



Office of Inspector General | United States Postal Service

Audit Report

Highway Contract Routes - Extra Trips in the Mid-Carolinas District

Report Number NL-AR-18-010 | September 17, 2018



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Highlights

Objective

Our objective was to assess the effectiveness of the U.S. Postal Service's extra trip process for Highway Contract Routes (HCR) in the Mid-Carolinas District.

The Postal Service uses contracted supplier operated routes, or HCRs, to transport mail and equipment between plants, post offices, or other designated points that receive or dispatch mail. An extra trip is an infrequent, additional trip for an existing route and results in increased transportation cost. Extra trips should not be scheduled unless necessary to prevent serious delay of preferential mail — such as Express Mail and Priority Mail — or justified because of high mail volume.

We selected the Mid-Carolinas District because it had the second highest extra service costs for fiscal year (FY) 2017 of \$6.5 million with a total number of over 12,400 recorded extra trips. We reviewed a statistical sample of 190 PS Form 5429 (e5429), Certification of Exceptional Contract Service Performed representing 84 HCR routes and over 3,900 extra HCR trips in FY 2017. We also conducted site visits or interviews to review the extra trips process at the Processing and Distribution Centers (P&DC) in Asheville, Charlotte, and Fayetteville, NC, and Greenville, SC.

The Postal Service (PS) Form 5397, Contract Route Extra Trip Authorization, is used to initiate an extra trip. PS Form 5397 includes trip details such as time, date, mileage, trip justification, and the approving signature. Once an extra trip is completed, the designated HCR Administrative Official (AO) is required to verify the accuracy and completeness of the PS Form 5397 and ensure that a network specialist records the extra trip in Surface Visibility (SV). SV is a system that helps the Postal Service optimize its surface transportation network by improving dock productivity tracking and performance.

Every month a network specialist enters all extra trip information into the electronic PS Form 5429 (e5429), for the processing and approval of payment in

“The Mid-Carolinas District extra trip process was not effective.”

the electronic Service Change Request (eSCR) system for the HCR supplier. The specialist also uploads all supporting documentation (extra trip authorizations) into the eSCR system. The AO approves the e5429 for payment after reviewing all supporting documentation for accuracy and completeness.

What the OIG Found

We found that the extra trips process in the Mid-Carolinas District was not effective. We identified the following compliance issues with the 190 sampled e5429 transactions:

- 74 (or about 39 percent) representing over 2,900 extra trips did not have the authorization form (PS Form 5397) uploaded in the eSCR system as required by Postal Service policy and Sarbanes Oxley requirements. We reviewed hardcopy PS Form 5397s for 68 of the 74 e5429 transactions and noted forms were generally inaccurate and incomplete. For example, at the Fayetteville P&DC we found 30 e5429 transactions representing 668 PS Form 5397s with incomplete information such as departure times, dates, mileage, trip justification, and approval signatures. Additionally, PS Form 5397s for the remaining six e5429 transactions could not be provided.
- 51 (or about 27 percent) representing almost 280 extra trips were not recorded in SV.
- Ten HCR routes had over 9,600 recurring extra trips costing about \$2.9 million. This represents 77 percent of the extra trips and 45 percent of the total costs of the extra trips.
- 1,270 extra trips had missing entries on required documentation for departure time, date, mileage, trip justification, and approval signature.

This occurred because the AOs did not provide adequate oversight and authorizing officials were not familiar with process requirements. Additionally, the Asheville P&DC did not have an AO on-site to oversee the extra trip approval process. The Greenville P&DC in the Greater South Carolina District processed and paid extra trips for the Asheville P&DC in the Mid-Carolina District.

As a result of not having the authorization forms (PS Forms 5397) in the eSCR system, the Mid-Carolinas District incurred over \$2.5 million dollars in unsupported questioned costs in FY 2017.

What the OIG Recommended

We recommended management:

- Ensure authorizing and administrative officials receive training to comply with Management Instruction, PO-530-2017-1, Highway Contract Route Exceptional Service Performance Payment Reconciliation, requirements.
- Assign HCR AO official duties for the Asheville facility to the Mid-Carolinas District.
- Evaluate recurring extra trips for modification to regular service.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

September 17, 2018

MEMORANDUM FOR: LINDA M. MALONE
VICE PRESIDENT, CAPITAL METRO AREA

E-Signed by Inspector General
VERIFY authenticity with eSign Desktop

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

SUBJECT: Audit Report – Highway Contract Routes – Extra Trips in the
Mid-Carolinas District (Report Number NL-AR-18-010)

This report presents the results of our audit of the Highway Contract Routes – Extra Trips in the Mid-Carolinas District (Project Number 18XG010NL000).

