation provides the best possible service at the most cost-effective rate. However, center and distribution network management were not aware of the requirement to perform the reviews. By not completing the required reviews, daily scheduled extra trips continued to operate and transportation requirements were not addressed in a timely manner.

⁴ Handbook M-22, Dispatch and Routing Policies was issued in October 1994.

Issues Unique to
Louisville Center

Over 45 percent of extra trip expenditures for the Louisville center were operated by other facilities. The area Distribution Networks office allowed other centers within the Louisville center cluster to charge their extra trips to the Louisville center finance number as shown below:

Sources of FY 1999 Extra Trip Expenditures

| Source | Expenditures |
|---|---------------------|
| Louisville Processing and Distribution Center | \$ 815,619 |
| Other Facilities Charging Against Louisville Processing and Distribution Center | |
| Evansville | 438,907 |
| Bowling Green | 141,335 |
| Paducah | <u>97,729</u> |
| Total | \$ 1,493,590 |

This process did not provide proper controls because the Louisville center lacked authority over the other centers. Such costs should be managed by each facility to place accountability where it belongs.

Additionally, the Louisville center operated extra trips to redirect unprocessed mail to another center to eliminate processing delays identified in our December 1999 report. The unprocessed mail was sent to the Bowling Green Processing and Distribution Facility for processing and returned to the Louisville center for distribution. In response to our report the Postal Service took immediate action, processing and distributing all the delayed mail before the end of calendar year 1999. For this reason the extra trips to the Bowling Green Processing and Distribution Facility are no longer needed and can be eliminated. We estimate the Postal Service could save \$105,000 annually, or \$525,000 over the next five years by eliminating this service.

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| Issues Unique to the Charlotte Center | <p>The Charlotte center operated about ten extra trips per week to transport empty mail transport equipment to associate centers not serviced by the Greensboro Mail Transport Equipment Service Center. In FY 1999 the Charlotte center spent \$70,400 on these trips, although regular trips could have accommodated the mail transport equipment. Our audit disclosed that trailers dispatched during the fiscal year were generally 70 percent loaded, leaving 30 percent of unused space. By using existing space on regular trips to transport equipment and eliminating the ten weekly trips, the Charlotte center could save approximately \$352,000 over a 5-year period.</p> |
| Expenditures Unique to the Greensboro Center | <p>Extra trip expenditures at the Greensboro center were extravagant due to the payment of a diversion rate for unscheduled stops on rural routes. This rate was up to 30 times the cost of contract rates for regular service. For example, the diversion rate cost up to \$45 for a diversion of one mile while the contract rate averaged \$1.48 per mile. Diversion rates were paid for extra trips that included route deviations for unscheduled stops. These charges, which had been paid over a period of two years, ranged from \$35 for diversions of 0 to 5 miles to \$121 for diversions of 20 to 25 miles.</p> <p>Postal Service policy provides that additional mileage be paid at the current contract or pro rata rate. An analysis of the diversion charges during FY 1999 showed the diversion rate resulted in excess costs of \$323,166. Using pro rata rates instead of diversion rates could save approximately \$1.6 million over the next five years.</p> <p>According to the contract specialist at the Distribution Networks office, the diversion rate was added to the contract to compensate contractors for rural routes. However, the Greensboro transportation manager told us this practice was not in the best interest of the Postal Service. Despite objections from the Greensboro center, the contract specialist added the diversion rate addendum to existing contracts. When we interviewed the Greensboro plant manager, he was unaware that contractors were being paid diversion rates.</p> |

