



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

**Highway
Contract
Routes – Extra
Trips in the
San Francisco
District**

Audit Report

Report Number
NO-AR-16-002

October 6, 2015





OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Highlights

The San Francisco District could improve controls over the use and processing of extra trips.

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; it results in added 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 a trip is complete and payment is due to the supplier. If a payment is not made on time, the Postal Service pays interest.

This is the fourth in a series of reports on HCR extra trips. Our objective was to assess HCR extra trips in the San Francisco District, which was consistently one of the 10 most at risk districts for extra trips in our Transportation Risk Model. In fiscal year (FY) 2015, Quarter 1, the San Francisco District paid \$387,955 in extra trips. We reviewed a sample of over 1,200 extra trips that contributed to these extra payments.

What the OIG Found

The San Francisco District could improve controls over the use and processing of extra trips. We estimate the San Francisco

District had 302 extra trips totaling \$90,898 that could have been avoided in FY 2015. These trips were caused by late processing of mail resulting from non-adherence to dispatch leave times. Further, we estimate management could avoid about \$90,898 in FY 2016 by eliminating delayed mail.

We also determined the Postal Service did not always properly authorize and document extra trips. All of the 1,289 PS Forms 5397 we reviewed had missing or unauthorized signatures and 39 percent of the 1,289 forms had missing time or volume information. Local officials did not have authorized approvers sign the forms. Consequently, the San Francisco District will have incurred \$287,436 in improperly supported or improperly authorized costs in FY 2015.

Finally, we determined the Postal Service made nominal interest payments in FY 2015, Quarter 1 because PS Forms 5397 were not submitted on time, delaying payments to HCR contractors. The delays 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, Pacific Area Operations, curtail extra trips by reducing processing delays; provide training on and monitor compliance with extra trip authorization forms; and ensure the forms are submitted on time.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

October 6, 2015

MEMORANDUM FOR: DEAN J. GRANHOLM
VICE PRESIDENT, PACIFIC AREA OPERATIONS

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

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

SUBJECT: Audit Report – Highway Contract Routes – Extra Trips
in the San Francisco District (Report Number NO-AR-16-002)

This report presents the results of our audit of Highway Contract Routes – Extra Trips in the San Francisco District (Project Number 15XG028NO000).

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

Attachment

cc: Corporate Audit and Response Management

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Findings

We estimate the San Francisco District had 302 extra trips totaling about \$90,898 that could have been avoided in FY 2015.

Introduction

This report presents the results of our self-initiated audit of Highway Contract Routes – Extra Trips in the San Francisco District (Project Number 15XG028NO000). This is the fourth in a series of reports on highway contract route (HCR) extra trips.¹ Our objective was to assess extra service trips for HCRs in the San Francisco District. See [Appendix A](#) for additional background 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; it 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 5397, *Contract Route Extra Trip Authorization*,² to support PS Form 5429 and validate that the trip occurred. The contracting officer (CO) appoints an administrative official (AO) to record contract performance daily.³ Managers must also certify and electronically approve PS Forms 5429 to ensure they are properly completed and submitted promptly for payment.

The 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) 2013, Quarter (Q) 1, the Postal Service spent \$602.7 million on HCR transportation; and in FY 2015, Q1, it spent \$630.8 million. This is a 4.7 percent increase in HCR spending over the past 2 years nationwide. During the same 2-year period, HCR spending for extra trips increased by 34.8 percent nationwide. As a result, the Postal Service's extra trip expense as a percentage of HCR regular expense increased from 3.3 percent in FY 2013, Q1, to 5.2 percent in FY 2014, Q2.⁵ The San Francisco District was consistently ranked one of the 10 most at risk districts for extra trips for 3 of the last 8 quarters in our Transportation Risk Model.⁶ In FY 2015, Q1, the San Francisco District paid \$387,955 in extra trips. We reviewed a sample of over 1,200 extra trips that contributed to these extra payments.