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

Attachment

cc: Postmaster General
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of the Highway Contract Routes - Extra Trips in the Mid-Carolinas District (Project Number 18XG010NL000). Our objective was to assess the effectiveness of the U.S. Postal Service's extra trip process for Highway Contract Routes (HCR) in the Mid-Carolinas District. See [Appendix A](#) for additional information about this audit.

Background

The Postal Service uses contracted supplier-operated routes, or HCRs,¹ to transport mail and equipment between plants, post offices, or other designated points that receive or dispatch mail. An extra trip is an infrequent, additional trip on an existing route and results in increased transportation cost. Extra trips should not be scheduled unless necessary to prevent serious delay of preferential mail — such as Express Mail, Priority Mail — or justified because of high mail volume.

The Postal Service uses Postal Service (PS) Form 5397, Contract Route Extra Trip Authorization, to initiate extra trips. The PS Form 5397 includes trip details such as time, date, mileage, trip justification, and the approving signature. Once the extra trip is completed, the HCR Administrative Official (AO) is required to verify the accuracy and completeness of the PS Form 5397 and ensure that a network specialist records the extra trip in the Surface Visibility (SV) system.

Every month a network specialist enters all extra trip information into the electronic PS Form 5429 (e5429), Certification of Exceptional Contract Service Performed, for the processing and approval of payments in the electronic Service Change Request (eSCR) system for the HCR supplier. The specialist also uploads all supporting documentation (extra trip authorizations) into the eSCR system. The AO approves the e5429 for payment after reviewing all supporting documentation in eSCR for accuracy and completeness. The Postal Service's Sarbanes Oxley (SOX) procedures² require the AO to review and reconcile the accuracy of the e5429 to the supporting PS 5397s in the eSCR prior to payment.

¹ Highway Contract Route (HCR) is the official name of these contracted supplier operated routes.

² CA-002, .209.Highway Transportation, states in part, an AO or AO Representative reviews and approves each e5429 by matching key information to corresponding complete and accurate documentation. Evidence of control performance is AO or AO representative's electronic approval and attached supporting documentation in eSCR.

Furthermore, Postal Service policy requires the Accounting Service Center to perform compliance checks by sampling and reviewing paid e5429's and the supporting documentation in eSCR for errors.

Postal Service Management Instruction (MI) PO-530-2017-1, Highway Contract Route Exceptional Service Performance Payment Reconciliation, provides instructions for the extra trip process.

We selected the Mid-Carolinas District which had the second highest extra service costs nationwide of \$6.5 million, with a total of 12,440 recorded extra trips in SV for fiscal year (FY) 2017. We met with Postal Service officials and reviewed the extra trips process at the Processing and Distribution Centers (P&DC) in Asheville, Charlotte, Fayetteville, NC; and Greenville, SC. We reviewed a statistically selected sample of 190 service performance transactions, PS Form e5429s, representing 84 HCR routes and 3,987 extra trips initiated during FY 2017.

Finding #1: Ineffective Extra Trips Process

We found that the extra trips process in the Mid-Carolinas District was not effective. We identified the following compliance issues with the 190 sampled e5429 transactions:

- 74 (or about 39 percent) representing 2,967 extra trips, did not have the authorization form (PS Form 5397) uploaded in the eSCR system as required by Postal Service policy and Sarbanes Oxley requirements. We reviewed hardcopy PS Form 5397s for 68 of the 74 e5429 transactions and noted the forms generally were inaccurate and incomplete. For example, at the Fayetteville P&DC we found 30 e5429 transactions representing 668 PS Form

“Transportation management in the Mid-Carolinas District did not always comply with the extra trips process as outlined in Postal Service Management Instruction (MI) PO-530-2017-1, Highway Contract Route Exceptional Service Performance Payment Reconciliation.”

5397s with incomplete information such as departure times, dates, mileage, trip justification, and approval signatures. In addition, PS Form 5397 for the remaining six e5429 transactions could not be provided.

