



July 20, 2009

MEGAN J. BRENNAN  
VICE PRESIDENT, EASTERN AREA OPERATIONS

SUBJECT: Audit Report – Postal Vehicle Service Transportation Routes –  
Philadelphia Processing and Distribution Center  
(Report Number NL-AR-09-006)

This report presents the results of our audit of the Philadelphia, PA, Processing and Distribution Center's (P&DC) Postal Vehicle Service (PVS) transportation routes (Project Number 09XG009NL000). Our objectives were to determine whether selected PVS vehicle operations were effective and economical. The report is the eighth in a series of reports responding to a request from the Postal Service's Vice President, Network Operations, for audit work in this area. The Postmaster General (PMG) also requested we audit the overall adequacy of mail transportation in Philadelphia. See [Appendix A](#) for additional information about this audit.

### **Conclusion**

Postal Service officials at the Philadelphia P&DC are actively reducing transportation requirements based on operational needs and shifting workloads. However, the Philadelphia P&DC could more effectively manage PVS transportation processes and schedules, thereby reducing driver workhours and associated fuel use and damage claims. Additionally, management could eliminate or consolidate underutilized trips from highway contract routes (HCRs) that serve the facility. Once these changes occur, we estimate the Postal Service could save about \$5.4 million over 10-years. The reduction in PVS transportation fuel use would also help achieve fuel consumption goals.

### **Excess Workhours and Associated Cost Reductions for Postal Vehicle Service**

Philadelphia P&DC officials were not always effectively managing PVS transportation processes and schedules as evidenced by unassigned driver time, duplicate trips, and underutilized trips. This occurred because management did not routinely conduct schedule and vehicle utilization reviews. We concluded that management could remove 8,870 excess workhours from existing PVS schedules and reduce related fuel use and costs as well as damage claims, thereby saving about \$4.2 million over a 10-year period. In addition, the actions would help achieve fuel consumption goals in the Postal

Service's National Energy Plan by reducing fuel use for Postal Service-owned vehicles. See [Appendix B](#) for our detailed analysis of this topic.

### **Subsequent Events - Postal Vehicle Service Changes at Philadelphia P&DC**

At the end of our audit work, Philadelphia P&DC transportation officials agreed to eliminate 15,386 hours from their PVS workload due to inefficiencies identified in PVS schedules. Since then, however, Postal Service officials in the Philadelphia District have started several initiatives (including being one of three pilot sites selected to participate in the Postal Service's revamping of its Bulk Mail Center facilities) that affect our initially reported workhour and monetary impact amounts. These initiatives necessitated multiple PVS schedule adjustments in the Philadelphia District due to the changes made to the distribution requirements and transportation functions at the Bulk Mail Centers. This, along with other requests to change PVS morning dispatches arriving at post offices in the Philadelphia District, required the Philadelphia P&DC transportation staff to re-evaluate its position on several PVS schedules as identified in our draft report. Based on our subsequent review of the operational changes, we believe the Philadelphia P&DC is warranted in modifying its position on the elimination of certain schedules. We discussed these changes with Eastern Area officials on July 1, 2009, and modified our workhour and monetary impact amounts in this report to reflect these subsequent changes.

We recommend the Vice President, Eastern Area Operations:

1. Ensure that Philadelphia Processing and Distribution Center managers follow prescribed fleet management procedures for making Postal Vehicle Service schedules effective, including conducting schedule and vehicle utilization reviews.
2. Verify elimination of the 6,859 workhours already agreed to by local and area management from Postal Vehicle Service trip schedules.
3. Reassess the remaining 2,011 workhours and eliminate the workhours as indicated by the reassessment, or document the reasons for retaining the workhours.

### **Other Matters - Cost Reductions for Highway Contract Routes**

The Philadelphia P&DC could reduce the number of HCR trips and save about \$1.2 million over the term of existing contracts by eliminating or consolidating underutilized trips. See [Appendix B](#) for our detailed analysis of this topic.

We recommend the Vice President, Eastern Area Operations:

4. Verify the elimination of the eight trips identified during our audit by local management.

5. Eliminate the 14 trips within the identified highway contract routes, already agreed to by local and area management.
6. Reassess the remaining two trips, and cancel or modify the trips as indicated by the reassessment, or document the reasons for retaining the trips.