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| Recommendations | <p>We recommend that the vice president, Mid Atlantic Area Operations:</p> <ol style="list-style-type: none">1. Document problems experienced in obtaining adequate mail transport equipment and report them to the distribution networks office for appropriate action. |
| Management's Comments | <p>Management agreed with our recommendation. They acknowledged a problem and stated that they would issue a letter instructing processing centers to document and report all mail transport equipment problems to the area manager transportation equipment specialist.</p> |
| Recommendation | <ol style="list-style-type: none">2. Ensure distribution networks office and processing centers, perform dispatch discipline reviews, document results, and implement the necessary corrective actions. |
| Management's Comments | <p>Management agreed with our recommendation and stated that they would issue instructions by July 31, 2000, to all transportation offices to conduct field reviews on dispatch discipline procedures. Management also stated that they would conduct dispatch discipline reviews at Louisville, Greensboro, and Charlotte by the end of FY 2000.</p> |
| Recommendation | <ol style="list-style-type: none">3. Charge extra trip costs for the Louisville center to the originating center operating the extra trip. |
| Management's Comments | <p>Management agreed with our recommendation and stated that extra trips on HRC 40013 would be incorporated into the renewal HCRs 42111 and 42190. Management also stated that effective July 1, 2000, extra trip charges would be charged to originating centers. Management further stated that these changes will have an overall savings, however, that they were not in agreement with the stated savings.</p> |
| Recommendation | <ol style="list-style-type: none">4. At the Charlotte center, use existing trailer space on regular trips to transport empty mail transport equipment to associate offices. |
| Management's Comments | <p>Management agreed with our recommendation and stated that service changes implemented on May 20, 2000, eliminated extra trips. Management also agreed that</p> |

eliminating these extra trips would save \$352,000 over the next five years and stated that regular trips were now being used transport empty mail transport equipment

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| Recommendation | 5. Discontinue the payment of diversion rates for unscheduled stops on rural routes at the Greensboro center. |
| Management's Comments | Management agreed with our recommendation and stated that diversion rates are currently paid in accordance with contractual requirements, but that requirements will be renegotiated during negotiations in June 2001. Management also agreed that a potential savings would be realized due to the renegotiated of diversion rates, however they were unable to determine the saving amount. |
| Recommendation | We recommend that the executive director, Mail Transport Equipment Service Center Network Program: 6. Develop a plan to ensure that the mail transport equipment service center network meets facility requirements for mail transport equipment. |
| Management's Comments | Management agreed with our recommendation and stated that they have tasked area mail transport equipment specialists to review and adjust mail transport equipment requirements at least twice per year. |
| Evaluation of Management's Comments | Management's comments are responsive to our findings and recommendations. We believe that the actions, taken and planned, should correct the issues identified in our report |

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| Internal Controls | <p>Our audit disclosed internal controls over authorizations of extra trips and payment documents were inadequate at all three centers. At the Louisville center, extra trip authorization forms were not properly completed or authorized. The Charlotte center regularly certified extra trip mileage based on telephone input from the contractor either with incomplete or without supporting documentation. The Greensboro center did not provide separation of duties over the extra trip payment process, allowing the networks specialist to both certify the extra trip mileage and approve payment. More effective controls are needed to ensure contractors are paid only for work performed, payments are reasonable, and fraud, waste, and abuse is prevented.</p> |
| Completion and Authorization of Extra Trip Forms at the Louisville Center | <p>Although the Louisville center had a system for verifying extra trips performed and identifying duplicate payments, extra trip authorization forms were not properly completed or authorized. A review of these forms identified missing information that was essential for tracking, analyzing, and assessing quality of dispatch operations. For example, 25 of the judgementally-selected 106 forms reviewed were missing trailer numbers needed to track the extra trips. In addition, some completed forms included illegible signatures of authorizing individuals. As a result, the data collection technician could not identify some of the signatures on the forms to ensure only authorized personnel were approving the extra trips. While this practice may have saved time, center personnel did not ensure only valid payments were made to contractors.</p> |
| Certification of Extra Trip Mileage at the Charlotte Center | <p>Staff at the Charlotte center regularly certified extra trip mileage based on telephone input from the contractor either with incomplete or without any supporting documentation. For example, only 86 authorization forms were available to support 289 trips paid to a particular contractor during one accounting period. As a result, there was the potential for paying contractors for services not performed.</p> <p>After bringing this control weakness to the attention of the Transportation manager, he determined that one contractor, who had phoned in extra trip mileage, was paid \$23,665 for fictitious trips. As a result, the Postal Service is pursuing reimbursement from the contractor. This discovery supports the need for a review of documentation to support previous</p> |

payments and stronger internal controls over extra trip authorizations.

