

Office of Inspector General | United States Postal Service

## Audit Report

# Postal Vehicle Service Zero Base Reviews

Report Number NL-AR-19-005 | September 27, 2019



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# Highlights

## Objective

Our objective was to determine whether the U.S. Postal Service's Postal Vehicle Service (PVS) Zero Base program was properly implemented and meeting goals.

The Postal Service has a PVS fleet and drivers who are career Postal Service employees to move mail between processing facilities, inner-city delivery offices, and local businesses and mailers. PVS is primarily used for distances within a 50-mile radius of their Postal Service location.

There are 130 processing and distribution centers (P&DC) with about 8,800 drivers and over 26,000 vehicles assigned to PVS operations. In fiscal year (FY) 2018, PVS operations cost the Postal Service over \$1 billion in salaries (including overtime), benefits, and fuel.

Transportation management at P&DCs nationwide are required to complete annual Zero Base reviews to optimize PVS operations. These reviews examine and identify recommendations regarding staffing, scheduling, and vehicle usage. P&DC transportation management report PVS Zero Base review recommendations and estimated projected cost increases or savings to headquarters management. Headquarters transportation management identified the need to eliminate stand-by time (when drivers are not needed for a specific trip or related action but are required to be paid) and align schedules and staffing across all tours of operation as part of the Zero Base reviews.

The Postal Service implemented the PVS Zero Base initiative in FY 2014 (renamed PVS Optimization in FY 2017 and the PVS Zero Base Program in FY 2018) as part of the Optimize Network Platform initiative to reduce surface transportation costs by using excess trailer capacity and reducing duplicative trips.

The PVS Zero Base initiative projected savings of \$98 million from FY 2014 through FY 2017 but reported increased costs of \$21 million due to an increase in labor and fuel expenses. In FY 2018, the Postal Service removed PVS Optimization from the Optimize Network Platform initiative but continues to conduct annual PVS Zero Base Reviews.

## What the OIG Found

We determined the PVS Zero Base program did not meet program goals and that opportunities exist to reduce PVS transportation costs.

We reviewed FY 2018 Zero Base review recommendations from a nationwide statistical sample of 82 P&DCs. We identified 74 recommendations for 65 of the 82 P&DCs (79 percent) in our sample. The remaining 17 P&DCs in our sample had no recommendations. Transportation management at these P&DCs determined, based on their PVS Zero Base reviews, that the recommended staffing adjustments and vehicle mileage changes would cost the Postal Service about \$30 million in additional costs. However, we found that driver schedules contained hours that were not necessary, resulting in additional costs to the Postal Service. Specifically, the schedules contained:

- Excessive loading and unloading time at service points. Specifically, 5,163 of the 6,734 (77 percent) driver schedules contained loading and unloading timeframes ranging from five minutes to seven hours over the allotted 15 minutes. The common practice is 15 minutes for loading and unloading vehicles.
- Excessive stand-by time. Specifically, 441 of 6,734 PVS driver schedules (7 percent) contained two or more hours of stand-by time (at least 25 percent of total hours) in an eight-hour workday. Postal Service policy states that managers should monitor the use of stand-by time on an ongoing basis to ensure that staffing and scheduling match workload requirements and adjust, as necessary, to minimize nonproductive time.

Additionally, we found discrepancies in the FY 2018 PVS Zero Base mileage and hours analysis, which is conducted to project transportation costs. We reviewed the mileage and hours analysis for the 82 sampled P&DCs and found that the Postal Service excluded 968 of 6,734 (14 percent) PVS driver schedules obtained from Vehicle Information Transportation Analysis and Logistics from the calculation. We also determined that the methodology used to calculate Zero Base review projected costs was inconsistent. For example, transportation managers at 35 of the 82 (43 percent) sampled P&DCs excluded holiday

schedules from the mileage and hour analysis, resulting in inaccuracies used to adjust workload requirements.