- 51 (or about 27 percent) representing 276 extra trips were not recorded in SV.
- 10 HCR routes that had 9,619 recurring extra trips totaling about \$2.9 million that could be evaluated and negotiated as part of the existing HCR contract. This represents 77 percent of the extra trips and 45 percent of the total costs of the extra trips.
- 1,270 extra trip authorization forms (PS Form 5397) reviewed had missing entries on required documentation for departure times, dates, mileage, trip justification, and approval signatures.

This occurred because the AOs did not provide adequate oversight of the extra trips process and the authorizing officials were not familiar with process requirements. As a result, we estimated the Mid-Carolinas District incurred over \$2.5 million in unsupported questioned costs due to the lack of authorization forms (PS Forms 5397) in the eSCR system and over \$1.7 million in disbursements at risk due to the extra trips not being in SV for FY 2017.

Non-Compliance with the Extra Trips Process

We found that transportation management in the Mid-Carolinas District did not always comply with the extra trips process. We identified the following compliance issues:

Uploading Extra Trip Authorization (PS Form 5397) in eSCR

We found that e5429 extra trip transactions did not always have supporting authorization (PS Form 5397) uploaded into the eSCR system as required by the MI. Specifically, 74 of the 190 sampled e5429 transactions (or about 39 percent) representing 2,967 extra trips did not have the authorization form (PS Form 5397) uploaded in the eSCR system to support the review, approval, and payment of the e5429 extra trip transactions. We reviewed hardcopy PS

Form 5397s for 68 of the 74 e5429 transactions and noted the forms were generally inaccurate and incomplete missing required details such as departure times, dates, mileage, trip justification, and approval signatures. For example, at the Fayetteville P&DC we found 30 e5429 transactions representing 668 PS Form 5397s with incomplete information such as departure times, dates, mileage, trip justification, and approval signatures. However, documentation for the remaining six transactions could not be provided. Without the supporting documentation in eSCR, the payments for the extra trips cannot be reconciled, reviewed and approved by the AO as required by Postal Service policy and SOX procedures. Furthermore, Postal Service policy requires the Accounting Service Center to perform compliance checks by sampling and reviewing paid PS Forms 5429 and supporting documentation for errors (see Table 1).

Table 1. Missing Supporting Documentation (e5429 Transactions) in eSCR

Facility	Statistical Sample of e5429s	e5429 Transactions Missing Supporting Documentation	PS Forms 5397 not Uploaded to eSCR
Asheville P&DC	43	36	2,239
Charlotte P&DC	26	2	28
Fayetteville P&DC	30	30	669
Kinston Processing & Distribution Facility	1	1	0
Post Offices & Annexes	90	5	31
Total	190	74	2,967

Source: U.S. Postal Service Office of Inspector General (OIG) review of e5429s and supporting PS Form 5397 authorization forms.

Extra Trips Not Recorded in Surface Visibility

Extra trips were not always recorded in SV, as required by the MI. Specifically, 51 of the 190 sampled e5429 transactions (or about 27 percent) representing 276 extra trips were not recorded in SV (see Table 2). As an example, SV showed zero extra trips for HCR 287L1 in FY 2017; however, this contract shows \$253,143 paid for extra trips, which is the second largest contract at the Asheville facility. Facility officials should enter the extra trip details into SV before the trip occurs, which would allow the trip to be tracked in the SV system through the trip scanning process. Without this information, AOs cannot validate that the trip occurred during the approval process. Additionally, the lack of extra trip data in SV reduces management's ability to monitor the scope and frequency of extra trips by route, supplier, and facility.

Table 2. Extra Trips Not Recorded in SV³

Facility	Number of e5429 Transactions	Extra Trips Not Recorded in SV
Arapahoe Post Office	7	33
Bayboro Post Office	3	14
Cullowhee Post Office	1	7
Grantsboro Post Office	3	28
New Bern Post Office	3	22
Oak Island Carrier Annex	2	2
Pinehurst Post Office	21	158
Shelby Post Office	2	3
Southport Post Office	9	9
Total	51	276

Source: OIG analysis of FY 2017 SV data and eSCR transactions.