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| Separation of Duties at the Greensboro Center | The Greensboro center maintained a spreadsheet system to identify potential duplicate payments and track total mileage for certification of extra trips. However, the network specialist, who completed the worksheet and certified extra trip mileage, also prepared payment forms and signed as approving official. As a result, there was no separation of duties over the certification and payment for extra trips. Separation of duties is an essential control in precluding fraud, waste, and abuse. We brought this issue to the attention of center managers, who agreed to strengthen controls over the payment process. |
| Recommendations | <p>We recommend that the vice president, Mid Atlantic Area Operations:</p> <p>7. Prepare complete, legible and adequate documentation before certifying extra trip payments at the Louisville and Charlotte centers.</p> |
| Management's Comments | Management agreed with the recommendation and stated that both the Louisville and Charlotte centers have implemented controls to ensure documentation is complete, legible, and adequate before certifying extra trip payments. Management also stated that they will issue instructions, concerning certification procedures, to all transportation offices in the Mid Atlantic Area by July 31, 2000. |
| Recommendation | 8. Review documentation for extra trip payments at the Charlotte center, and recover payments that are not supported. |
| Management's Comments | Management agreed with our recommendation and stated that payments are currently being recovered from one contractor. |
| Recommendation | 9. Issue guidance that requires different individuals to approve and certify extra trip payments at the Greensboro center. |

**Management's
Comments**

Management agreed with the recommendation and stated that the Greensboro center now has the Transportation manager and three staff members involved in the payment process.

**Evaluation of
Management's
Comments**

Management's comments are responsive to our findings and recommendations. We believe that the actions, taken and planned, should correct the issues identified in our report.

APPENDIX. MANAGEMENT'S COMMENTS

HENRY A. PANKEY
VICE PRESIDENT, MID ATLANTIC AREA OPERATIONS



June 15, 2000

ROBERT L. EMMONS
ACTING ASSISTANT INSPECTOR GENERAL
FOR PERFORMANCE
OFFICE OF THE INSPECTOR GENERAL
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ARLINGTON, VA 22209-2020

SUBJECT: Response to Draft Audit Report – Extra Trip Expenditures within the
Mid-Atlantic Area (TR-AR-00-Draft)

This memo responds to your May 17, 2000 request for a written response to your findings on the audit report for extra trip expenditures at the Louisville, Charlotte and Greensboro BMC Processing centers. Each response will address individual centers, specifically according to your audit results.

LOUISVILLE P&D CENTER: MAJOR CAUSES OF EXTRA TRIP EXPENDITURES

Response to Extra Trip Charges (pg. 3)

We are in agreement with the audit results. The extras on HCR 40013 will be incorporated into the renewal of HCRs 42111 and 42190. These HCR contracts serve the Bowling Green P&DF and should be on routes originating in Bowling Green. These renewals are effective July 1, 2000. If negotiated changes for this renewal are approved, and then the extras on this trip (40013) should be eliminated except for unprocessed ADC mail from the Louisville plant going to Bowling Green. Moving equipment, procuring additional processing equipment, and building expansions will eliminate that necessity. Louisville, Evansville, Bowling Green, and Paducah routes are all renewing this year. The changes have been submitted to the Area Contracting office. The changes will reduce the extra trips for our Kentuckiana offices.

A vast amount of Kentuckiana plant loads are put on regular HCR contracts with a "9" as-needed frequency, as a leg of transportation. This, however, should be eliminated because they show up as extras when the trips are actually plant loads. The Lebanon Junction plant load direct to Cincinnati was put on a trip (as needed on HCR 40090). These trips appear to be all extra trips when, in fact, they are really plant loads. Transportation between the Louisville P&DC and Cincinnati BMC is a major source of dollars spent on extra transportation. A team will be incorporated to stratify the extra trip

"What comes in today gets sorted and dispatched today, and delivered tomorrow."