These issues occurred because standard operating procedures do not provide a consistent approach to allocating time for PVS work assignments. Additionally, management oversight regarding the tracking and monitoring of the PVS Zero Base review recommendations needs strengthening.

As a result, there are missed opportunities to eliminate inefficiencies in PVS Zero Base reviews and PVS driver schedules. The Postal Service could save about

\$51 million over the next year by removing excessive load and unloading hours and stand-by hours from existing PVS schedules.

### What the OIG Recommended

We recommended management:

- Ensure the standard operating procedures provide a consistent approach to allocating time for work assignments within Postal Vehicle Service schedules in order to optimize operations.
- Ensure Area Postal Vehicle Service analysts track and monitor Zero Base review recommendations.

# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

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September 27, 2019

**MEMORANDUM FOR:** ROBERT CINTRON  
VICE PRESIDENT, LOGISTICS

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 – Postal Vehicle Service Zero Base Reviews  
(Report Number NL-AR-19-005)

This report presents the results of our audit of Postal Vehicle Service Zero Base Reviews (Project Number 19XG005NL000).

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 Postal Vehicle Service (PVS) Zero Base Reviews (Project Number 19XG005NL000). Our objective was to determine whether the PVS Zero Base program was properly implemented and meeting goals. See [Appendix A](#) for additional information about this audit.

## Background

The Postal Service has one of the largest transportation and logistics networks in the world, transporting mail and equipment between processing and distribution centers (P&DC), post offices, or other designated points that receive or dispatch mail. The PVS fleet and drivers, who are career Postal Service employees, move mail between processing facilities, inner-city delivery offices, and local businesses and mailers. The American Postal Workers Union (APWU) represents these drivers and the Collective Bargaining Agreement<sup>1</sup> covers the work rules which govern PVS operations.

PVS is primarily used for distances that are in a 50-mile radius of their Postal Service location. As of July 2019, there are 130 P&DCs with 8,800 drivers in the Postal Service network that conduct PVS operations using over 26,000 vehicles. In fiscal year (FY) 2018, PVS transportation expenses were over \$1 billion in salaries (including overtime), benefits, and fuel — an increase of about \$60 million (5.9 percent) compared to FY 2017.

Transportation management at P&DCs nationwide are required to complete annual Zero Base reviews to optimize PVS operations. These reviews examine in-service driver schedules to identify and determine the need to adjust stand-by time,<sup>2</sup> miles, workhours, routes, number of drivers, and vehicle usage. During these reviews, Transportation management also calculates the cost of mileage and hours to identify future savings or increased costs at each P&DC. Local

P&DC Transportation management sends the results of the PVS Zero reviews to the district PVS analyst for review and concurrence. The district PVS analyst sends the results to the area PVS analyst, who reports the recommendations and estimated cost increases or savings to headquarters (HQ) Transportation management. HQ Transportation management identified the need to eliminate stand-by time (when drivers are not needed for a specific trip or related action but are required to be paid) and align schedules and staffing across all tours of operation as part of the Zero Base reviews.

