



# OFFICE OF INSPECTOR GENERAL

## UNITED STATES POSTAL SERVICE

### Highway Contract Routes – Extra Trips in the Greater South Carolina District

### Audit Report

Report Number  
NO-AR-15-008

July 22, 2015







# OFFICE OF INSPECTOR GENERAL

## UNITED STATES POSTAL SERVICE

## Highlights

***The Postal Service did not always properly authorize and document 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 the supplier. If a payment is not made on time, the Postal Service pays interest.

This is the third in a series of reports on HCR extra trips. Our objective was to assess HCR extra trips in the Greater South Carolina District, which was consistently one of the top 10 most at risk districts for extra trips in our Transportation Risk Model. In fiscal year (FY) 2014, Quarter 4, the Greater South Carolina District paid \$629,220 for over 1,500 extra trips.

### What The OIG Found

The Greater South Carolina District could improve controls over the use and processing of extra trips. We estimate that the Greater South Carolina District could have avoided 199 extra

trips totaling \$84,307 in FY 2014. These trips were caused by mail processing delays resulting from non-adherence to dispatch leave times and by missent mail. Management could avoid about \$84,307 in FY 2015 by eliminating delays and missent mail.

We also determined the Postal Service did not always properly authorize and document extra trips. We identified about 2,800 instances of improper information on about 76 percent of PS Forms 5397 reviewed. Local officials did not always review or authorize the forms and sometimes recorded incorrect trip miles. Consequently, the Greater South Carolina District incurred \$519,286 in improperly supported or authorized costs in FY 2014, and could incur about \$4,209 in additional costs in FY 2015.

Finally, we determined the Postal Service made nominal interest payments in FY 2014 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, Capital Metro 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 submitted on time.

# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

July 22, 2014

MEMORANDUM FOR: KRISTIN A. SEAYER  
VICE PRESIDENT, OPERATIONS, CAPITOL METRO AREA

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 Greater South Carolina District  
(Report Number NO-AR-15-008)

This report presents the results of our audit of Highway Contract Routes – Extra Trips in the Greater South Carolina District (Project Number 15XG011NO000).

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

# Table of Contents

Cover	
Highlights.....	1
Background.....	1
What The OIG Found.....	1
What The OIG Recommended .....	1
Transmittal Letter.....	2
Findings .....	4
Introduction .....	4
Conclusion .....	4
Avoidable Extra Trips .....	5
Improper Extra Trips Documentation .....	6
Late Payments and Interest Payments .....	9
Recommendations.....	11
Management's Comments .....	11
Evaluation of Management's Comments .....	11
Appendices.....	13
Appendix A: Additional Information .....	14
Background .....	14
Objective, Scope, and Methodology.....	15
Prior Audit Coverage .....	17
Appendix B: U.S. Postal Service Office of Inspector General Sample Review of Highway Contract Route Extra Trips .....	18
Appendix C: Management's Comments .....	19
Contact Information .....	22

# Findings

## ***The Greater South Carolina District could improve controls over the use and processing of extra trips.***

## Introduction

This report presents the results of our self-initiated audit of Highway Contract Routes – Extra Trips in the Greater South Carolina District (Project Number 15XG011NO000). This is the third in a series of reports on highway contract route (HCR) extra trips.<sup>1</sup> Our objective was to assess extra trips for HCRs in the Greater South Carolina 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*,<sup>2</sup> 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.<sup>3</sup> Managers must also certify and sign PS Forms 5429 to ensure they are properly completed and submitted promptly for payment.

The U.S. Postal Service Office of Inspector General (OIG) has been monitoring extra trips as part of its quarterly Transportation Risk Model<sup>4</sup> for 4 years and has found an increase in extra trips. The Postal Service's goal is to prevent extra trip costs from exceeding 2 percent of its regular HCR transportation expenses. In fiscal year (FY) 2012, Quarter (Q) 4, the Postal Service spent \$600.3 million on HCR transportation; and in FY 2014, Q4, it spent \$620.9 million. This represents a modest 3.4 percent increase in HCR spending over the past 2 years nationwide.

During the same 2-year period, the percentage of HCR spending for extra trips increased by 43.8 percent nationwide. As a result, the Postal Service's extra trip expense as a percentage of HCR regular expense increased from a low of 2.2 percent in FY 2012, Q4, to a high of 3.9 percent in FY 2014, Q3.<sup>5</sup> The Greater South Carolina District was consistently ranked one of the 10 most at risk districts for 6 of the last 8 quarters for extra trips in our Transportation Risk Model.<sup>6</sup> In FY 2014, Q4, the Greater South Carolina District paid \$629,220 for over 1,500 extra service trips.

## Conclusion

The Greater South Carolina District could improve controls over the use and processing of extra trips. We estimate the Greater South Carolina District could have avoided 199 extra trips totaling about \$84,307 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 \$84,307 in FY 2015 by eliminating the delays and missent mail.