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-2-

data so that any possible extras can be incorporated into the contract, and review the recommendations for additional implementation.

Response to Optimization of Trailers and Containers (pg. 3)

We are in agreement with your results. The Louisville P&DC is having a problem with Mail transport equipment and as a result continues to spend money for cardboard weekly. The implementation of the MTEsCs should improve over time, as USPS Headquarters buys and deploys more MTE. The flow has improved. Extra trips must be coordinated. The method currently used is that the office must call the Louisville terminal in order to obtain an extra trip on one of Louisville's routes, and then Louisville knows what time the extra will depart and arrive, and therefore, can obtain available mail for the backhaul trip, so the trip is utilized as well as possible. Kentuckiana agrees with the recommendation and will work toward improvement.

Response to Route Service Changes (pg. 5)

Please refer to *Response to Extra Trip Charges*. Additionally, the Louisville transportation office will perform a dispatch discipline review the week of July 17, 2000 and implement the necessary corrective action with the assistance of the Area Distribution Networks Office. The Area conducted quality dispatch classes previously on April 22, 1999. Transportation works constantly with mail processing to improve scores and eliminate costs. Review will be concluded by the end of the fiscal year.

Response to Issues Unique to Louisville Center (pg. 6)

Please refer to *Response to Extra Trip Charges*. Louisville, Evansville, Bowling Green, and Paducah routes are all renewing this year. The changes have been submitted to the Area Contracting office. The changes will reduce the extra trips for our Kentuckiana offices.

INTERNAL CONTROLS

Response to Completion and Authorization of Extra Trips Forms at the Louisville Center (pg. 9)

Although training has been given to everyone that puts in Times, the entries are not complete at all times as stated in the report. The entries must be individually recorded by designated dock personnel along with their other duties using a handheld radio frequency Times computer. The plans to barcode driver's names, and barcode containers, and truck numbers, etc. have never been implemented by headquarters. The dock personnel are very conscious of their work and the transportation office maintains and reviews all extra trip records and 5398As, plus monitoring the Times reports, late slips, 5500s, etc. The 5397s are legible for trip termini and stops; the only flaw is the scribbling of the person on the dock authorizing the extras.

The terminal supervisor is the person responsible for calling the extras; therefore, the 5397s issued in the future must have the terminal supervisors signature on the 5397, for

-3-

authorization and reviewing for accuracy, prior to the transportation office certifying the extra trip for contractor payment. Letter will be issued to Mail Processing by 6/16/00.

CHARLOTTE P&D CENTER: MAJOR CAUSES OF EXTRA TRIP EXPENDITURES

Response to Extra Trip Charges (pg. 3)

We are in agreement with the findings that expenditures for extra trips could be eliminated which were carrying mail transport equipment from associate offices—a saving of \$352,000 over the next five years. Service changes which were implemented May 20, 2000, eliminated extra trips on HCRs 28019, 28045 and 28057. Regular trips are now being used for MTE.

Response to Optimization of Trailers and Containers (pgs. 3-5)

The findings on container usage are correct. As cited in the audit results, we recognize the use cardboard boxes in lieu of mail transportation equipment. However, given the shortage of mail transport equipment, the facility must utilize any available equipment to transport the mail. The facility will continue to request additional equipment from the MTE SC to maximize trailer and equipment usage. In addition, to address trailer load data in the TIMES system, Area Office personnel recently conducted a service review on April 3-9, 2000 covering dispatch discipline procedures.

Response to Route Service Changes (pg. 5)

Please refer to *Response to Extra Trip Charges and Optimization of Trailers and Containers*.

Response to Issues Unique to the Charlotte Center (pg. 7)

Please refer to *Response to Extra Trip Charges*.