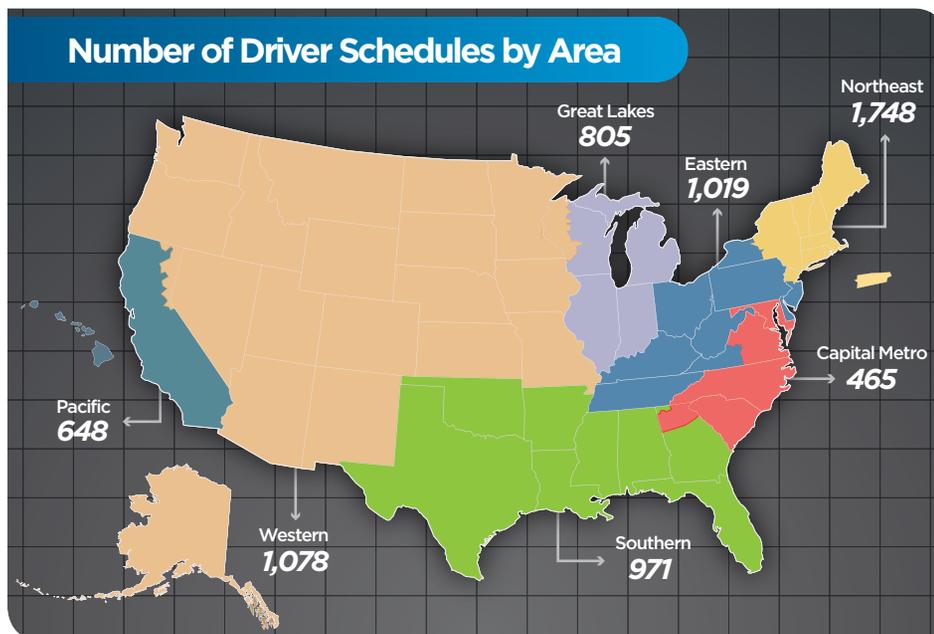
The Postal Service implemented strategic initiatives to optimize the transportation network. The Ready Now → Future Ready initiatives are management's plan for providing long-term financial stability for the Postal Service. The Optimize Network Platform is responsible for evaluating and right-sizing the mail processing and transportation infrastructure to increase operating efficiency, reduce costs, and provide reliable and consistent service. The Postal Service implemented the PVS Zero Base initiative in FY 2014 (renamed PVS Optimization in FY 2017 and the PVS Zero Base Program in FY 2018) as part of the Optimize Network Platform initiative to reduce surface transportation costs by using excess trailer capacity and reducing duplicative trips.

During FYs 2014 through 2017, the Postal Service projected the PVS Zero Base initiative would save \$98 million; however, it reported a cost increase of \$21 million due to an increase in labor and fuel expenses for a total cost difference of \$119 million. Although the Postal Service removed the PVS Optimization from the FY 2018 Ready Now → Future Ready portfolio, it continues to conduct annual PVS Zero Base reviews.

We statistically sampled 82 of the 130 P&DCs nationwide (63 percent) with PVS operations to review the FY 2018 PVS Zero Base review recommendations impacting 6,734 driver schedules (see [Table 1](#)).

<sup>1</sup> PVS craft employees are also known as motor vehicle service craft employees in the APWU.

<sup>2</sup> Refers to hours for which career bargaining unit employees are guaranteed workhours, as required by applicable national labor agreements, but for which there is insufficient work available. Normally, stand-by time is used for unplanned, low-work volume periods or unplanned events such as equipment or communication breakdowns.



**Table 1. Number of Driver Schedules by Area**

Postal Service Area	Number of Driver Schedules
Capital Metro	465
Eastern	1,019
Great Lakes	805
Northeast	1,748
Pacific	648
Southern	971
Western	1,078
<b>Total</b>	<b>6,734</b>

Source: Office of Inspector General (OIG) analysis.

### Finding #1: Opportunities Exist to Adjust PVS Driver Schedules

The PVS Zero Base program was not properly implemented, did not meet program goals and opportunities exist to reduce PVS transportation costs.