Summary

The San Francisco District could improve controls over the use and processing of extra trips. We estimate the San Francisco District had 302 extra trips totaling about \$90,898 that could have been avoided in FY 2015. These trips were caused by late processing of mail resulting from non-adherence to dispatch leave times. Management could avoid about \$90,898 in FY 2016 by eliminating the delays.⁷

1 On July 22, 2015, the U.S. Postal Service Office of Inspector General (OIG) issued an audit report, *Highway Contract Routes – Extra Trips in the Greater South Carolina* (Report Number NO-AR-15-008).

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, completed as certification for payment."

3 The AO is typically a transportation manager or postmaster at a local facility who acts on behalf of the CO. The AO summarizes PS Form 5397 information for PS Form 5429 at the end of each accounting period. The AO distributes copies of PS Forms 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 16.13.

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

7 No noted delays due to missent mail identified in the reviewed sample of over 1,200 extra trips.

We also determined that employees did not always follow procedures for authorizing and documenting extra trips. All of the PS Forms 5397 we reviewed had missing or unauthorized signatures, and 39 percent of the PS Forms 5397 had missing time or volume information. Local officials did not always review or authorize these forms. Consequently, in FY 2015, the San Francisco District will have incurred \$287,436 in costs that were improperly supported or improperly authorized.

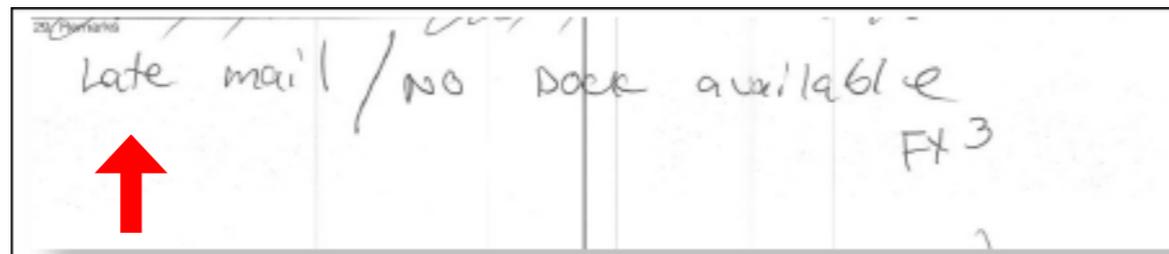
Finally, we determined the Postal Service has made nominal interest payments of \$176 in FY 2015, Q1 because PS Forms 5397 were not submitted timely, delaying payments to HCR contractors. The delays occurred because local Postal Service employees responsible for these functions were not adequately trained and plant managers were not monitoring them.

Avoidable Extra Trips

Our review identified avoidable extra trips for the two processing facilities⁸ and one associate office.⁹ Specifically, we found 302 trips (or about 23 percent of the sample PS Forms 5397 we reviewed) had remarks supporting the use of extra trips as a result of mail processing-related delays.¹⁰

For example, the PS Form 5397 for contract route number 95412 indicated “late” mail in the remarks section and the PS Form 5397 for contract route number 95433 indicated “diverted”¹¹ 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 from the San Francisco District.

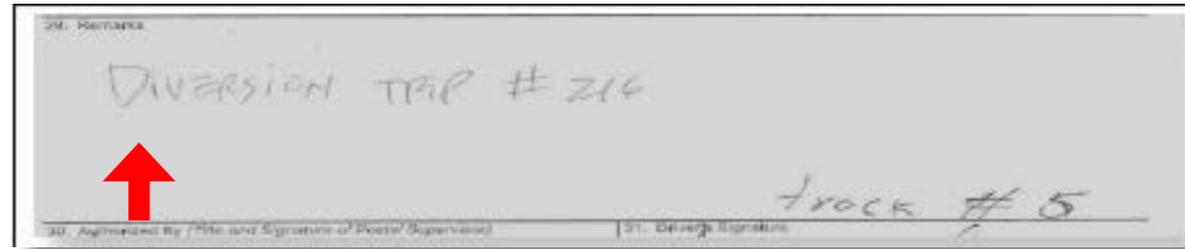
⁸ The two processing and distribution centers/facilities in the San Francisco District include the North Bay and San Francisco facilities.