### **Management's Comments**

Management agreed with our findings and recommendations. While management did not agree with our 10-year estimated cost avoidance, they estimated the annual monetary savings to be over \$800,000. Management stated the Distribution Networks department will conduct area-wide training emphasizing fleet management policies and procedures. In addition, management agreed to reduce PVS trip schedules by 6,859 workhours and reassess the remaining 2,011 scheduled workhours identified in our report.

Regarding the 24 highway contract routes recommended for elimination, management agreed to eliminate 22 trips and reassess the two remaining trips. The Eastern Area has already verified the elimination of eight of these highway contract routes. See Appendix C for management's comments in their entirety.


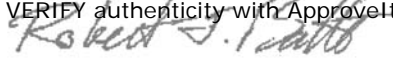
### **Evaluation of Management's Comments**

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to all recommendations and the corrective actions should resolve the issues identified in the report.

The OIG considers recommendations 1, 2, 4, and 5 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 the recommendations can be closed.

We will report \$5,386,528 of monetary impact of funds put to better use in our *Semiannual Report to Congress*. Although management did not agree with our total monetary impact, we believe our estimates are valid based on the best data available and given PVS operations at the facility.

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

E-Signed by Robert Batta   
VERIFY authenticity with ApproveIt  


Robert J. Batta  
Deputy Assistant Inspector General  
for Mission Operations

Attachments

cc: Patrick R. Donahoe  
William P. Galligan  
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## APPENDIX A: ADDITIONAL INFORMATION

### BACKGROUND

Postal Service transportation includes both nationwide network transportation between cities and major facilities and delivery transportation between local post offices and neighborhood delivery and pickup points. Network transportation using Postal Service vehicles and employees is called PVS. Management typically assigns PVS vehicles and personnel to Postal Service network facilities, such as bulk mail centers or processing and distribution centers in or near metropolitan areas. PVS operations are normally conducted within 50 miles of the 162 Postal Service facilities. Nationwide, PVS drivers travel about 150 million miles every year. Because PVS operations are local, they are managed at the facility level under guidance from district, area, and headquarters transportation officials.

PVS is capital and personnel intensive. PVS capital assets include 2,222 cargo vans, 1,869 tractors, and 4,182 trailers. Employees service and repair these vehicles at 319 Postal Service vehicle maintenance facilities (VMFs), VMF<sup>1</sup> auxiliaries, and local commercial garages nationwide. PVS currently involves about 10,000 employees, including 8,482 uniformed drivers, 621 administrative support personnel, and 963 managers. The American Postal Workers Union represents PVS drivers and support personnel.



**Loading docks at the Philadelphia Processing and Distribution Center,  
located at 7500 Lindberg Boulevard. February 9, 2009.**

PVS operations typically include:

- Transportation to and from major facilities or local post offices.
- Transportation to and from major commercial business mailers.
- Yard operations, defined as the movement of trailers and equipment in or around a facility yard.

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<sup>1</sup> A VMF Auxiliary is an extension of a VMF.

## OBJECTIVES, SCOPE, AND METHODOLOGY

This report directly responds to a request from the PMG regarding the overall adequacy of mail transportation in Philadelphia. It also responds to a request from the Vice President, Network Operations that we audit PVS operations nationwide. Because individual facilities control PVS operations, we localized our audit approach. This report focuses on PVS operations at the Philadelphia P&DC in the Postal Service's Eastern Area. The objectives of our audit were to determine whether PVS operations were effective and economical.

During our work, we visited the Philadelphia P&DC, other regional facilities, and local post offices. We reviewed relevant Postal Service policies and procedures, interviewed managers and employees, and observed and photographed operations. We evaluated the type of mail carried, considered on-time service standards, and visited major commercial business mailers. We examined the cost of PVS operations, including the cost of PVS personnel, fuel, and damage claims. We identified unassigned time and trip duplications and analyzed potential trip consolidations.



**A Philadelphia P&DC PVS mail hauling vehicle  
on the road. February 12, 2009.**

Using Postal Service computer-generated data and other records, we analyzed 199 Philadelphia P&DC driver schedules, identified 330,331 workhours associated with those schedules, and evaluated individual trips and trip-load volume. We conducted the analysis to determine whether management could reduce workhours and labor costs as well as associated fuel use and damage claims. We analyzed driver assignments to determine whether drivers made duplicate or unproductive trips. We also reviewed the fuel reduction initiatives for Postal Service-owned vehicles as contained in the Postal Service's National Energy Plan and determined whether our recommendations impacted the initiatives.