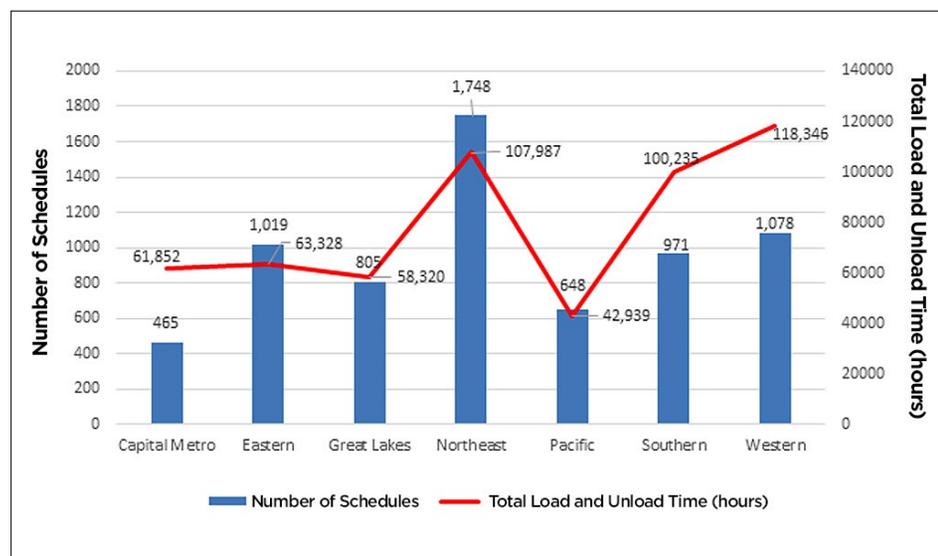
We reviewed FY 2018 Zero Base review recommendations from a nationwide statistical sample of 82 P&DCs. We identified 74 recommendations for 65 of the 82 P&DCs (79 percent) in our sample. The remaining 17 P&DCs in our sample had no recommendations. Transportation management at these P&DCs determined that, based on their PVS Zero Base reviews, the recommended staffing adjustments and vehicle mileage changes would cost the Postal Service about \$30 million in additional costs. However, we found driver schedules contained hours that were not necessary, resulting in additional costs to the Postal Service.

*“We reviewed FY 2018 Zero Base review recommendations from a nationwide statistical sample of 82 P&DCs.”*

### Excessive Loading and Unloading

We found that 5,163 of 6,734 PVS driver schedules (77 percent) contained more than 15 minutes of loading and unloading timeframes ranging from five minutes to seven hours over the allotted 15 minutes at service points, which does not comply with the Postal Service’s common practice. According to Surface Transportation management, driver schedules should only allow for 15 minutes of loading and unloading time. We reviewed driver schedules for the 82 sampled P&DCs to identify those with additional time scheduled for loading and unloading in the schedules. For example, we reviewed 1,078 driver schedules for the Western Area and found excessive loading and unloading time of 118,346 total hours for FY 2018 at a cost of about \$5.3 million (see Figure 1).

Figure 1. Excessive Loading and Unloading Hours by Area



Source: OIG analysis.

Further, none of the 82 P&DCs had procedures in place for determining the amount of time needed to load and unload mail at service points and we could not identify any consistent methodology used.