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

<sup>2</sup> 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."

<sup>3</sup> The AO is typically a transportation manager or postmaster at a local facility that 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 Form 5429 as required.

<sup>4</sup> 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.

<sup>5</sup> In FY 2015, Q2, the extra trip percentage was 16.13.

<sup>6</sup> In FY 2015, Q2, the Greater South Carolina District was still ranked one of the 10 most at risk districts for extra trips.

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. Seventy-six percent of the forms contained improper information. 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 South Carolina District incurred \$519,286 in costs that were improperly supported or authorized and could incur \$4,209 in additional costs in FY 2015.<sup>7</sup>

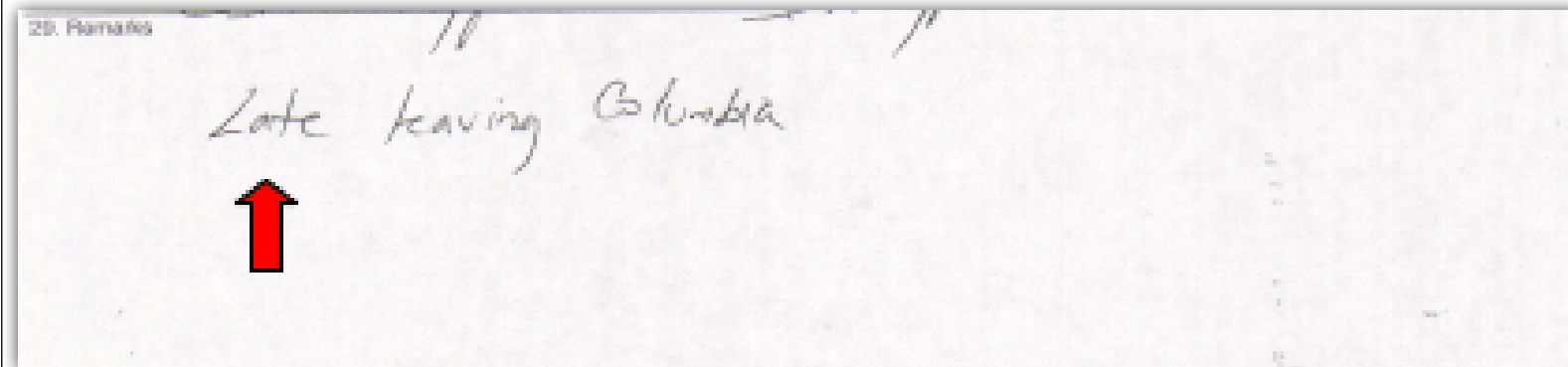
Finally, we estimate the Postal Service made some nominal interest payments in FY 2014 because PS Forms 5397 were not submitted timely, delaying payments to HCR contractors. The delays occurred because local Postal Service employees responsible for these functions were not adequately trained and plant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

### Avoidable Extra Trips

Our review identified avoidable extra trips for the four processing facilities<sup>8</sup> and five associate offices.<sup>9</sup> Specifically, we found 199 trips (or about 13 percent of the reviewed sample PS Forms 5397) had remarks supporting the use of extra trips as a result of mail processing-related delays or missent mail arriving at the wrong facility.<sup>10</sup>

For example, the PS Form 5397 for contract route number 29016 indicated “late” mail in the remarks section and the PS Form 5397 for contract route number 294M1 indicated “missent” mail in the remarks section (see illustrations in Figures 1 and 2). Both trips could have been avoided.

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



Source: PS Form 5397 from the Greater South Carolina District.