⁹ The one associate is the Middletown, CA, Post Office.

¹⁰ No noted delays due to missent mail arriving at the wrong facility identified in the reviewed sample of over 1,200 extra trips. 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.

¹¹ Diverted mail is late mail from the originating facility that was sent to a connecting facility for timely delivery to the final designating facility.

Figure 2. Illustration of Form Comments Supporting Diverted Mail



Source: PS Form 5397 from the San Francisco 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 San Francisco District will have avoided spending \$90,898 in FY 2015 on extra trips. By implementing controls and enforcing procedures to avoid processing delays, the San Francisco District could avoid future costs of about \$90,898 in FY 2016.

We found that local officials did not properly review and authorize the required PS Forms 5397 for extra trips.

Improper Extra Trips Documentation

We found that local officials did not properly review or authorize the required PS Forms 5397 for extra trips.¹² Figure 3 shows the percentage of non-compliance by issue. All of the 1,289 forms reviewed had missing or unauthorized signatures and 39 percent had missing time or volume information.¹³

Figure 3: Issues With the San Francisco Districts Completion of PS Forms 5397

1. Contract Route No.	2. Contractor		3. Extra Trips Authorized (<i>Check one</i>) <input type="checkbox"/> One Way <input type="checkbox"/> Round Trip (_____ miles) (_____ miles)	
4. Point of Origin (<i>City and State</i>)	5. Date & Time of Departure	6. Cont. or Pcs.	7. % Load	8. Trailer-Truck No.
9. Destination (<i>Outer terminal</i>)	10. Date & Time of Arrival	11. Cont. or Pcs.	12. % Load	13. Trailer-Truck No.
14. Outbound Trip No.			15. Inbound Trip No.	

30. Authorized By (<i>Title and Signature of Postal Supervisor</i>)	31. Driver's Signature
PS Form 5397 , February 1987	Administrative Official (<i>City and State</i>), _____
	COPY 1

¹² PS Form 5397 instructions outline proper procedures for completing the form and clearly identify each office's responsibility for completion.

¹³ In the reviewed sample of over 1,200 extra trips, we found one form that had missing mileage. We found one form was signed by the same person who signed the PS Form 5429.

Specifically, we found that:

- All 1,289 PS Forms 5397 reviewed were missing an authorizing supervisor signature or were signed by a craft employee (such as an expeditor, clerk, or mail handler) or other non-supervisor.¹⁴ For example, the PS Form 5397 for the contract route number 940L0 extra trip on September 3, 2015, did not have an authorized signature. On November 12, 2015, for contract route number 94910, 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 from the San Francisco District.

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

Source: PS Form 5397 obtained from the San Francisco District.

- Thirty-nine percent of the 1,289 PS Forms 5397 reviewed were missing time (20 percent) or volume (19 percent) information. For example, PS Form 5397 for contract route number 949L0 on August 1, 2014, had missing time and volume information (see illustration in Figure 6).

Figure 6. Forms Missing Extra Trip Time and Volume Information

Source: PS Form 5397 obtained from the San Francisco District.

¹⁴ Non-supervisory employees who record the arrival and departure of mail trucks.

These issues occurred because the Postal Service officials responsible for monitoring and authorizing completion of these forms did not adequately train and oversee employees. Consequently, we estimate the San Francisco District incurred \$287,436 in costs that were not properly supported or authorized in FY 2015.

Late Payments and Interest Payments

We found that local officials did not always timely process PS Forms 5397 and 5429. Specifically, 45 percent of the PS Forms 5397 and 3 percent of the PS Forms 5429 we reviewed for FY 2015, Q1, were processed at least 1 month late. The late processing occurred, in some cases, because local Postal Service employees responsible for this function were not adequately trained and plant managers were not monitoring them. The Postal Service made about \$176 in interest payments to HCR contractors in FY 2015, Q1.

