



OFFICE OF INSPECTOR GENERAL

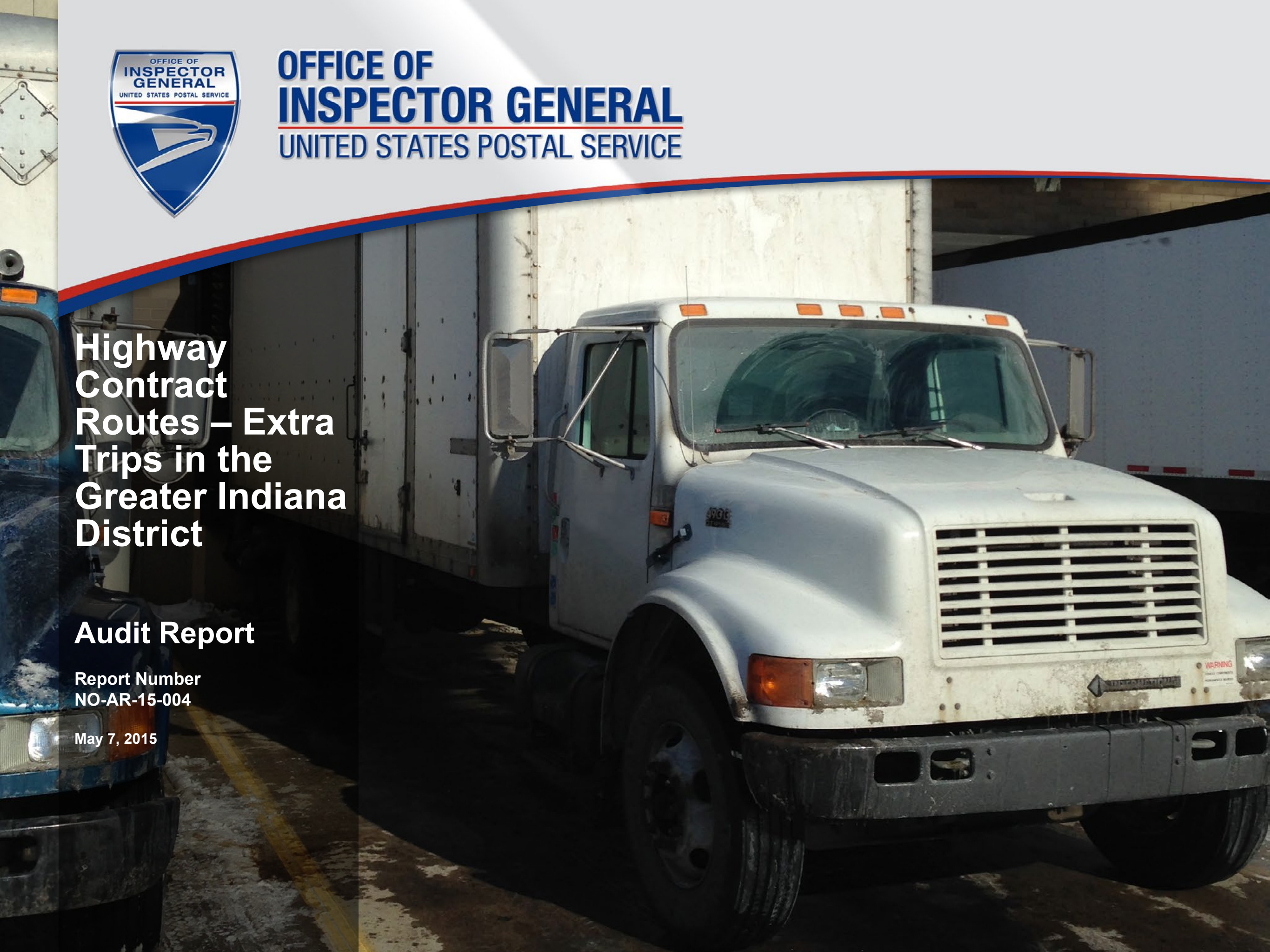
UNITED STATES POSTAL SERVICE

Highway Contract Routes – Extra Trips in the Greater Indiana District

Audit Report

Report Number
NO-AR-15-004

May 7, 2015





OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Highlights

The Postal Service's goal is that extra trip costs will not exceed 2 percent of regular HCR transportation expenses.

Our objective was to assess HCR extra trips in the Greater Indiana District, which was consistently one of the top 10 most at risk districts for extra trips in our Transportation Risk Model.

Background

The U.S. Postal Service uses highway contract routes (HCR) to transport mail between its facilities and other designated points. An extra trip is one made in addition to those outlined in the contract and that results in more costs. Extra trips can be the result of late mail processing or early mail collection runs. Management should approve extra trips only when needed to prevent serious delays of preferential mail or when there is excessive mail volume. The Postal Service uses Postal Service (PS) Form 5397, Contract Route Extra Trip Authorization, to authorize extra trips and PS Form 5429, Certification of Exceptional Contract Service Performed, to certify trip completion and payment due the supplier. If a payment is not made on time, the Postal Service pays interest.

This is the second in a series of reports on HCR extra trips. Our objective was to assess HCR extra trips in the Greater Indiana District, which was consistently one of the top 10 most at risk districts for extra trips in our Transportation Risk Model. In fiscal year (FY) 2014, Quarter 3, the Greater Indiana District paid about \$1.3 million for over 5,500 extra trips.

What The OIG Found

The Greater Indiana District could improve controls over the use and processing of extra trips. We estimate that the district could have avoided 101 extra trips totaling about \$118,000 in FY 2014. These trips were caused by mail processing delays

resulting from non-adherence to dispatch leave times and by missent mail. Management could avoid about \$118,000 in FY 2015 by reducing delays and missent mail.

We also determined that the Postal Service did not always follow procedures for authorizing and documenting extra trips. We identified about 4,000 instances of improper information on about 43 percent of PS Forms 5397 reviewed. Local officials did not always review or authorize the forms and sometimes recorded incorrect trip miles. Consequently, the Greater Indiana District incurred \$1,181,651 in improperly supported or authorized costs in FY 2014, and could incur \$110,182 in additional costs in FY 2015.

Finally, we estimate the Postal Service made nominal interest payments in FY 2014 because PS Forms 5397 were not submitted on time, delaying payments to HCR contractors. This occurred because local employees responsible for these functions were not adequately trained and plant managers were not monitoring their activity.