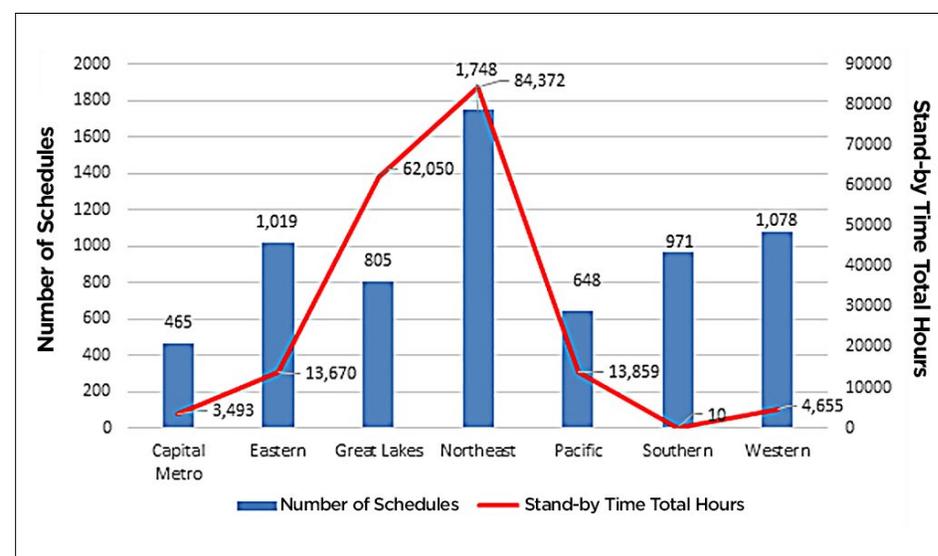
### Excessive Stand-by Time

We found 441 of 6,734 PVS driver schedules (7 percent) contained two or more hours of stand-by time (at least 25 percent of total hours) in an eight-hour workday. Postal Service policy states that managers should monitor the use of stand-by time on an ongoing basis to ensure that staffing and scheduling match workload requirements and adjust as necessary to minimize nonproductive time.<sup>3</sup> For example, we reviewed 1,748 driver schedules for the Northeast Area and found excessive stand-by time of 84,372 hours for FY 2018 at a cost of about \$3.7 million (see Figure 2).

<sup>3</sup> Handbook M-32, *Management Operating Data System (MODS)*, Section 4-4.4.4 Use of Stand-by Time, September 2018.

<sup>4</sup> The six P&DCs with the largest amount of combined load and unload time and stand-by time were St. Louis, Mid-Island, Morgan, Phoenix, Denver, and Miami. We did not receive a response from Morgan. Combined FY 2018 costs for load and unload time and stand-by time at each P&DC was over \$1 million.

Figure 2. Total Excessive Stand-by Time by Area



Source: OIG analysis.

For our sample, we contacted management at the six P&DCs<sup>4</sup> with the largest amount of load and unload and stand-by time. Transportation managers at five facilities stated the excessive stand-by time occurred because of the following:

- Sporadic needs of large mailers.
- Planning for extra trips to different service points.
- Planning for extra services at various local stations.
- Unforeseen coverage for scheduling needs.

***“We found 441 of 6,734 PVS driver schedules (7 percent) contained two or more hours of stand-by time (at least 25 percent of total hours) in an eight-hour workday.”***

## Mileage and Hour Discrepancies

We noted discrepancies in the FY 2018 mileage and hours analysis which is conducted to project transportation costs. We reviewed the mileage and hours analysis of the 82 sampled P&DCs and found that the Postal Service excluded 968 of 6,734 PVS driver schedules (14 percent) obtained from Vehicle Information Transportation Analysis and Logistics (VITAL)<sup>5</sup>. Further, we determined the methodology used to calculate Zero Base reviews mileage and hour projected costs was inconsistent, because transportation managers at 35 of the 82 (43 percent) sampled P&DCs excluded holiday schedules from the mileage and hour calculation. This resulted in inaccuracies used to adjust workload requirements and an understatement in the mileage and hour calculation of over \$3 million.

We contacted the Postal Service HQ Transportation specialist and the PVS Area analysts in each of the seven areas to determine why the driver schedules extracted from VITAL were excluded from the PVS Zero Base review mileage and hour analysis and why schedules in the PVS Zero Base reviews mileage and hours analysis were not in VITAL. The HQ Transportation specialist and PVS analysts explained that:

- Holiday schedules were excluded from the Zero Base review analysis.
- New schedules were included in Postal Service's analysis due to the DAS award.<sup>6</sup>
- Edits to schedules were based on mail processing changes. For example, the Morgan P&DC began processing mail that was previously processed at the New Jersey Network Distribution Center (NDC), resulting in changes to PVS schedules.
- Additions or deletions to customer service points. For example, if the Postal Service obtains a new customer, it will add a new service point, resulting in changes to PVS schedules.
- Lack of employee knowledge of PVS operations.

<sup>5</sup> The administrative support system for PVS operations, providing information pertaining to PVS employee, facility, vehicle, trailer, schedule, and route of travel data. We obtained the PVS driver schedules from the VITAL system in March 2019.