Extra Trip Frequency Reviews

We found that 10 of 84 HCRs represented in our 190 sampled e5429 transactions, were operating on a frequent basis and were scheduled routinely in FY 2017. Specifically, for the 10 HCR routes, we identified 9,619 recurring extra trips totaling about \$2.9 million that could be evaluated and negotiated as part of the existing HCR contract, thereby increasing mail transportation visibility and scheduling needs. These 10 HCR routes represent 77 percent of the extra trips and 45 percent of the total costs of the extra service (see Table 3).

³ We only included those facilities with no transactions recorded in SV. We would have to breakout a detailed analysis for the total of 84 HCRs in the sample, many at the large plants we visited which had some trips recorded in SV and others not recorded. In addition, by limiting this presentation to only post offices with no recorded SV trips, we eliminate the possibility of overlap between the reported questioned costs and disbursements at risk.

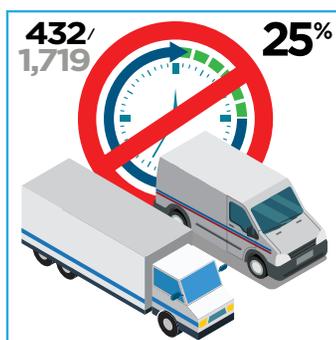
Table 3. Extra Trips Running on a Regular Basis

Facility & HCR Number	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Grand Total
Charlotte P&DC													
280M1	34	38	33	26	29	29	25	27	30	42	34	38	385
280N1	3	5	1	2	0	16	20	25	21	5	7	4	109
280N3	8	14	20	12	10	11	9	11	12	71	46	2	226
Ashville P&DC													
28710	738	654	647	605	350	399	467	481	464	655	757	885	7,102
28732	16	10	19	18	14	21	16	10	21	14	19	22	200
28735	21	12	20	21	16	17	17	11	18	13	22	25	213
28736	17	11	21	20	16	20	16	8	18	15	22	23	207
28743	46	35	29	31	35	48	45	43	43	49	56	61	521
287AR	30	25	44	45	42	42	39	18	16	35	46	43	425
287L3	17	19	23	21	17	23	18	14	20	14	23	22	231
Total	930	823	857	801	529	626	672	648	663	913	1,032	1,125	9,619

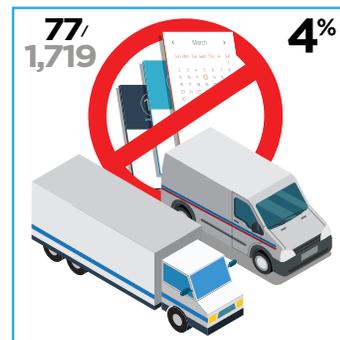
Source: OIG analysis of FY 2017 SV data.

Incomplete Authorization Forms

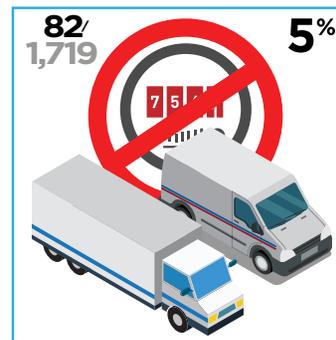
We reviewed 1,719 of the 3,987⁴ PS Forms 5397 in our sample of 190 e5429 transactions and found the following entry omissions:



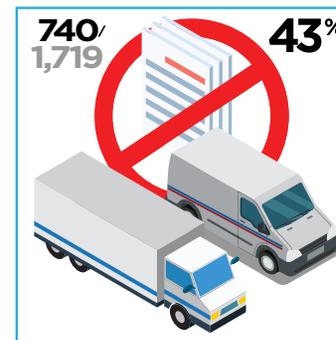
Four hundred and thirty-two (or about 25 percent) did not have departure times.



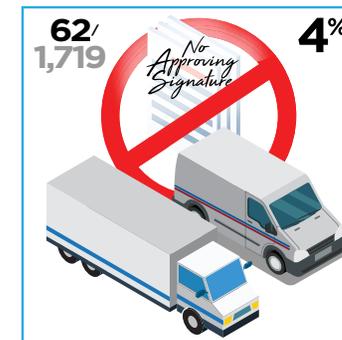
Seventy-seven (or about 4 percent) did not have departure dates.



Eighty-two (or about 5 percent) did not have authorized mileage.



Seven hundred and forty (or about 43 percent) did not have documented purpose or justifications.