What The OIG Recommended

We recommended the vice president, Great Lakes Area, curtail extra trips by reducing processing delays and missent mail, provide training on and monitor compliance with extra trip authorization forms, and ensure the forms are timely submitted.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

May 7, 2015

MEMORANDUM FOR: JACQUELINE KRAGE STRAKO
VICE PRESIDENT, OPERATIONS, GREAT LAKES AREA

igned by Office of Inspector G
IFY authenticity with eSign Desi

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

SUBJECT: Audit Report – Highway Contract Routes – Extra Trips –
Greater Indiana District (Report Number NO-AR-15-004)

This report presents the results of our audit of Highway Contract Routes – Extra Trips –
Greater Indiana District (Project Number 15XG006NO000).

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

Attachment

cc: Corporate Audit and Response Management

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Findings

We found that the Greater Indiana District could improve controls over the use and processing of extra trips.

Introduction

This report presents the results of our self-initiated audit of Highway Contract Routes – Extra Trips – Greater Indiana District (Project Number 15XG006NO000). This is the second in a series of reports on highway contract route (HCR) extra trips.¹ Our objective was to assess extra trips for HCRs in the Greater Indiana District. See [Appendix A](#) for additional information about this audit.

The U.S. Postal Service uses HCRs to transport mail between its facilities and other designated points. An extra trip is one made in addition to those outlined in the contract and that results in more costs to the Postal Service. Extra trips can be the result of late mail processing or early mail collection runs. Management should approve extra trips only when needed to prevent serious delays of preferential mail or when there is excessive mail volume. The Postal Service uses Postal Service (PS) Form 5429, *Certification of Exceptional Contract Service Performed*, to certify that the HCR contractor performed the requested extra service and should receive additional payment. The Postal Service uses PS Form 5397² to support PS Form 5429 and validate that the trip occurred. The contracting officer appoints an administrative official (AO) to record contract performance on a day-to-day basis.³ Managers must also certify and sign PS Forms 5429 to ensure they are properly completed and submitted promptly for payment.

The U.S. Postal Service Office of Inspector General (OIG) has been monitoring extra trips as part of its quarterly Transportation Risk Model⁴ for 4 years and has found an increase in extra trips. The Postal Service's goal is to prevent extra trip costs from exceeding 2 percent of its regular HCR transportation expenses. In fiscal year (FY) 2012, Quarter (Q) 3, the Postal Service spent \$583.1 million on HCR transportation; and in FY 2014, Q3, it spent \$607.9 million. This represents a modest 4.2 percent increase in HCR spending over the past 2 years. During the same 2-year period, the percentage of HCR spending for extra trips increased by 54.9 percent. As a result, the Postal Service's extra trip expense as a percentage of HCR regular expense increased from a low of 2.2 percent in FY 2012, Q4, to a high of 3.9 percent in FY 2014, Q3.⁵ The Greater Indiana District was consistently ranked one of the 10 most at risk districts for 6 of the last 8 quarters for extra trips in our Surface Transportation Risk Model.⁶ In FY 2014, Q3, the Greater Indiana District paid \$1,302,382 for over 5,500 extra service trips.

Conclusion

The Greater Indiana District could improve controls over the use and processing of extra trips. We estimate that the Greater Indiana District could have avoided 101 extra trips totaling about \$118,000 in FY 2014. These trips were caused by missent mail and mail processing delays resulting from non-adherence to dispatch leave times. Further, management could avoid about \$118,000 in FY 2015 by reducing the delays and missent mail.

1 On September 23, 2014, the OIG issued a management alert, *Highway Contract Routes – Extra Trips – Greensboro District* (Report Number NO-AR-14-012).

2 According to *Postal Operations Manual* (POM) Section 478.32A, Highway Contract Route Trips, "Each highway contract route extra trip must have a PS Form 5397, *Contract Route Extra Trip Authorization*, completed as certification for payment."

3 The AO is typically a transportation manager or postmaster at a local facility that acts on behalf of the contracting officer. The AO summarizes PS Form 5397 information for PS Form 5429 at the end of each accounting period. The AO distributes copies of PS Form 5429 as required.

4 The OIG developed this model to help identify key indicators that could potentially forewarn Postal Service officials of problems in a district's surface transportation operations.

5 In FY 2015, Q2, the extra trip percentage was 11.18.

6 In FY 2015, Q2, the Greater Indiana District was still ranked one of the 10 most at risk districts for extra trips.

We estimate that the district could have avoided 101 extra trips totaling about \$118,000 in FY 2014.

We also determined that employees did not always follow procedures for authorizing and documenting extra trips. We identified about 4,000 instances of improper information on 43 percent of PS Forms 5397 we reviewed. Local officials did not always review or authorize these forms and, in some cases, recorded incorrect miles for the trips. Consequently, in FY 2014, the Greater Indiana District incurred \$1,181,651 in costs that were not properly supported or authorized and could incur \$110,182 in additional costs in FY 2015.⁷