Postal Service regulations state that proper payment documentation for extra trips must be submitted within the month after the service takes place.¹⁵ The Postal Service is obligated to make prompt payments to its contractors by virtue of 31 U.S.C. 3901,¹⁶ 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.”

¹⁵ 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.”

¹⁶ Postal Service, *Supply Management Supplying Principles and Practices*, dated August 2009.

Recommendations

We recommend management implement controls and enforce procedures to avoid late processing of mail in order to reduce HCR extra trips; train employees to properly complete extra trip authorization forms and monitor compliance; and ensure the forms are submitted on time.

We recommend the vice president, Pacific Area:

1. Implement controls and enforce procedures to avoid late processing of 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 with the findings and recommendations, but disagreed with the associated monetary impact for FY 2015.

Regarding recommendation 1, management agreed to implement controls and enforce procedures to avoid late processing of mail to reduce HCR extra trips. Management stated that they have already implemented this recommendation and will monitor performance variances through daily operating plan teleconferences.

Regarding recommendation 2, management agreed to train employees to properly complete extra trip authorization forms and monitor compliance. Management stated that they will reissue national policy to the San Francisco District outlining proper procedures for authorizing extra service and using PS Form 5397. Management also stated they will ensure that an authorized official verifies the need for extra service and signs the appropriate forms. Management will implement the recommendation by December 31, 2015.

Regarding recommendation 3, management agreed to ensure that employees submit extra trip authorization forms on time. Management stated that the local transportation manager or supervisor will ensure employees submit extra trip authorization forms timely, process and certify authorizations for payment, and monitor compliance by December 31, 2015.

Management agreed that opportunities exist to improve transportation efficiencies and reduce unneeded expenses; however, they stated that the basis of the monetary impact assessment was the extra service costs expended during FY 2015, Q1, when peak heavy mail volume periods may increase the need for extra transportation service.

See [Appendix B](#) 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 monetary impact for FY 2015, we acknowledge that peak heavy mail volume periods in the first quarter of a fiscal year may increase the need for extra transportation service. Our evaluation was limited to FY 2015, Q1 data and we projected only to FY 2016, Q1. We did not review any activity or project any results to FY 2016, Qs 2, 3, and 4.

The OIG will continue to monitor HCR extra trips as part of its quarterly Transportation Risk Model to identify whether the San Francisco District is still consistently ranked as one of the most at risk district for extra trips.

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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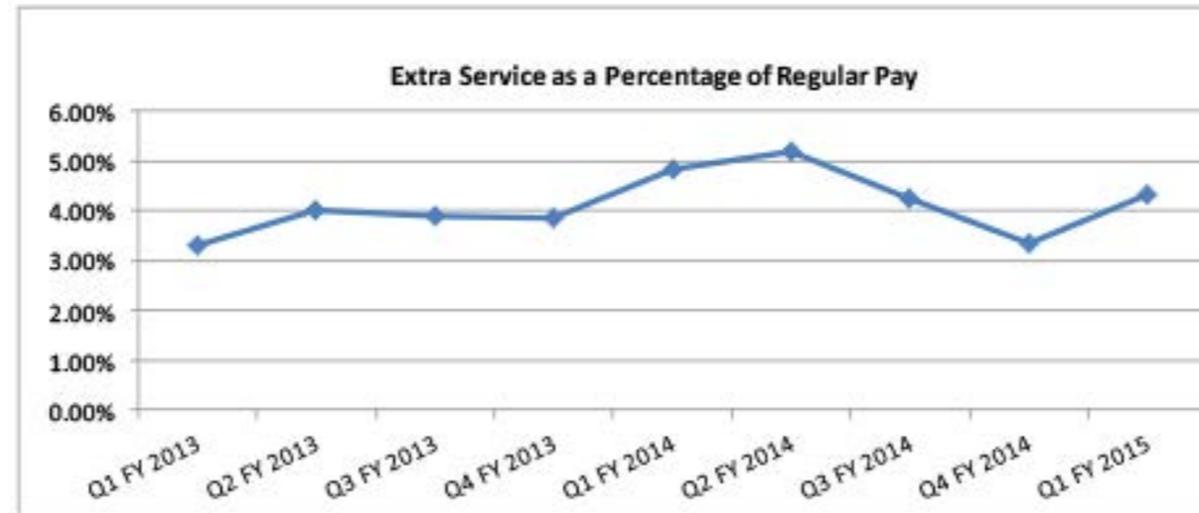
Appendix A: Additional Information