Sixty-two (or about 4 percent) did not have approving signatures.⁵

Lack of Oversight with the Extra Trips Process

These compliance issues occurred because AOs did not provide adequate oversight of the extra trips process and the authorizing officials were not familiar with process requirements. We found that the AOs did not adequately review PS Forms 5397 for accuracy, completion, and authorizations of extra trips.⁶ In addition, the AOs did not always review the frequency of extra trips to determine whether they could be converted to regular service. AOs also stated that the lack of familiarity was due to personnel turnover and a lack of training on the process. We determined formal training in AO responsibilities last occurred in August of 2016. Authorizing officials we spoke with could not recall the last time they received formal training on the extra trips process.

Additionally, the Asheville, NC, facility did not have an onsite AO assigned to oversee the extra trip process. During the 2015 Area Mail Processing (AMP)

reorganization, some of the mail processing operations and management of the HCR contracts moved from the Asheville P&DC, Mid-Carolinas District, to the Greenville P&DC, Greater South Carolina District. However, the responsibility for scheduling extra trips remained with the Mid-Carolinas District. Specifically, the Asheville facility determined the need for the extra trips and the Greenville facility processed and approved the extra trips for payment using the Asheville finance number and transportation budget.

Results of Non-Compliance with the Extra Trips Process

We estimate that the Mid-Carolinas District incurred \$2.5 million in unsupported questioned costs. The unsupported questioned costs represent e5429s that were approved and paid without the supporting PS Forms 5397 extra trip authorizations uploaded in the eSCR system and reviewed for accuracy and completeness.

⁴ Our initial sample consisted of 3,987 PS Forms 5397 for review. However, 2,268 PS Forms 5397 related to the Asheville facility were excluded as these forms were not in the eSCR system as required.

⁵ We observed many PS Forms 5397 with illegible signatures and, as a result, were unable to quantify the number of trips authorized by non-supervisors such as dock clerks and expeditors. We presented these forms to transportation officials for review; however, they were unable to determine the identification of the authorizing individual.

⁶ PS Form 5397 instructions outline proper procedures for completing the form and clearly identify each office's responsibility for completion.

Additionally, we estimate FY 2017 extra trip costs of \$1.7 million as disbursements at risk in the Mid-Carolinas District. The Postal Service is at risk of incurring unnecessary extra trip costs because it did not adhere to the MI requirements to ensure scheduled extra trips were recorded and cross-validated in SV for departures and arrivals. As a result, facility management were not able to validate that authorized extra trips operated without the trip details entered into SV.

Recommendation #1

The Vice President, Capital Metro Area, ensure authorizing and administrative officials receive training to comply with Management Instruction, PO-530-2017-1, Highway Contract Route Exceptional Service Performance Payment Reconciliation, requirements.

Recommendation #2

The Vice President, Capital Metro Area, assign highway contract route administrative official duties for the Asheville facility to the Mid-Carolinas District.

Recommendation #3

The Vice President, Capital Metro Area, evaluate recurring extra trips for modification to regular service.

Management's Comments

Management agreed with recommendations 1 and 3 and many of the report findings but disagreed with recommendation 2 and both the monetary and other impact.

Regarding recommendation 1, management agreed to ensure that AOs and those who authorize payments receive training to comply with policy. The targeted implementation date is October 31, 2018.

Regarding recommendation 2, management disagreed with this recommendation, stating that DRO eliminated the contracts. Management also stated that all DRO contracts for the Greenville plant and its service area, which includes Asheville, have been consolidated to an AO located in the Greater South Carolina District at the Greenville plant.

Regarding recommendation 3, management agreed to evaluate recurring extra trips for potential conversion to regular service. The targeted implementation date is November 30, 2018.

Management disagreed with the monetary impact of \$2,526,951 in unsupported questioned costs stating these costs would have been incurred whether the trips were added to the existing contract or run as extra service. Additionally, management stated that while some Postal Service forms were not filled out completely, employees who are responsible for moving the mail and authorized to order extra trips were responsible for making these decisions daily.

Management disagreed with the other impact of \$1.7 million in disbursements at risk due to extra trips not being recorded in SV for FY 2017. Management stated that these trips were not electronically recorded; however, that does not imply that they were not necessary or did not occur. Management also stated hard copy documents were available to support these trips. Management agreed that documentation should have been uploaded to the system but did not agree that any disbursed funds were at risk.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to recommendations 1 and 3 and the corrective actions should resolve the issues identified in the report.