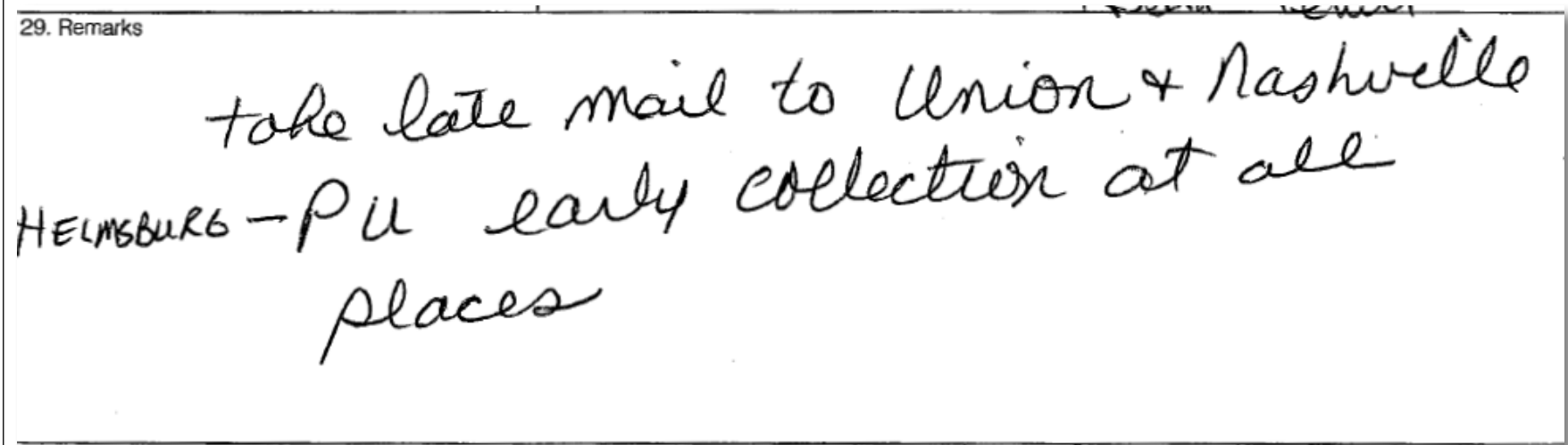
Finally, we estimate the Postal Service made some nominal interest payments in FY 2014 because Postal Service Forms 5397 were not always submitted on time, delaying payments to HCR contractors. This occurred because local Postal Service employees responsible for these functions were not adequately trained and plant managers were not monitoring their activity. In other cases, the late processing occurred due to late processing from the contractors.

Avoidable Extra Trips

Our review identified avoidable extra trips for the eight processing facilities⁸ and six associate offices.⁹ Specifically, we found 101 trips (or 2 percent of the reviewed sample PS Forms 5397) had remarks supporting the use of extra trips as a result of mail processing-related delays or missent mail arriving at the wrong facility.¹⁰

For example, the PS Form 5397 for contract route number 47433 indicated “late” mail in the remarks section and the PS Form 5397 for contract route number 479LZ indicated “missent” mail in the remarks section (see illustrations in Figures 1 and 2). Both trips could have been avoided.

Figure 1. Illustration of Form Comments Supporting Mail Processing-Related Delays



Source: PS Form 5397 obtained from the Greater Indiana District.

- ⁷ The minimal amount of reported savings in FY 2015 is the result of projecting for only 1 quarter and it applies to only one of the causes for the improper documentation – forms authorized and certified by the same person.
- ⁸ The eight processing and distribution centers (P&DC)/facilities in the Greater Indiana District are the Muncie, Kokomo, Indianapolis, South Bend, Gary, Fort Wayne, Terre Haute, and Lafayette facilities.
- ⁹ The six associate offices are the Cannelton, Columbus, St. Meinard, Tell City, Bloomington, and Washington offices.
- ¹⁰ The Postal Service launched the Service Change Request system, its enterprise tool for managing and controlling the submittal of requests to change service, schedules, and vehicle requirements as specified in highway contracts administered through the Transportation Contract Support System.

Figure 2. Illustration of Form Comments Supporting Missent Mail Arriving at the Wrong Facility

29. Remarks

X - trip missent from Reynolds to M... ..

Source: PS Form 5397 obtained from the Greater Indiana District.

The Postal Service used these extra trips because officials did not adhere to dispatch discipline policies that ensure processed volumes are moved as planned to meet intended transportation. As a result, the Greater Indiana District could have avoided spending about \$118,000 on extra trips in FY 2014. By implementing controls and enforcing procedures to avoid processing delays and missent mail, the Greater Indiana District could avoid future costs of about \$118,000 in FY 2015.