Background

The 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; they result in additional costs 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.¹⁷ The information is recorded in the Postal Service Surface Visibility or Transportation Information Management Evaluation System-Web system.

The Postal Service's goal is that extra trip costs will not exceed 2 percent of regular HCR transportation expenses. Nationally, Postal Service spending on HCR transportation went from 602.7 million in FY 2013, Q1 to \$630.8 million in FY 2015, Q1. This is a 4.7 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 34.8 percent nationwide (see Figure 7).

**Figure 7. Transportation Risk Model Results – Extra Trip Expense as a Percentage of Regular Pay
FY 2013, Q1 – FY 2015, Q1**



Source: OIG Surface Transportation Risk Model results as of FY 2015, Q1.

The OIG has been monitoring HCR extra trips as part of its quarterly Transportation Risk Model. The risk model consistently ranked the San Francisco District as the third most at risk district for extra trips for FY 2015, Q1 (see [Figure 8](#)). The San Francisco District paid \$387,955 for extra trips during this timeframe.

¹⁷ PS Forms 5397 are maintained for 1 year and PS Forms 5249 are maintained for 7 years.

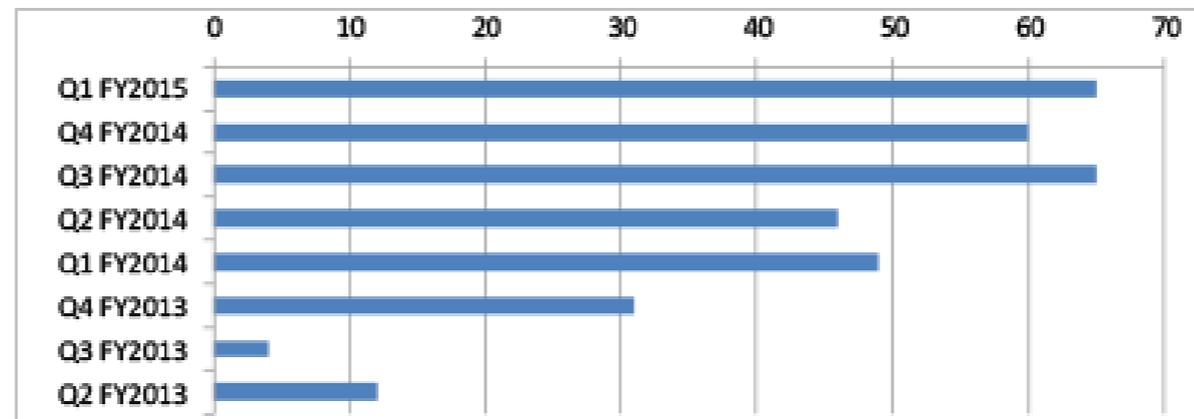
Figure 8. Transportation Risk Model-Greater San Francisco District Third Most at Risk for Extra Service Expenses as a Percentage of Regular Pay¹⁸



Source: OIG Transportation Risk Model results as of FY 2015, Q1.

According to our Transportation Risk Model, the San Francisco District has been one of the 10 districts most at risk for extra trips as a percentage of regular pay for 3 of the past 8 quarters. With a ranking of 1 being the least at risk and 67 being the most at risk the San Francisco District ranked between 60th and 65th (see Figure 9).

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



Source: OIG Surface Transportation Risk Model results as of FY 2015, Q1.