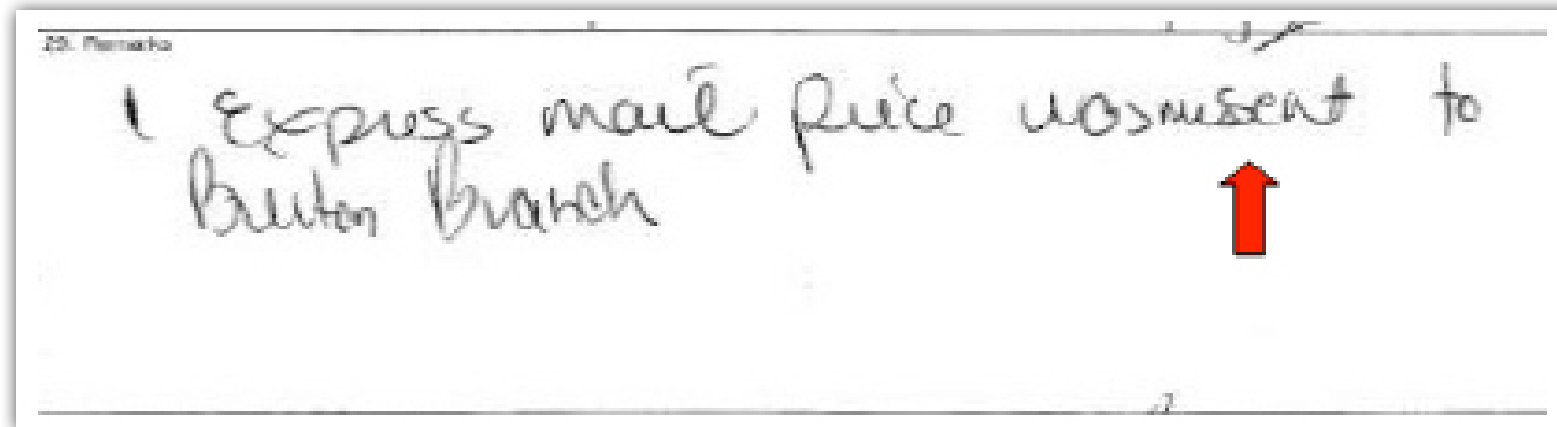
<sup>7</sup> The minimal amount of reported savings in FY 2015 is the result of projecting for only 1 quarter and it applies to only one of the causes for the improper documentation – forms authorized and certified by the same person.

<sup>8</sup> The four processing and distribution centers/facilities in the Greater South Carolina District include the Charleston, Columbia, Florence, and Greenville facilities.

<sup>9</sup> The five associate offices are the Elgin, Moncks Corner, Pineville, Sumter, and Sunset offices.

<sup>10</sup> The Postal Service launched the Service Change Request system, its enterprise tool for managing and controlling the submittal of requests to change service, schedules, and vehicle requirements as specified in highway contracts administered through the Transportation Contract Support System.

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



Source: PS Form 5397 from the Greater South Carolina District.

The Postal Service used these extra trips because officials did not adhere to dispatch discipline policies that ensure processed volumes are moved as planned to meet intended transportation. As a result, the Greater South Carolina District could have avoided spending \$84,307 in FY 2014 on extra trips. By implementing controls and enforcing procedures to avoid processing delays and missent mail, the Greater South Carolina District could avoid future costs of about \$84,307 in FY 2015.

### **Improper Extra Trips Documentation**

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



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

**Figure 3. Issues With the Greater South Carolina District's Completion of PS Forms 5397**

**from PS Form 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.					
VIA		Arr.	Dept.	% Unloaded	% Loaded	VIA		Arr.	Dept.	% Unloaded	% Loaded

**from PS Form 5397**

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

**from PS Form 5429**

8. Use this space for additional remarks										14. Administrative Official ( <i>Original Signature</i> ) I CERTIFY that the above service has been performed and that supporting documents are on file in this office.	
9. Distribution ( <i>Send to</i> )  ACCOUNTING SERVICE CENTER UNITED STATES POSTAL SERVICE TRANSPORTATION SECTION PO BOX 80191 ST. LOUIS MO 63180-9191											
10. Contact Name ( <i>Please print</i> )					11. Contact Telephone Number ( <i>Include area code</i> )						
12. Post Office™					13a. City		13b. State		13c. ZIP + 4®		
									15. Date Submitted ( <i>MM/DD/YYYY</i> )		
PS Form <b>5429</b> , July 2007 ( <i>Page 1 of 2</i> ) PSN: 7530-02-000-9467 (1) ASC; (2) Supplier; (3) Manager, Transportation Contracts; (4) District/Plant Manager; (5) Administrative Official File Copy											

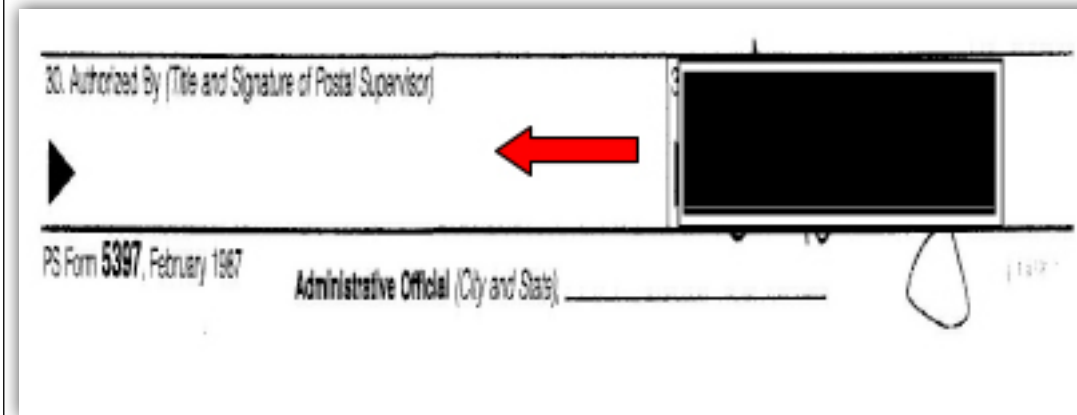
Source: OIG analysis.