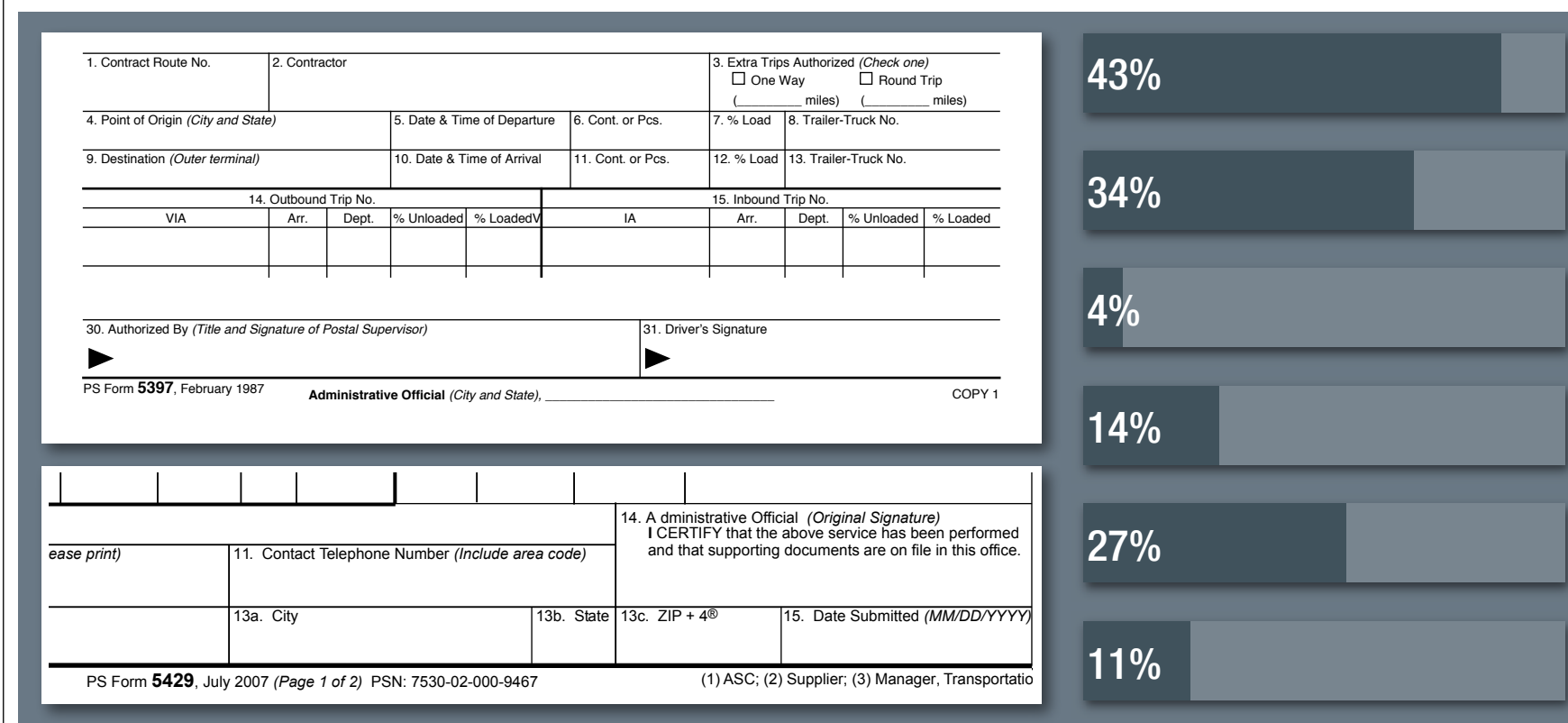
Improper Extra Trips Documentation

We found that local officials did not always review or authorize the required PS Forms 5397 for extra trips.¹¹ We identified forms with missing or unauthorized signatures; missing mileage; or missing date, time, and volume information. In addition, some PS Forms 5397 were signed by the same person who signed the PS Form 5429. [Figure 3](#) shows the percentage of non-compliance by issue.

We determined that the Postal Service did not always follow procedures for authorizing and documenting extra trips.

¹¹ PS Form 5397 instructions outline proper procedures for completing the form and clearly identify each office's responsibility for completion.

Figure 3. Issues With the Greater Indiana District's Completion of PS Forms 5397



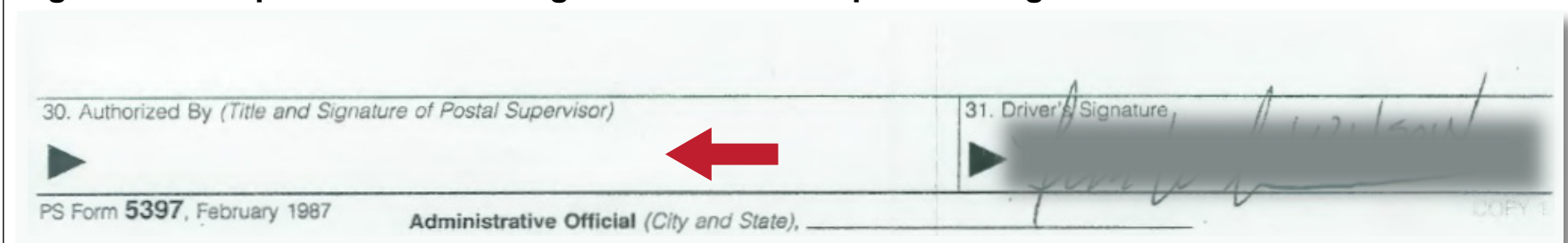
Source: OIG analysis.

Hover over percentages for more information

Specifically, we found that:

- Forty-three percent of PS Forms 5397 were missing an authorizing supervisor signature (1 percent) or were signed by a craft employee (such as an expeditor, clerk, or mail handler) or other non-supervisor (42 percent).¹² For example, the PS Form 5397 for the contract route number 46012 extra trip on March 6, 2014, did not have an authorized signature. On April 5, 2014, the form was incorrectly authorized by an expeditor (see illustrations in Figures 4 and 5).

Figure 4. Example of Form Missing an Authorized Supervisor Signature



Source: PS Form 5397 obtained from the Greater Indiana District.

¹² Non-supervisory employees who record the arrival and departure of mail trucks.

Figure 5. Example of a Signature by a Non-Supervisor (Expeditor Signed)

Source: PS Form 5397 obtained from the Greater Indiana District.

- Thirty-four percent of PS Forms 5397 were missing the extra trip mileage, which the Postal Service uses to calculate payment to the HCR contractors. Instead, the Postal Service would attach a spreadsheet to the PS Form 5429 that included mileage information; however, the mileage should be recorded, validated, and certified on the PS Form 5397. In addition, 45 percent of PS Forms 5397 were missing dates (4 percent), time (14 percent), or volume (27 percent) information. For example, PS Forms 5397 for contract route number 46530 had missing mileage, date, time, and volume information (see Figure 6).

We estimate the Postal Service incurred \$1,181,651 in unsupported extra trip costs in FY 2014 and could incur costs of \$110,182 in FY 2015.

Figure 6. Forms Missing Extra Trip Mileage and Other Trip Information

Contract Route Extra Trip Authorization				
1. Contract Route No. 46530	2. Contractor [Redacted]	3. Extra Trips Authorized (Check one) <input type="checkbox"/> One-Way (_____ miles) <input checked="" type="checkbox"/> Round Trip (<u>X</u> _____ miles)		
4. Point of Origin (City and State) SOUTH BEND IN	5. Date and Time of Dep. [Redacted]	6. Cont. or Pcs. [Redacted]	7. % LOAD [Redacted]	8. Trailer-Truck No. [Redacted]
9. Destination (Outer Terminal)	10. Date and Time of Arr.	11. Cont. or Pcs.	12. % LOAD	13. Trailer-Truck No.

Source: PS Form 5397 obtained from the Greater Indiana District.

- Eleven percent of PS Forms 5397 showed that officials authorizing extra trips were also certifying payments on PS Forms 5429, which are sent to the ASC for payment, bypassing the segregation of duties control. For example, a PS Form 5397 for contract route number 474BA on March 2, 2014, was signed by the same individual who approved the associated PS Form 5429.

The issues occurred because the Postal Service officials responsible for monitoring and authorizing completion of these forms did not adequately train and oversee employees or reiterate the proper procedures for completing, approving, and submitting the forms. Consequently, we estimate the Great Indiana District incurred \$1,181,651 in costs that were not properly supported or authorized in FY 2014, and could incur \$110,182 in FY 2015.

Late Payments and Interest Payments

We found that local officials did not always timely process PS Forms 5429. Specifically, 11 percent of the 155 PS Forms 5429 we reviewed for FY 2014, Q3 were processed at least 1 month late. The late processing occurred in some cases, because local

We estimate the Postal Service made nominal interest payments in FY 2014 because PS Forms 5397 were not submitted on time, delaying payments to HCR contractors.

Postal Service employees responsible for this function were not adequately trained and plant managers were not monitoring them. In other cases, the late processing occurred due to late processing from the contractors. The Postal Service made \$3,907 in interest payments to HCR contractors in FY 2014.