Regarding recommendation 2, while management did not agree, the actions taken to assign the AO to oversee the extra trip process at the Greenville plant — which now administers the contracts — will result in aligning the transportation budget with the review and payment process. This will provide increased management oversight of the extra trips process within the districts. Based on the actions taken by management for recommendation 2, the OIG considers the actions responsive to the recommendation and will close recommendation 2 with the issuance of this report.

Regarding the \$2,526,951 in unsupported questioned costs, the OIG discussed Postal Service MI and SOX requirements for uploading supporting documentation into the eSCR system for AOs to review, reconcile, and approve payment.

The unsupported questioned costs represent extra trip transactions that were approved and paid without the review of supporting documentation for accuracy, completeness, and verification prior to payment. Uploading these documents into the eSCR system allows the AO to determine whether extra trip costs were valid, compliant with policy, and appropriate for payment processing.

Regarding the \$1.7 million in disbursements at risk, the OIG discussed Postal Service MI requirements for inputting extra trip details into the SV system. The disbursements at risk represent extra trip details not entered into the SV system for AOs to review, validate, and submit for payment. Without this information, AOs

cannot cross-validate the extra trip information and costs during the approval process. In addition, there is reduced oversight of extra trips resulting from incomplete SV system data.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. All recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendices

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Appendix A: Additional Information

Scope and Methodology

Our selection methodology for performing a district-wide audit included analyses of Performance and Results Information System (PARIS) Transportation Risk data. We identified the Portland District as, nationwide, having the highest extra service costs in FY 2017. However, we believed that this was not the optimal time to review extra trips in the Portland District due to ongoing P&DC relocation, consolidation, and infrastructure changes in the district. We selected the Mid-Carolinas District as the district with the second highest incurred exceptional service costs. We used statistical sampling, which covered 190 of 1,525 electronic PS Forms 5429 paid during FY 2017.

To accomplish our objective, we:

- Reviewed prior OIG reports to identify prior audit coverage of HCR extra trips.
- Reviewed and evaluated relevant Postal Service criteria for extra trip processes and procedures, including MI PO-530-2017-1, dated August 31, 2017.
- Obtained HCR extra service reports and analyzed the data to segregate the costs for the Mid-Carolinas District for FY 2017.
- Obtained and analyzed eSCR extra service payment data for the Mid-Carolinas District for FY 2017 from 8,290 HCR payment transactions excluding extra trip categories outside our scope (such as late trips, the Christmas mailing season, and detour service).
- Extracted and reviewed FY 2017 data from SV to determine the count of extra trips recorded for the Mid-Carolinas District.
- Reviewed a statistical sample of 190 (out of a total of 1,525) consolidated e5429 transactions representing over 3,900 extra trips occurring in FY 2017. For each sampled item we:
 - Assessed the justification for the extra trips;
 - Reviewed supporting documentation for completeness and accuracy;

- Determined the frequency of the extra trip; and
- Validated the timeliness of contractor payments and any interest penalties.
- Performed site visits or interviews at P&DCs in Asheville, Charlotte, Fayetteville, NC, and Greenville SC to discuss transportation operations with managers and personnel responsible for HCR extra trips regarding the process; assess the validity of extra trips; and observe operations. We also conducted a teleconference with management at the Asheville P&DC to discuss their processes in conjunction with our review of extra trip source documentation at the Greenville P&DC.
- Briefed the District Manager of the Mid-Carolinas District on our preliminary results and observations.
- Interviewed personnel at the St. Louis Accounting Service Center regarding processes for ensuring compliance with the Prompt Payment Act and interest paid in FY 2017 for extra trips processed untimely.
- Consulted with an OIG operations research analyst to develop our statistical sampling, monetary, and other impact methodologies.

We conducted this performance audit from February through September 2018, 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 finding and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective. We discussed our observations and conclusions with management on August 8, 2018, and included their comments where appropriate.