INTERNAL CONTROLS

Response to Certification of Extra Trip Mileage at the Charlotte Center (pg. 9)

We are in agreement of contractor operating on HCR 29731 was overpaid in the amount of \$23,665 due to inaccurate completion of PS Forms 5397. Investigation revealed that Northpark Annex was noting mail being loaded on extra trips and not actual stops. Letter dated March 9, 2000 to the Postal Data Center was sent to begin regular payments from Jerry Houston, Contractor, to recover the all monies due to the Postal Service for overpayment. Transportation Manager has implemented procedures to closely monitor and conduct spot checks on all approved PS Forms 5397s.

-4-

GREENSBORO BMC: MAJOR CAUSES OF EXTRA TRIP EXPENDITURES

Response to Extra Trip Charges (pg. 3)

We are in agreement with your findings. Currently, there are only two trips operating as extras. HCR 27096 actually operates cheaper on extra service than on regular service. Regular service would require the purchase of an additional tractor because of other trips on this route operating at the same time. As extra service the contractor uses a tractor from a different route which is available at that time. An additional HCR would estimate to be increased \$25,000 annually. The other extra trip (HCR 27195) is necessary to transport P1 mail originating in Fayetteville, NC enroute to Raleigh, NC. This route will be submitted to the Area Office the week of June 19th as a service change request to be charged to the Fayetteville, NC.

Response to Unique Expenditures to the Greensboro Center (pg 7)

The Area Contracting Officer and the administrative office negotiate all diversion rates and payment is made according to the contract agreement. At the next renewal process occurring June 2001, all Greensboro contracts that have costly diversion rates will be submitted for an addendum at a renegotiated diversion rate.

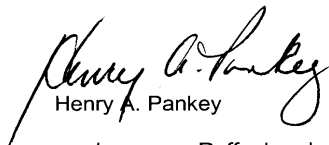
INTERNAL CONTROLS

Response to Separation of Duties over Payment Process (pg. 10)

We are in agreement with your findings. However, under the Postal Reorganization Act of 1992, the Greensboro BMC currently operates under those guidelines as imposed. As a result, it has become necessary to utilize available resources causing the Network Specialist to perform multiple tasks. These payment processing procedures have been adjusted to allow the Transportation Manager to initial all 5429's to impose more stringent control over this function.

In summary, the Mid-Atlantic Area further recognizes the need to eliminate all unnecessary extra trips to reduce expenditures. We diligently seek to strive to improve issues relating to mail transport equipment, conduct and follow-up with service-related reviews and strengthen systems internally to prevent costly expenses to the Postal Service.

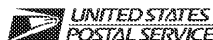
Should you need additional information, please contact Donald Sussman, Manager, Distribution Networks at (703) 824-5020.



Henry A. Pankey

cc: Lawrence Roffenbender
Barbara Brown
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July 10, 2000

Robert L. Emmons
Acting Assistant Inspector General
for Performance
1735 N. Lynn St.
Arlington VA 22209-2020

Subject: Audit report # TR-AR-00-DRAFT – Extra Trip Expenditures within the Mid Atlantic Area

This responds to recommendation number 6, found at page 8 of the subject audit.

We concede that in the fall, 1999 and early winter, 2000 there was a general shortage of mail transport equipment. These shortages have now been minimized. Since then significant amounts of stored MTE have been returned to service and millions of pieces of new MTE have been acquired. In addition, continuous redistribution of MTE from surplus Areas has dramatically improved the general availability of mail transport equipment.

The current processes used in the MTE Service Center Network for ordering mail transport equipment are sufficient to consistently provide facilities with appropriate amounts of required MTE, when such MTE is available. As the MTESC network matures and additional data are available regarding demand and supply of equipment, we will be better equipped to forecast MTE acquisition requirements to meet changing demands. This will contribute significantly to the minimization of nationwide shortages of equipment. We make no assumptions, however, as to whether the proper equipment will be ordered or used by various postal facilities.

We have again tasked each of the Area Mail Transport Equipment Specialists to review and adjust all standing orders for mail transport equipment and the supporting transportation. This process will contribute to improving the consistency with which Postal facilities receive proper mail transport equipment. This is an on-going process and will be accomplished at least twice per year.