Postal Service regulations state that proper payment documentation for extra trips must be submitted within the month after the service takes place.¹³ The Postal Service is obligated to make prompt payments to its contractors by virtue of 31 U.S.C. §3901,¹⁴ the Prompt Payment Act of 1974, as amended in 1988. According to Postal Service policy, “the Postal Service will pay interest on late payments and unearned prompt payment discounts in accordance with the Prompt Payment Act.”

See [Appendix B](#) for a summary of our sample review of HCR extra trips in the Greater Indiana District.

¹³ POM Issue 9, Section 478.32F, dated July 9, 2002, states “The AO summarizes PS Forms 5397 onto PS Form 5429 at the end of each accounting period.”

¹⁴ Postal Service, *Supply Management Supplying Principles and Practices*, dated August 2009.

Recommendations

Management agreed in principle with the findings and recommendations, but disagree with the estimated monetary assessments from interest payments to HCR contractors in FY 2014 and potential cost in FY 2015.

We recommend the vice president, Great Lakes Area:

1. Implement controls and enforce procedures to avoid processing delays and missent mail in order to reduce highway contract route extra trips.
2. Train employees to properly complete extra trip authorization forms and monitor compliance.
3. Ensure employees submit extra trip authorization forms on time.

Management's Comments

Management agreed in principle with the findings and recommendations, but disagreed with the associated monetary impact.

Regarding recommendation 1, management stated that they agree their compliance processes need to be reviewed. Management agreed to implement controls and enforce procedures to avoid processing delays and missent mail in order to reduce extra trips. Management also stated that the Greater Indiana District will continue to work with local operations on performance opportunities, staffing alignment, and operational improvements to reduce late trips as a result of operating plan delays in mail processing. Management stated that local officials will monitor daily mail condition reports and make operational changes as necessary to avoid extra trips. The target implementation date is May 18, 2015.

Regarding recommendation 2, management stated they will train employees to properly complete extra trip authorization forms and monitor compliance. Management stated that they plan to conduct district training for administrative officials submitting payment authorizations and for employees handling extra trip authorizations and late slips. Officials indicated that they are currently in the process of identifying every administrative official and determining the level of training needed. Management also stated that packets will be prepared for postmasters to provide a step-by-step explanation of the payment process and that they would conduct randomly selected audits to monitor compliance. The target implementation date is May 18, 2015.

Regarding recommendation 3, management agreed in part to ensure employees submit extra trip forms on time by putting procedures in place to ensure compliance. Management stated that it must be acknowledged that the contractors must submit timely documentation in order for the payment to be processed timely. Officials indicated that in order to submit payment, the administrative officials must receive page one of PS Form 5397. Management further stated that they will provide training will be provided to all current and new employees that complete the forms and will monitor compliance

Management indicated they disagreed with monetary impact and with the estimated monetary assessments. They stated that in some cases, the Postal Service was responsible for late payment to the contractors, but in many cases the delay was caused by late processing from the contractors, which was not identified in the report.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in the report.

Regarding management's disagreement with the estimated monetary assessments from interest payments to HCR contractors in FY 2014 and potential cost in FY 2015, we modified the report language to take into account that in many cases delays were caused by late processing from the contractors. We also reduced the overall monetary impact from \$1,537,203 to \$1,529,388 based on identified interest payment amounts where it could not be determined who was at fault for the late payments.

The OIG considers all the recommendations 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 they can be closed.

Appendices

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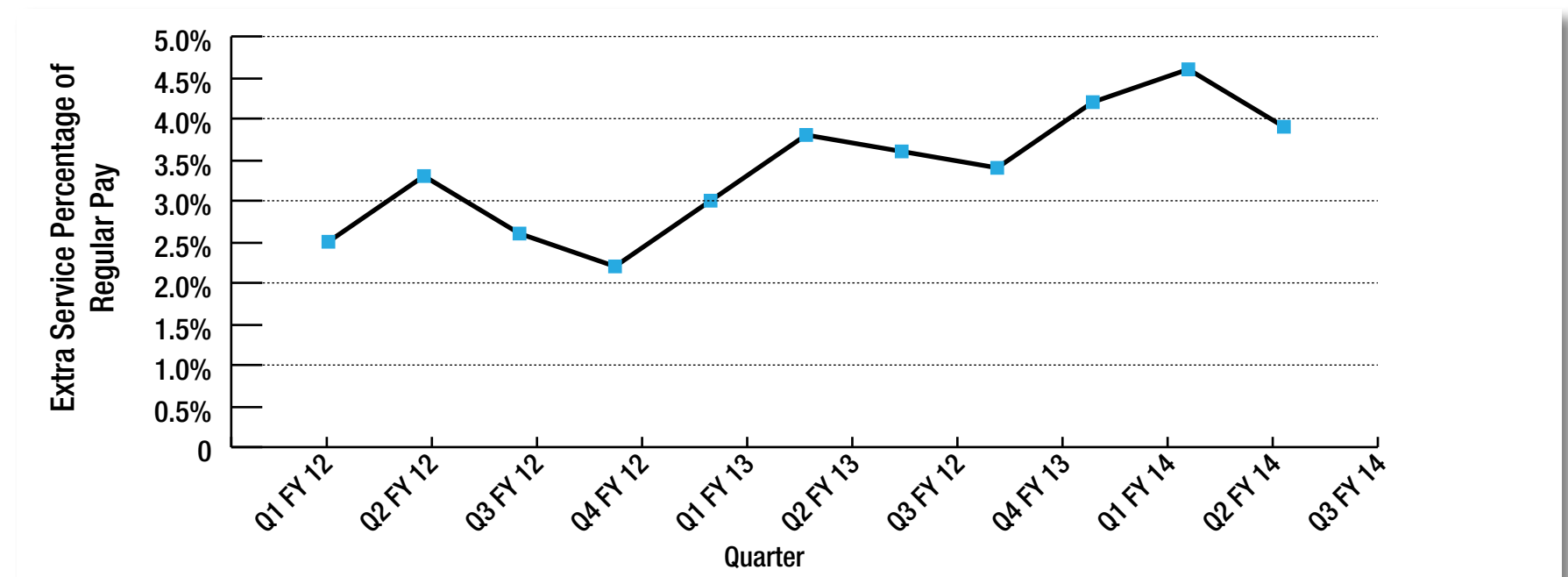
Appendix A: Additional Information

Background

The U.S. Postal Service uses HCRs to transport mail between its post offices and other designated points where mail is received or dispatched, such as mailers' facilities. An extra trip is one made in addition to those normally provided for under the terms of the contract and results in more cost to the Postal Service. Management schedules extra trips to prevent serious delays of preferential mail or to handle heavy mail volume. The Postal Service uses PS Form 5397 to authorize extra trip occurrences and PS Form 5429 to provide additional payments to contractors.¹⁵ The information is recorded in the Postal Service Surface Visibility or TIMES-Web system.