We assessed the reliability of exceptional service and SV extra trips data by segregating out extra trips only data from eSCR system and validating SV data with source documents from paid extra trips. We determined the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Highway Contract Routes – Extra Trips in the San Francisco District</i>	Assess extra service trips for HCRs in the San Francisco District.	NO-AR-16-002	10/6/2015	\$469,000
<i>Highway Contract Routes – Extra Trips in the Greater South Carolina District</i>	Assess extra trips for HCRs in the Greater South Carolina District.	NO-AR-15-008	7/22/2015	\$693,000
<i>Highway Contract Routes – Extra Trips – Greater Indiana District</i>	Assess extra trips for HCRs in the Greater Indiana District.	NO-AR-15-004	5/7/2015	\$1,529,000
<i>Highway Contract Routes – Extra Trips – Greensboro District</i>	Assess extra trips for HCRs in the Greensboro District.	NO-AR-14-012	9/23/2014	\$591,000
<i>Late Payments for Highway Contract Routes – Indianapolis, IN, Processing and Distribution Center</i>	Make the Postal Service aware of the need to immediately reinforce instructions and provide training on processing payments to HCR contractors for exceptional service (extra service and late leaving trips) performed at the Indianapolis, IN, P&DC.	NO-MA-14-003	7/21/2014	None

Appendix B: Management's Comments



September 5, 2018

MONIQUE COLTER
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Response to Draft Audit Report – Highway Contract Routes – Extra Trips in the Mid-Carolinas District (Report Number NL-AR-18-DRAFT)

Thank you for the opportunity to respond to the Office of Inspector General (OIG) draft audit report, Highway Contract Routes – Extra Trips in the Mid-Carolinas District. Management does agree with many of the findings noted in the audit report. Management also agrees with some of the recommendations as outlined in the audit response per the action plans shown below.

We do not agree with the \$2,526,951 in unsupported questioned costs. While the monies were indeed spent, they are costs that would be incurred whether added to the existing contract or run as extra service. While some PS 5429's were not filled out completely, employees who are responsible for moving the mail, and authorized to order extra trips, were the ones making those decisions on a daily basis.

Regarding the more than \$1.7 million in disbursements at risk due to extra trips not being recorded in SV in FY 2017, simply because those trips were not electronically recorded does not imply they were not necessary or did not occur. Hard copy documents were available to document the trips. While we agree the documentation should have been uploaded to the system, we do not agree any money disbursed was at risk.

Recommendation #1

We recommend the Vice President, Capital Metro Area, ensure authorizing and administrative officials receive training to comply with Management Instruction PO-530-2017-01, Highway Contract Route Exceptional Service Performance Payment Reconciliation requirements.

Management Response/Action Plan

Management agrees with this recommendation and will implement by requiring all administrative officials and those that authorize payment to attend training. Training participants will better understand the process and implement it as outlined in the management instruction to ensure compliance. Employees associated with the facilities involved in the process identified in this audit will participate in the training. Management will submit documentation of training for closure of this recommendation.

- 2 -

Target Implementation Date

10/31/2018

Responsible Official

Manager, Network Operations (Area)

Recommendation #2

We recommend the Vice President, Capital Metro Area assign highway contract route administrative official duties for the Asheville facility to the Mid-Carolinas District.

Management Response/Action Plan

Management disagrees with this recommendation as implementation of Dynamic Routing Optimization (DRO) eliminated the contracts. All DRO contracts for Greenville Plant and their service area which includes Asheville are currently consolidated to an administrative official located in Greater South Carolina District at the Greenville Plant.

Recommendation #3

We recommend the Vice President, Capital Metro Area, evaluate recurring extra trips for modification to regular service.

Management Response/Action Plan

Management agrees that recurring extra trips should be evaluated for potential conversion to regular service. As part of the implementation of Dynamic Routing Optimization the new system analyzes and determines the number of trips necessary on any given day based on mail volume and will automatically adjust accordingly. Any contracts not covered by DRO that require recurring extra trips will be identified monthly by the administrative official and submitted to the Manager, Network Operations who will evaluate and take action when necessary by modifying the existing contract for the route. Additionally, a request has been submitted to the headquarters Mail Transport Equipment team to provide Asheville its own dedicated trip to the MTESS; therefore bypassing Greenville and potentially eliminating many extra trips to move empty equipment. Contract modifications made through October 2018 will be submitted as documentation for this recommendation.

Target Implementation Date

11/30/2018

Responsible Official

Manager, Network Operations (Area)



Linda M. Malone
Vice President, Capital Metro Area

cc: Manager, Corporate Audit & Response Management



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