We conducted this performance audit from December 2008 through July 2009 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management on May 19, 2009, and included their comments where appropriate. Additionally, on July 1, 2009, after receiving management comments, we discussed changes to distribution requirements in the Philadelphia District that resulted in multiple PVS schedule adjustments, and we modified our report and recommendations to account for those changes.

We did not audit or comprehensively validate the computer-generated data used in our analyses; however, we noted several data and other weaknesses that limited our work. For example, some computer records had missing data and inaccurate load volumes. Although these limitations constrained our work, we were able to compensate by applying alternate audit procedures, including observation, physical inspection, and discussion with appropriate officials. We also applied conservative principles to our workhour and cost reduction estimates.

### PRIOR AUDIT COVERAGE

At the request of the Vice President, Network Operations, the OIG has previously worked with the Postal Service to reduce PVS costs. As indicated by the chart below, since March 2007, we have issued seven audit reports that identified labor and other potential savings exceeding \$48.0 million. Management agreed with all our recommendations. This report used the same methodology and had comparable findings.

Report Title	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Postal Vehicle Service Transportation Routes – Memphis Processing and Distribution Center</i>	NL-AR-07-003	March 30, 2007	\$7.3
<i>Postal Vehicle Service Transportation Routes – Los Angeles Bulk Mail Center</i>	NL-AR-07-006	September 21, 2007	4.9
<i>Postal Vehicle Service Transportation Routes – Milwaukee Processing and Distribution Center</i>	NL-AR-07-007	September 27, 2007	4.0
<i>Postal Vehicle Service Transportation Routes – San Francisco Processing and Distribution Center</i>	NL-AR-08-003	March 26, 2008	10.1
<i>Postal Vehicle Service Transportation Routes – Northern Virginia Processing and Distribution Center</i>	NL-AR-08-006	September 25, 2008	8.0

<b>Report Title</b>	<b>Report Number</b>	<b>Final Report Date</b>	<b>Monetary Impact (in millions)</b>
<i>Postal Vehicle Service Transportation Routes – Minneapolis Processing and Distribution Center</i>	NL-AR-09-001	February 13, 2009	9.3
<i>Postal Vehicle Service Transportation Routes-Philadelphia Bulk Mail Center</i>	NL-AR-09-005	July 17, 2009	4.3
<b>Total</b>			<b>\$48.0</b>



## APPENDIX B: DETAILED ANALYSIS

### Excess Workhours and Associated Cost Reductions for Postal Vehicle Service

The Philadelphia P&DC could more effectively manage PVS transportation processes and schedules to ensure efficiency. We found PVS schedules contained:

- Unassigned time when drivers were not needed for a specific trip or related activity.
- Duplicate trips.
- Underutilized trips that management could have consolidated.

This resulted because managers were not routinely conducting PVS schedule reviews as required.<sup>2</sup> In addition, given the dynamic and ever-changing transportation environment, to maintain the effectiveness and efficiency of PVS operations, the Postal Service requires management to perform vehicle utilization reviews at least annually to determine vehicle need.<sup>3</sup> According to Philadelphia P&DC management, they had not performed this type of review.

We concluded the Philadelphia P&DC could reduce PVS workhours by 8,870 and save about \$4.2 million over 10 years without negatively affecting service. The Postal Service would achieve more than 78 percent of the savings through personnel workhour reductions; however, the Postal Service would also realize fuel cost and damage claim savings, as depicted in Table 1.

**Table 1. Potential Savings (Personnel, Fuel, and Damage Claims)**

<b>Cost Category</b>	<b>Fiscal Year (FY) 2009 Total<sup>4</sup> (Phased in)</b>	<b>FY 2010 (Annual) Total</b>	<b>10-Year Total<sup>5</sup> (FY 2009 to 2018)</b>	<b>Percentage</b>
Personnel	\$186,137	\$366,159	\$3,273,155	78.8
Fuel	61,680	61,144	593,216	14.3
Damage Claims	30,840	30,333	286,576	6.9
<b>Total</b>	<b>\$278,657</b>	<b>\$457,636</b>	<b>\$4,152,947</b>	<b>100.0</b>

<sup>2</sup> Handbook PO-701, *Fleet Management*, March 1991, Chapter 23, requires PVS operations to perform vehicle utilization reviews at least annually to maintain effectiveness and efficiency.