The Postal Service's goal is that extra trip costs will not exceed 2 percent of regular HCR transportation expenses. In FY 2012, Q3, the Postal Service spent \$583.1 million on HCR transportation, and in FY 2014, Q3, it spent \$607.9 million. This represents a modest 4.2 percent increase in HCR spending over the past 2 years. During the same 2-year period, the percentage of HCR spending for extra service increased by 54.9 percent (see Figure 7).

Figure 7. Transportation Risk Model Results – Extra Trip Expense as a Percentage of Regular Pay FY 2012, Q1 – FY 2014, Q3



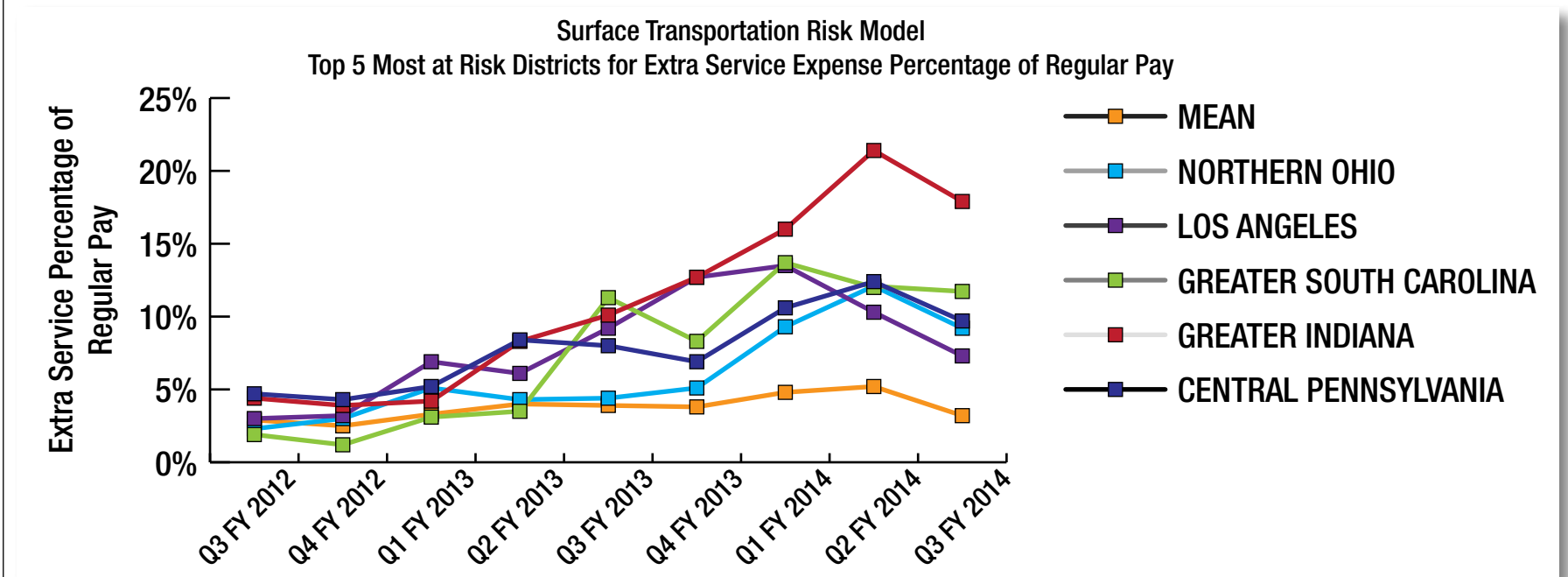
Source: OIG Transportation Risk Model results as of FY 2014, Q3.

The OIG has been monitoring HCR extra trips as part of its quarterly Transportation Risk Model. The risk model ranked the Greater Indiana District as the most at risk district for extra trips for FY 2014, Q3 (see [Figure 8](#) and [Figure 9](#)).¹⁶ The Greater Indiana District paid \$1,302,382 for extra trips during this timeframe.

¹⁵ PS Forms 5397 are maintained for 1 year and PS Forms 5249 are maintained for 7 years.

¹⁶ In FY 2015, Q2, the Greater Indiana District was still ranked one of the 10 most at risk districts for extra trips.