<sup>6</sup> The award (named after the arbitrator Shyam Das) is a 2016 arbitration ruling that awarded about 110 highway contract routes (HCR) to PVS for a four-year period. Twenty-three of the 82 facilities in our sample are impacted by the DAS award.

- Lack of employee training for conducting Zero Base reviews.

We also determined that the Postal Service's method for calculating Zero Base reviews projected costs was inconsistent because transportation managers at 35 of the 82 (43 percent) sampled P&DCs excluded holiday schedules from the mileage and hour projected costs. PVS driver holiday schedules are included in the Postal Service's transportation budget; therefore, holiday schedules should be included in the projected cost or savings so that accurate data is available for business decisions.

## Inconsistent Application of Zero Base Review Procedures

PVS Zero Base reviews were not properly implemented, did not meet program goals and opportunities exist to reduce PVS transportation costs. Standard operating procedures do not provide a consistent approach to allocating time for PVS work assignments. Additionally, management oversight regarding the tracking and monitoring of the PVS Zero Base review recommendations needs strengthening

## Missed Opportunities to Reduce Costs

As a result of the excessive loading and unloading and stand-by time, there are missed opportunities for eliminating inefficiencies in the PVS Zero Base program and reducing PVS transportation costs. We determined the Postal Service could save about \$51 million in questioned costs over the next year by removing excessive hours from existing PVS schedules. We also determined that an understatement in the mileage and hour calculation costs of over \$3 million occurred as a result of transportation managers at 35 of the 82 sampled P&DCs excluding holiday schedules.

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***“We determined the Postal Service could save about \$51 million in questioned costs over the next year.”***

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### Recommendation #1

The **Vice President, Logistics**, ensure the standard operating procedures provide a consistent approach to allocating time for work assignments within Postal Vehicle Service schedules in order to optimize operations.

### Recommendation #2

The **Vice President, Logistics**, ensure Area Postal Vehicle Service analysts track and monitor Zero Base review recommendations.

## Management's Comments

Management generally agreed with the findings and recommendations; however, they disagreed with the associated monetary impact. See [Appendix B](#) for management's comments in their entirety.

Regarding recommendation 1, management agreed with the recommendation and stated they have developed and implemented the Transportation Logistics Training program that includes web-based and instructor-led training for VITAL and Zero Base. Management also stated they will ensure that instructor-led courses address the need to have a consistent approach to allocated assignments within the PVS schedules, in addition to addressing the exclusion of holiday schedules and lack of employee training and knowledge. The target implementation date is December 31, 2020.

Regarding recommendation 2, management agreed and stated that surface transportation management, along with area PVS analysts, will work together to enhance the current process for Zero Base substantiation, monitoring, and tracking. The target implementation date is January 31, 2020.

Regarding the monetary impact, management stated they do not agree because they do not believe that 15 minutes of load and unload time works for all the situations encountered in the field. However, management will include guidelines in their new training program for sites to use when deciding how much time is needed to load and unload a trailer.

## 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 the monetary impact, we believe our calculation of monetary impact is fair and reasonable. We used 15 minutes for both load and unload time as a baseline based on conversations with the HQ transportation specialist and area PVS analysts. While we agree that it may not be applicable for all situations encountered in the field, we believe that it is a reasonable amount of time to load and unload a trailer in most situations.

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

# Appendices

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# Appendix A: Additional Information

## Scope and Methodology

The scope of our audit was to evaluate the Postal Service's FY 2018 PVS Zero Base reviews. To accomplish our objective, we:

- Reviewed Postal Service PVS operations policies and procedures, including the APWU Collective Bargaining Agreement.
- Interviewed APWU representatives to gain an understanding of how the Collective Bargaining Agreement impacts PVS Zero Base reviews.
- Obtained, reviewed, and analyzed FY 2018 Zero Base Review recommendations and the mileage and hour analysis from a statistical sample of 82 of 130 P&DCs.
- Reviewed a statistical sample of 82 of 130 P&DCs representing over 6,700 driver schedules. For each schedule, we reviewed and analyzed:
  - Loading and unloading time frames
  - Stand-by time
  - Mileage and hour analysis
- Obtained and summarized PVS savings goals and detailed savings calculation files for FYs 2014 through 2017.
- Interviewed Postal Service personnel at HQ, area, district, and P&DC managers to gain an understanding of PVS Zero Base review processes and initiative savings goals.