<sup>3</sup> Handbook PO-701, *Fleet Management*, March 1991, Chapter 23, Section 233, specifically requires annual completion of Postal Service (PS) Form 4575, MVS Vehicle Survey; PS Form 4572, Tractor Log; and PS Form 4569, Vehicle Use Plan, to maintain effectiveness and efficiency.

<sup>4</sup> The FY 2009 figure is conservative to allow for phase-in of workhour reductions during the year. The FY 2009 total represents \$217,633 in savings (6,859 workhours) with management agreed and \$61,024 in savings (2,011 workhours) with which management disagreed.

<sup>5</sup> The standard OIG practice for calculations of this type employs a 10-year cash flow methodology, discounted to present value by applying factors published by Postal Service Headquarters Finance.

Further, the reduction in fuel costs supports the initiative of reducing fuel use in Postal Service-owned vehicles as part of the Postal Service’s National Energy Plan.

Throughout our audit, we coordinated with local transportation managers and proposed schedule realignments to them. The managers reviewed each proposal in conjunction with their own assessment of operational requirements, and we discussed any differences. Management agreed to 6,859 of the 8,870 workhours we identified as unnecessary, and we believe the remaining 2,011 workhours could produce savings without jeopardizing on-time performance.

**Other Matters - Cost Reductions for Highway Contract Routes**

We also determined the Philadelphia P&DC could improve the effectiveness of scheduled HCRs and save about \$1.2 million over the term of existing HCR contracts by canceling 24 trips, as depicted in Table 2. The Postal Service could eliminate these trips without negatively affecting on-time service because trip mail volume was low and mail could be consolidated on other trips. During our audit, we provided management with a list of these 24 trips and discussed our proposed service reductions. Philadelphia P&DC management agreed with our conclusions for 22 of these trips; in fact, management initiated the elimination of eight of these trips by April 2009. Management disagreed with our assessment of the remaining two trips.<sup>6</sup>

**Table 2. Postal Service Initiated, Agreed, and Disagreed Savings on HCR Contract Reductions**

Recommended Reduction	Contract Number	Number of Trips	Estimated Savings <sup>7</sup>
<b>Already Initiated</b>	19014	4	\$190,947
	190A5	4	170,048
<b>Agreed</b>	19718	4	48,250
	18018	2	69,392
	18415	2	487,186
	190CD	6	109,179
<b>Disagreed</b>	10424	2	158,579
<b>Total</b>		<b>24</b>	<b>\$1,233,581</b>

<sup>6</sup> Management stated they could not agree with our conclusion that these two trips could be consolidated, in part, because they needed input from the New York Metro Area.

<sup>7</sup> Estimated savings are based on the remaining value of existing contracts and are negotiated between the Postal Service and their suppliers.

## APPENDIX C: MANAGEMENT'S COMMENTS

VICE PRESIDENT, AREA OPERATIONS  
EASTERN AREA



June 24, 2009

Lucine Willis  
Office of Inspector General  
Director, Audit Operations  
1735 N. Lynn St.  
Arlington VA 22209-2020

**SUBJECT:** Transmittal of Draft Audit Report – Postal Vehicle Service Transportation Routes  
– Philadelphia Processing and Distribution Center (Report Number NL-AR-09-  
DRAFT)

The Eastern Area has reviewed the subject Draft Audit Report (Project Number 09XG009NL000) and agrees in principle with the recommendations, however is not in agreement with the monetary calculated savings. Based on the information provided within the responses, the Eastern Area has estimated the annual monetary savings impact to be \$806,016.

Recommendation 1:

Ensure that Philadelphia Processing and Distribution Center managers follow prescribed fleet management procedures for making Postal Vehicle Service schedules effective, including conducting schedule and vehicle utilization reviews.

Response

The Eastern Area agrees with the recommendation. The Distribution Networks department will conduct a refresher training session via meeting place with all Transportation Network Managers within the Eastern Area on Wednesday, July 8, 2009. The training will cover the policies and procedures as outlined in Handbook PO 701, *Fleet Management*, March 1991, Chapter 23.