A handwritten signature in cursive script, appearing to read "J. Paul Seehaver".

J. Paul Seehaver

cc: Paul E. Vogel
Anthony M. Pajunas
Henry A. Pankey

HENRY A. PANKEY
VICE PRESIDENT, MID ATLANTIC AREA OPERATIONS



July 19, 2000

ROBERT L. EMMONS
ACTING ASSISTANT INSPECTOR GENERAL
FOR PERFORMANCE
OFFICE OF THE INSPECTOR GENERAL
1735 N. LYNN STREET
ARLINGTON, VA 22209-2020

SUBJECT: Response to Draft Audit Report – Extra Trip Expenditures within the
Mid-Atlantic Area (TR-AR-00-Draft)

This response provides additional information regarding site-specific recommendations noted in your recent audit report. Our original response to the Draft Audit Report was dated June 15, 2000.

RESPONSE^o TO RECOMMENDATIONS (pages 8 and 10)

The Mid-Atlantic Area is in agreement with the recommendations.

1. The Mid-Atlantic Area frequently has problems concerning adequate mail transport equipment. Processing Centers will be instructed by letter the week of July 10 to document all problems associated with the processing, distribution and transporting of MTE to the Area Manager Transportation Equipment Specialist (AMTES).
2. A dispatch discipline review has been scheduled at the Louisville P&DC the week of August 5, 2000. We will also perform a dispatch discipline review at the Greensboro BMC and the Charlotte P&DC by the end of this fiscal year. All transportation offices will be issued instructions, tentatively, by July 31 to conduct field reviews on dispatch discipline procedures. These reviews will identify all results and recommendations related to the highlighted issues. Any noted areas of concentrations will be implemented immediately for corrective actions.

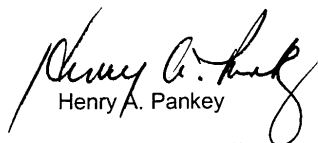
"What comes in today gets sorted and dispatched today, and delivered tomorrow."

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3. Extra trips on HCR 40013 will be incorporated into the renewal of HCRs 42111 and 42190. These HCR contracts actually service the Bowling Green P&DF and should originate in Bowling Green. The changes have been submitted to our Area Contracting Office and are pending further action. They were effective on July 1, 2000. We are in agreement that these changes will have an overall savings, however, are not in agreement with the stated amount.
4. Service changes implemented on May 20, 2000 eliminated extra trips. The facility is currently utilizing regular trips for the transport of mail transport equipment.
5. Currently, diversion rate payments are made according to the contract agreement. Negotiations that will occur during the next renewal process occurring in June 2001 will be submitted for an addendum at a renegotiated diversion rate. We agree of potential savings due to the re-negotiation of diversion rates, however, we are unable to determine the savings amount.
6. This recommendation is to be addressed by the executive director, Mail Transport Equipment Service Center Network Program.
7. The terminal supervisor at the Louisville P&DC will immediately began providing a signature on all 5397s certifying authorization and reviewing for accuracy. This procedure will be done prior to the transportation office certifying the extra trip payment. The Charlotte P&DC has implemented more stringent internal procedures to closely monitor and conduct spot checks on all approved PS form 5397s. All Mid-Atlantic Area transportation offices will be issued instructions concerning monitoring certification procedures tentatively by July 31, 2000.
8. Please see response #7 above for documentation review for extra trip payments. Payments are currently being recovered from contractor, Jerry Houston, to recover all monies due to the Postal Service for overpayment .
9. Currently, the Greensboro BMC has three staff members involved in the payment process for certifying extra trip payments. However, the Transportation Manager certifies all PS Form 5429s in imposing more stricter control over this function.

Should you need additional information, please contact Donald Sussman, Manager, Distribution Networks at (703) 824-5020.



Henry A. Pankey

cc: Lawrence Roffenbender
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Major Contributors to [REDACTED]
This Report