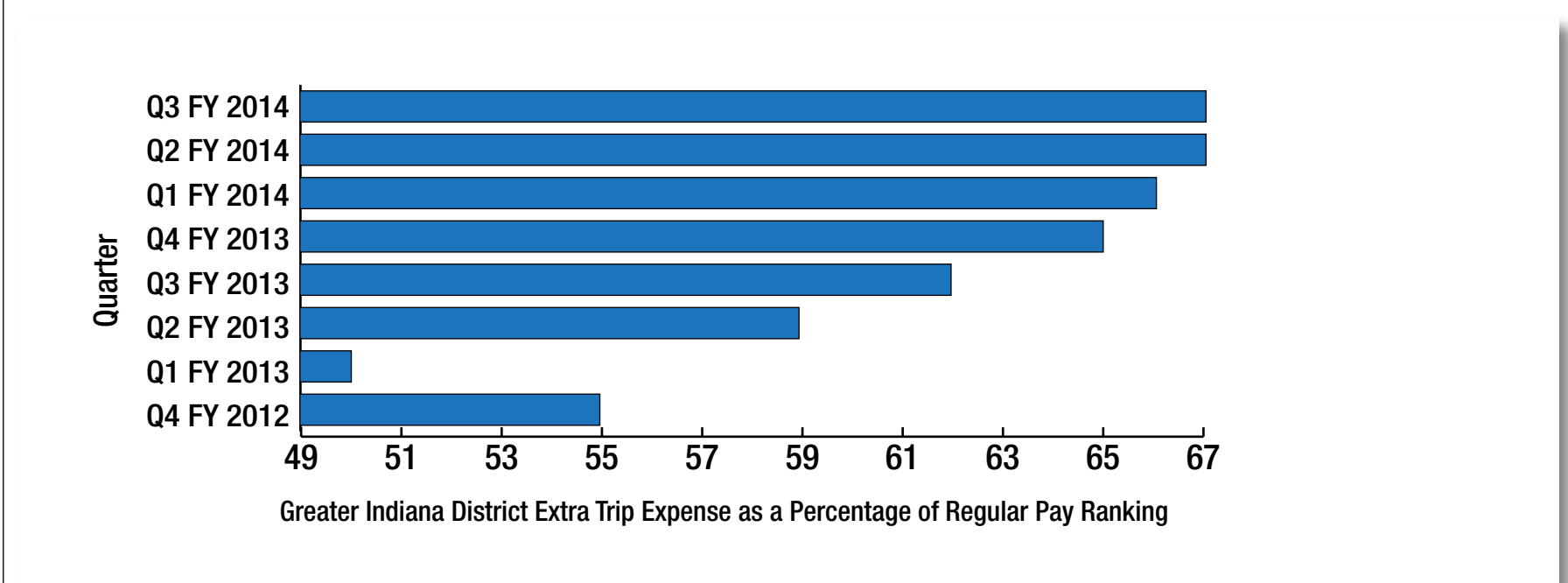
Figure 8. Transportation Risk Model-Greater Indiana District Most at Risk for Extra Service Expenses as a Percentage of Regular Pay¹⁷



Source: OIG Transportation Risk Model results as of FY 2014, Q3.

According to our Transportation Risk Model, since FY 2014, Q3, the Greater Indiana District has been one of the 10 districts most at risk for extra trips as a percentage of regular pay for 6 of the past 8 quarters, ranking between 59th and 67th.

Figure 9. Transportation Risk Model Results – Greater Indiana District Ranking of Extra Trip Expense as a Percentage of Regular Pay



Source: OIG Transportation Risk Model results as of FY 2014, Q3.

¹⁷ Extra pay as a percentage of the regular contract amount the Postal Service pays for HCR service.

Objective, Scope, and Methodology

Our objective was to assess the Greater Indiana District's use of extra trips for HCRs. To accomplish our objective, we:

- Reviewed extra service costs as a percentage of regular pay at the district level as part of the OIG Transportation PARIS Risk Model for 1 year, which identified the most at risk districts for each quarter. We analyzed this data to determine which districts are most frequently in the top five most at risk districts for extra service costs as a percentage of regular pay. We selected the top district for further review and examined the data for FY 2014, Q3.
- Reviewed a judgmental sample of 5,648 PS Forms 5397 and a sample of 155 PS Form 5429 during FY 2014, Q3, for HCRs with an extra trip expense that exceeded 2 percent of regular pay. The OIG reviewed PS Forms 5397 and 5492 in the Greensboro District – which had similar P&DC facilities – and identified avoidable extra trips with improper documentation, late payments, and late interest. We applied the percentage results from the Greensboro District to the Greater Indiana District for FY 2014, based on the districts having similar facilities and similar audit results.
- Reviewed prior OIG and Government Accountability Office reports to identify those related to the Postal Service's HCR extra trips.
- Obtained and analyzed HCR extra trip data the Postal Service compiled for the Greater Indiana District to determine justification in terms of whether management scheduled the extra trips to prevent serious delays of preferential mail or as a result of heavy mail volume.
- Reviewed and analyzed a judgmental sample of 5,648 PS Forms 5397 and a sample of 155 PS Forms 5429 for proper authorization, certification, and payment. We reviewed PS Forms 5429 to determine if contractors received timely payment to prevent interest charges.
- Completed site visits at five processing facilities and one associate office in the Greater Indiana District to interview transportation operations managers and personnel responsible for HCR extra trips to discuss implementation, status, and potential audit results.
- We also observed operations in November 2014 and January 2015. In FY 2014, American Postal Workers Union (APWU) officials indicated concerns with HCR contractors making early and late trips in addition to scheduled trips, as well as using smaller versus authorized larger vehicles. In the Greater Indiana District the OIG observed the back docks at five of the eight processing facilities¹⁸ and did not note any issues associated with the APWU's concerns.

We conducted this performance audit from October 2014 through May 2015, 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.

18 The five P&DCs/facilities visited in the Greater Indiana District were the Indianapolis, South Bend, Gary, Fort Wayne, and Lafayette facilities.

We discussed our observations and conclusions with management on March 31, 2015, and included their comments where appropriate. We assessed the reliability of the extra service data used for this report and contained in our Surface Transportation Risk Model by interviewing Postal Service officials knowledgeable about the data. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Late Payments for Highway Contract Routes at the Indianapolis, IN, Processing and Distribution Center</i>	NO-MA-14-003	7/4/2014	\$74,000

Report Results: The OIG determined that the Indianapolis, IN, P&DC did not promptly process about \$74,000 in exceptional service payments from June 2013 through January 2014. The OIG found payments to HCR contractors were about 3.7 months late, on average. The OIG recommended the vice president, Great Lakes Area Operations, ensure management properly trains employees to prepare and promptly submit exceptional services documentation, develop a process to continually monitor locally generated exceptional services expenses, and ensure local compliance with exceptional services payment processes. Management agreed with the findings and recommendations.

<i>Highway Contract Routes – Extra Trips – Greensboro District</i>	NO-AR-14-012	9/23/2014	\$53,927
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Report Results: The OIG determined that the Greensboro District could have avoided 689 of 7,386 extra trips (9.3 percent) used to transport mail due to unnecessary mail processing delays or missent mail. Mail processing delays were the result of non-adherence to dispatch leave times and missent mail was the result of operational errors. These events caused the district to spend an additional \$53,927 on extra trips in FY 2013, Q4. The OIG also determined that procedures for authorizing and documenting extra trips were not always followed. Over 49 percent of PS Forms 5397 (or 3,163 of 6,342) were not completed properly. Local officials did not always review or authorize these forms and, in some cases, recorded incorrect miles for the trips. Consequently, the Greensboro District incurred \$536,643 in costs that were not properly supported or authorized. The OIG recommended management reduce extra trips by implementing controls and enforcing procedures to avoid processing delays and missent mail; and provide training on and monitor compliance with proper completion of extra trip authorization forms, ensure HCR extra trip forms are submitted timely for payment, and calculate and pay contractors any interest due. Management agreed with all findings and recommendations in the report.