- 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 2019, 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 September 6, 2019 and included their comments where appropriate.

We assessed the reliability of the Postal Service's VITAL system by interviewing knowledgeable agency officials, reviewing related documentation, testing for completeness, recalculating the data, and comparing data to other related data. We determined that the data from these systems were sufficiently reliable for the purposes of this report.

## Prior Audit Coverage

The OIG did not identify any prior audits or reviews related to the objective of this audit within the last five years.

# Appendix B: Management's Comments

ROBERT CINTRON  
VICE PRESIDENT  
LOGISTICS



September 26, 2019

LAZERICK C. POLAND  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Postal Vehicle Service Zero Base reviews  
(Project Number 19XG005NL000)

Thank you for providing the Postal Service with an opportunity to review and comment on the recommendation contained in the draft audit report, Postal Vehicle Service Zero Base Reviews. Management generally agrees with the report's findings of fact, but has concern with the calculations for excessive loading/unloading and excessive stand-by time.

Surface Transportation does not agree to the allotment of no more than 15 minutes of load/unload time at each service point in a driver's schedule as common practice. Management does not agree that 15 minutes works for all the situations that are encountered in the field. However we will include in our new training program guidelines for sites to use when deciding how much time is needed to load and unload a truck/trailer.

Postal Vehicle operations face unique challenges with regard to daily operations and as such, a certain amount of schedule flexibility (in the form of standby time) is also needed. In addition, the very nature of our transportation and our national agreement obligation of 80 percent full time regulars introduces a certain amount of standby time as well. The new transportation logistics training program will help Transportation Managers and Supervisors of Transportation Operations design routes that minimize standby time.

Regarding HQ tracking of actual implementation of zero base schedules, this is not feasible at a HQ level. HQ's control of the staffing is done through the management of earned positions. Once HQ approves a zero base schedule, the results are shared with HR to input into Webcoins. HQ monitors field staffing with Webcoins to ensure no site goes above authorized limits. In order to insert tighter control HQ will work with the Area PVS coordinators to develop a tracking mechanism to ensure the new schedules are implemented and followed.

In regards to the monetary impact, we cannot agree to the amount due to the discussion above about not all sites using 15 minutes as a load and unload time.

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WASHINGTON, DC 20260-7607  
202.268-3250

- 2 -

**Recommendation #1:**

The **Vice President, Logistics**, ensure the standard operating procedures provide a consistent approach to allocating time for work assignments within Postal Vehicle Service schedules in order to optimize operations.

**Management Response/Action Plan:**

Management agrees with this recommendation. Surface Transportation has developed and implemented the Transportation Logistics Training program that includes web based and instructor led training for VITAL and Zero Base. We will ensure a consistent approach to allocating assignments within the PVS schedules is addressed in the instructor led courses. The target audience are all on rolls Transportation Managers, Supervisors and Network Specialists. The instructor led training also addresses the exclusion of holiday schedules and lack of employee training/knowledge.

**Target Implementation Date:**

July 2019 – December 2020

**Recommendation #2:**

The Vice President, Logistics, ensure Area Postal Vehicle Service analysts track and monitor Zero Base review recommendations.

**Responsible Official:**

Director, Surface Transportation

**Management Response/Action Plan:**

Management agrees with this recommendation. Surface Transportation along with Area PVS Analysts will work together to find ways to enhance the current process for Zero Base substantiation, monitoring and tracking.

**Target Implementation Date:**

January 2020



Robert Cintron  
Vice President  
Logistics

cc: Manager, Corporate Audit Response Management  
Director, Surface Transportation



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