¹⁸ 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 HCR extra trips in the San Francisco District. To accomplish our objective, we:

- Reviewed extra service costs as a percentage of regular pay at the district level for 1 year as part of the OIG Transportation Risk Model, which identified the most at risk districts for each quarter. We analyzed this data to determine which districts are most frequently among the 10 most at risk districts for extra service costs as a percentage of regular pay. We selected the third most at risk district for further review and examined the data for FY 2015, Q1.
- Reviewed a judgmental sample of 1,289 PS Forms 5397 and a sample of 79 PS Forms 5429 during FY 2015, Q1, for HCRs with an extra trip expense that exceeded 2 percent of regular pay. The OIG reviewed PS Forms 5397 and 5429 in the San Francisco District and identified avoidable extra trips with improper documentation and late payments and late interest.
- 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 San Francisco 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 1,289 PS Forms 5397 and a sample of 79 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 visit at one processing facility¹⁹ in the San Francisco 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 April 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 San Francisco District the OIG observed the back docks at the San Francisco Processing and Distribution Center and did not note any issues associated with these concerns.

We conducted this performance audit from April through October 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.

We discussed our observations and conclusions with management on August 24, 2015, and included their comments where appropriate. We assessed the reliability of the extra service data used for this report and contained in our 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.

¹⁹ We conducted an onsite visit at the San Francisco Processing & Distribution Center (P&DC) only because documentation for North Bay P&DC and Middleton Post Office were sent to San Francisco P&DC for staff review. We conducted telephone interviews with personnel from North Bay and Middleton as needed.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Highway Contract Routes – Extra Trips in the Greater South Carolina District</i>	NO-AR-15-008	7/22/2015	\$693,420

Report Results: The Greater South Carolina District could improve controls over the use and processing of extra trips. We estimate the district could have avoided 199 extra trips totaling about \$84,307 in FY 2014. Further, management could avoid about \$84,307 in FY 2015 by eliminating the delays and missent mail. We also determined that employees did not always follow procedures for authorizing and documenting extra trips. We identified about 2,800 instances of improper information on the 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 district incurred \$515,077 in costs that were improperly supported or authorized and could incur \$4,209 in additional costs in FY 2015. Finally, we estimate the Postal Service made some nominal interest payments in FY 2014 because PS Forms 5397 were not submitted timely, delaying payments to HCR contractors. We recommended the vice president, Capital Metro Area: implement controls and enforce procedures to avoid processing delays and missent mail in order to reduce highway contract route extra trips; train employees to properly complete extra trip authorization forms and monitor compliance; and ensure employees submit extra trip authorization forms on time. Management agreed in principle with the findings and recommendations, but disagreed with the associated number of form discrepancies.

<i>Highway Contract Routes – Extra Trips in the Greater Indiana District</i>	NO-AR-15-004	5/07/2015	\$1,537,201
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Report Results: 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. 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. 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. 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. Management agreed in principle with the findings and recommendations, but disagreed with the associated monetary impact.

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Highway Contract Routes – Extra Trips – Greensboro District</i>	NO-AR-14-012	9/23/2014	\$591,443

Report Results: The Greensboro District could improve controls over the use and processing of extra trips. We found the Greensboro District could have avoided 689 of 7,386 (9.3 percent) extra trips 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 \$53,926 on extra trips in FY 2013, Q4. We also determined 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. We also found that the Postal Service made 34 interest payments because Postal Service Forms 5397 were not submitted on time. Finally, we identified 120 instances where trip dates on Postal Service Forms 5429 did not match those on Forms 5397 because employees were not adequately trained and monitored. As a result, HCR contractors were not paid interest on late payments. We recommend the vice president, Capital Metro Area Operations: implement controls and enforce procedures to avoid processing delays and missent mail in order to reduce highway contract route extra trips; train employees on the proper completion of extra trip authorization forms and monitor compliance; and ensure employees submit extra trip authorization forms on time. Management agreed in part with the findings and all recommendations, but did not agree with the monetary impacts presented in the report.