Recommendation 2:

Verify elimination of the 15,639 workhours already agreed to by local and area management from Postal Vehicle Service trip schedules.

Response

The Eastern Area agrees in part to the recommendation. We believe that the workhour savings should be 6859 not 15,639. There are various discrepancies related to the Postal Vehicle Service (PVS) trip schedule workhours. (See attachment A)

Recommendation 3:

Reassess the remaining 2,011 workhours and eliminate the workhours as indicated by the reassessment, or document the reasons for retaining the workhours.

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5315 CAMPBELLS RUN ROAD  
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Response

The Eastern Area agrees with the recommendation to reassess the remaining 2,011 workhours. The Philadelphia P&DC Transportation Manager has agreed to reassess the hours and make a final decision in the next 60 days.

Recommendation 4:

Verify the elimination of the 8 trips identified during our audit by local management.

Response

The Eastern Area agrees with the recommendation and has verified the elimination of 4 trips on HCR 19014 which was terminated on April 7, 2009. The remaining 4 trips on HCR 190A5 are in the process of being eliminated by termination of the contract effective July 1, 2009. Estimated annual savings is \$145,196.

Recommendation 5:

Eliminate the 14 trips within the identified highway contract routes, already agreed to by local and area management.

Response

The Eastern Area agrees with the recommendation. The 4 recommended trips on HCR 19718 have been eliminated effective February 1, 2009. The administrative official for HCR 18018 eliminated trips 7/8 in lieu of recommended trips 9 /10. The 2 recommended trips on HCR 18415 were eliminated effective April 4, 2009. The 6 recommended trips on HCR 190CD for elimination have been submitted into the Electronic Service Change Request (eSCR) on June 16, 2009. These trips will be eliminated within the next 60 days. Estimated annual savings is \$344,399.

Recommendation 6:

Reassess the remaining 2 trips, and cancel or modify the trips as indicated by the reassessment, or document the reasons for retaining the trips.

Response

The Eastern Area agrees with the recommendation and has been in contact with the New York Metro Area. New York Metro Area submitted the following proposal on June 17, 2009, to eliminate trips 5 and 6 from Highway Contract Route (HCR) 10424 and add a stop at the New York STC on trip 5 of HCR 190M1. The Eastern Area Distribution Networks department will examine the viability of the proposal and render a decision within two weeks.

This report has no exemptions under the Freedom of Information Act.

If you have any questions or require further information contact Jim Hallstein, Transportation Budget & Financial Analyst at 412-494-2621.

  
Megan J. Brennan

cc: Mark Tappe  
Katherine S. Banks

Attachment A

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**ATTACHMENT A**

PVS Schedule #	OIG Hours Savings	Postal Comment	Postal Hours Savings
12160	2424.34	Two trips to Horsham were combined and put on a seven ton truck, trip #109. The vacant time slot on schedule 12160 was then utilized for a trip to the Philadelphia BMC.	0
22252	0	The Transportation Manager at the Philadelphia P&DC has agreed to reassess the schedule and render a decision in the next 60 days.	0
22270	2011.41	Schedule 22270 was eliminated and saved 2011.41 annual hours	2011.41
22254	2011.41	The schedule was not eliminated it was changed to incorporate spotter time from schedule 356 and schedule 356 absorbed the trips from schedule 22270. Schedule 22270 was eliminated and saved 2011.41 annual hours.	0
32350	2011.41	A Philadelphia BMC trip was put on the schedule which eliminates the unassigned time slot.	0
32352	2011.41	Postal initiated schedule elimination and saved 2011.41 annual hours	2011.41
32361	2011.41	Schedule 32361 was eliminated and saved 2011.41 annual hours.	2011.41
34352 & 34354	825.06	Schedule 34352 was eliminated and saved 412.53 annual hours. The service performed on schedules 34352 and 34354 were combined and retained under schedule 34354.	412.53
24253	412.53	Schedule 24253 was a Postal initiated schedule elimination and saved 412.53 annual hours.	412.53
22858, 22859, 28238 & 28249	1919.73	Schedules 23238, 23249, 22858 and 22859 were eliminated from the VITALS System and saved 0 annual hours. These were schedules that were in the system but were not being operated and did not have an employee assigned to them.	0
	<b>15,639</b>		<b>6,859</b>