Appendix B:

U.S. Postal Service

Office of Inspector General

Sample Review of Highway

Contract Route Extra Trips

A prior OIG report identified conditions in the Greensboro District that we determined also existed in the Greater Indiana District. Specifically, our judgmental sample review of 5,648 PS Forms 5397 and 155 PS Forms 5429 for FY 2014, Q3, for the eight processing facilities¹⁹ and six associate offices²⁰ identified the following similar conditions (see Tables 1 and 2) that resulted in a total of \$1,529,388 in monetary impact: ²¹

- Avoidable extra trips.
- Improper extra trip documentation.
- Late payments and interest payments.

Table 1. OIG Sample Review of 5,648 HCR Extra Trips PS Forms 5397 Greater Indiana District for FY 2014, Q3

	Issue In This Area	No Issue In This Area
Avoidable Extra Trips – Due To Delayed/Missent Mail	2%	98%
Improper Extra Trip Documentation		
• Signed by Unauthorized Employees	42%	58%
• Missing Mileage	34%	66%
• Missing Volumes	27%	73%
• Missing Time	14%	86%
• Signed by Person who signed PS Form 5429	11%	89%
• Missing Dates	4%	96%
• Missing Authorizing Signature	1%	99%

Source: OIG analysis.

Table 2. OIG Sample Review of 155 HCR Extra Trips PS Forms 5429 Greater Indiana District for FY 2014, Q3

	Issue In This Area	No Issue In This Area
Late Payments and Interest Payments	11%	89%

Source: OIG analysis.

¹⁹ The eight Processing and Distribution Centers/Facilities in the Greater Indiana District include the Muncie, Kokomo, Indianapolis, South Bend, Gary, Fort Wayne, Terre Haute, and Lafayette facilities.

²⁰ The six associate offices are Cannelton, Columbus, St. Meinard, Tell City, Bloomington, and Washington offices.

²¹ Percentages are rounded.

Appendix C: Management's Comments

JACQUELINE KRAGE STRAKO
VICE PRESIDENT, OPERATIONS
GREAT LAKES AREA



April 27, 2015

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Response to Draft Audit Report – Highway Contract Routes - Extra Trips in the Greater Indiana District (Report Number NO-AR-15-DRAFT)

The following is the Greater Indiana District response to the findings and observations made pertaining to the Draft Audit Report Number NO-AR-15-DRAFT – Highway Contract Routes - Extra Trips in the Greater Indiana District.

Management agrees in part with the findings as written. We agree that our compliance processes need to be reviewed and training put in place to ensure compliance. We do not agree with the estimated monetary assessments. While in some cases, the Postal Service was responsible for late payment to the contractors, in many cases the delay was caused by late processing from the contractors. This is not identified in the OIG draft report.

Recommendation 1 – Vice President Great Lakes Area to implement controls and enforce procedures to avoid processing delays and missent mail in order to reduce highway contract route extra trips.

Management Response/Action Plan:

The Greater Indiana District will continue to work with local operations on performance opportunities, staffing alignment and operational improvements to reduce late trips as a result of operating plan delays in mail processing. Local officials will monitor daily mail condition reports and make operational changes as necessary to avoid extra trips.

Target Implementation Date – May 18, 2015

Responsible Official:

Indianapolis P&DC	Sr Manager Distribution Operation
Indianapolis MPA	Annex Manager
Fort Wayne P&DC	Plant Manager

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CAROL STREAM IL 60199-1000
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FAX: 630-539-7171

Recommendation 2 – Vice President Great Lakes Area to train employees to properly complete extra trip authorization forms and monitor compliance.

Management Response/Action Plan:

The Greater Indiana District agrees with this recommendation.

Training for administrative officials (AO) submitting payment authorizations (PS Form 5429) and employees handling extra trip authorizations (PS Form 5397) and late slips (PS Form 5466) is to be conducted through the district. We are currently in the process of identifying every AO (working with Central TCMT) and determining the level of training needed. Packets will be prepared for postmasters to provide a step-by-step explanation of the payment process. These packets can be updated and left in the office to explain actions necessary in the event of AO leave, retirement, or promotion. Training will be built for new processing supervisors and / or dock personnel. Retraining will be implemented for those already in place.

To monitor compliance, the lead district transportation manager will conduct randomly selected audits of administrative officials throughout the district to review compliance of total forms completion and submission. These compliance audits will be addressed to the District Manager and Senior Plant Manager.

Target Implementation Date – May 18, 2015

Responsible Officials:

Indianapolis P&DC	Manager, Transportation and Networks
Fort Wayne P&DC	Manager, Transportation and Networks
South Bend P&DC	Manager, Transportation and Networks
Gary P&DC	Manager, Transportation and Networks

Recommendation 3 – The Vice President Great Lakes Area to implement controls to ensure employees submit extra trip authorization forms on time.

Management Response/Action Plan:

The Greater Indiana District agrees in part with this recommendation.

While we will put procedures in place to ensure payment is processed timely, it must be acknowledged that the contractors must submit timely in order for the payment to be processed timely. In order to submit payment, the administrative

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official must receive page 1 (white copy) of PS Form 5397. Training will be provided to all current and new employees that complete PS Form 5397 or PS Form 5466. All forms will be submitted to the Transportation office on a daily basis. The lead district Transportation Manager will monitor compliance by using the eSCR payment system. Any discrepancies will be addressed to the District Manager and Senior Plant Manager.

Target Implementation Date - May 2, 2015

Responsible Officials:

Indianapolis P&DC	Manager, Transportation and Networks
Fort Wayne P&DC	Manager, Transportation and Networks
South Bend P&DC	Manager, Transportation and Networks
Gary P&DC	Manager, Transportation and Networks

Please contact Larry W. Diegel, District Manager, Greater Indiana, via email or by phone at 317-870-8201, should you have any questions regarding this response.



Jacqueline Krage Strako

cc: Larry W. Diegel, District Manager, Greater Indiana



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