<i>Late Payments for Highway Contract Routes - Indianapolis, IN, Processing and Distribution Center</i>	NO-MA-14-003	7/21/2014	\$74,000
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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.

Appendix B: Management's Comments

DEAN J. GRANHOLM
VICE PRESIDENT, PACIFIC AREA OPERATIONS



SEPTEMBER 16, 2015

LORI LAU DILLARD
ACTING DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Highway Contract Routes
Extra Trips San Francisco District
Project Number 15XG028NO000, NO-AR-15-DRAFT

Thank you for the opportunity to review and comment on the subject draft audit report.

Network Operations agrees with the general findings and observations provided in the audit report on extra trips in the San Francisco District. The following are the actions to be taken in response to the audit:

- *Recommendation #1: Implement controls and enforce procedures to avoid late processing of mail in order to reduce highway contract route extra trips.*

Follow-Up/Actions to Response #1: The Pacific Area is in agreement with this recommendation and will monitor the performance variances through our daily operating plan teleconferences. This recommendation was already implemented and does not require a suspense date.

- *Recommendation #2: Train employees to properly complete extra trip authorization forms and monitor compliance.*

Follow-Up/Actions to Response #2:

The Pacific Area is in agreement with the recommendation. Pacific Area Network Operations will reissue national policy to the San Francisco District, outlining the proper procedures for authorizing extra service and use of the PS Form 5397 (Contract Route Extra Trip Authorization). An authorized official will verify the need for extra service and sign the appropriate forms. The Manager of Transportation at the San Francisco P&DC & the San Francisco ISC will train employees to properly complete extra trip authorization forms and monitor compliance before the end of the calendar year.

- *Recommendation #3: Ensure employees submit extra trip authorization forms on time.*

Follow-Up/Actions to Response #3:

The Pacific Area is in agreement with the recommendation. The local transportation manager or supervisor will ensure that employees submit extra trip authorization forms timely, process and certify authorization for payment, and monitor compliance.

11255 RANCHO CARMEL DR
SAN DIEGO CA 92199-1100
858-674-3110
FAX: 858-674-3101

- *Monetary Impacts, Questioned / Unsupported Questioned Costs: \$378,334:*

Monetary Impacts

Recommendation	Impact Category	Amount
1	Questioned Costs ¹	\$90,897
2	Unsupported Questioned Costs ²	\$287,436
Total		\$378,334
3	Funds Put To Better Use ³	\$91,249

Follow-Up/Actions to Monetary Impact Assessment:

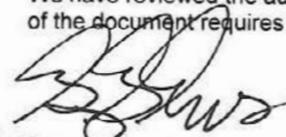
Although the Pacific Area agrees that there are opportunities to improve transportation efficiencies and reduce unneeded expenses, the basis of the monetary impact assessment was the extra service costs expended during Fiscal Year 2015, Quarter 1, our Peak period. We believe that the impacts may be overstated.

This quarter includes the traditionally heavy mail volume periods of fall mailing and peak season, which puts an increased burden on transportation needs – including the need for extra service. The OIG methodology applied a percentage of the error rate to the total Quarter 1 extra service expense to arrive at the Unsupported Questioned Costs category impact. This, combined with the Questioned Costs – which was defined as extra trip expenses resulting from non-adherence to dispatch leave times – resulted in the identified total impact of \$378,334.

As outlined in the previous audit recommendation follow-up and action items, our tasks will ensure that PS Form 5397's are properly completed, reducing the error rate, and therefore reducing the unsupported questioned costs.

In conjunction with auditing PS Form 5397's for accuracy, Pacific Area Network Operations will continue to monitor extra cost expenditures as the financial reports are available, and review performance with the San Francisco District transportation team.

We have reviewed the audit report and management's response, and do not believe that any portion of the document requires exemption from disclosure under the Freedom of Information Act (FOIA).


for Dean J. Granholm

cc: Greg Graves, PA M:OS
Shawn West, PA M:IPS (A)
Pedro Ortiz, PA M:DN



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