Specifically we found that:

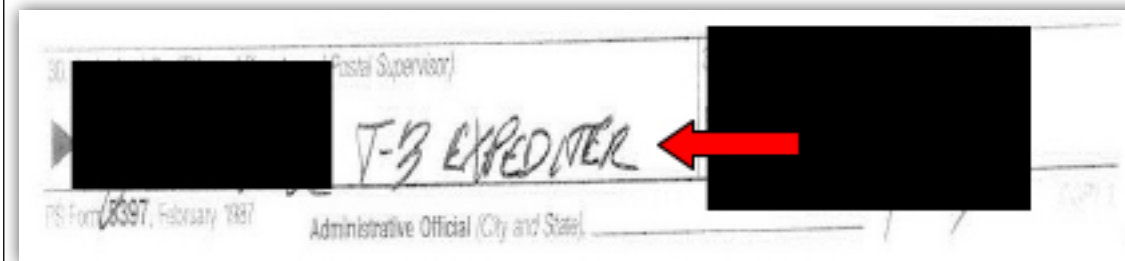
- Eighty-four percent of PS Forms 5397 were missing an authorizing supervisor signature (1 percent) or were signed by a craft employee (such as an expeditor, clerk, or mail handler) or other non-supervisor (83 percent).<sup>12</sup> For example, the PS Form 5397 for the contract route number 294D8 extra trip on June 7, 2014, did not have an authorized signature. On June 20, 2014, for contract route number 294L2, 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 Greater South Carolina District.

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



Source: PS Form 5397 obtained from the Greater South Carolina District.

- Fifty-five percent of PS Forms 5397 were missing the extra trip mileage, which the Postal Service uses to calculate payment to the HCR contractors. Instead, the Postal Service attached a spreadsheet to PS Form 5429 that included mileage information; however, the mileage should be recorded, validated, and certified on PS Form 5397. In addition, 34 percent of PS Forms 5397 were missing dates (1 percent), time (12 percent), or volume (21 percent) information. For example, PS Form 5397 for contract route number 295L5 on July 3, 2014, had missing mileage, time, and volume information (see [Figure 6](#)).

<sup>12</sup> Non-supervisory employees who record the arrival and departure of mail trucks.

**We estimate the Greater South Carolina District incurred \$519,286 in costs that were not properly supported or authorized in FY 2014, and could incur about \$4,209 in FY 2015.**

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

U.S. Postal Service  
**Contract Route Extra Trip Authorization**

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**INSTRUCTIONS**

**FOR ONE-WAY TRIPS:**

Office of Origin—Complete Blocks 1-9, 14, and 30, and obtain signature of driver in Block 31. Retain Copy No. 4 for your files. Give other 3 copies to driver to accompany mail.

Office of Destination—Complete Blocks 10-13, 16-17, and 26. Retain Copy No. 3 for your files. Give Copy No. 2 to driver for contractor's records. Forward Copy No. 1 to Administrative Official, as shown.

**FOR ROUND TRIPS:**

Office of Origin—Complete Blocks 1-9, 14, and 30, and obtain signature of driver in Block 31. Retain Copy No. 4 for your files. Give other 3 copies to driver to accompany mail.

Office of Destination—Complete Blocks 10-13, 15-21, and 27. Retain Copy No. 3 for your files. Give Copies Nos. 1 and 2 to driver to accompany mail to office of origin.

Office of Origin—Complete Blocks 23-25 and 28. Give Copy No. 2 to driver for contractor's records. Complete information on your file copy No. 4, and forward Copy No. 1 to Administrative Official, as shown.

1. Contract Route No. <b>29525</b>		2. Contractor <b>W Taylor</b>		3. Extra Trips Authorized (Check one) <input type="checkbox"/> One Way <input checked="" type="checkbox"/> Round Trip (_____ miles) (_____ miles)	
4. Point of Origin (City and State) <b>Conway</b>		5. Date & Time of Departure <b>7-3-14</b>		6. % Load <b>100%</b>	
8. Destination (Outer Terminal) <b>Aynor</b>		10. Date & Time of Arrival		11. Cont. or Pos.	
14. Outbound Trip No.			15. Inbound Trip No.		
VIA	Arr.	Dept.	% Unloaded	% Loaded	

Source: PS Form 5397 obtained from the Greater South Carolina District

One percent of PS Forms 5397 showed that officials authorizing extra trips were also certifying payments on PS Forms 5429, which are sent to the accounting service center (ASC) for payment, bypassing the segregation of duties control. For example, a PS Form 5397 for contract route number 29613 on July 8, 2014, was signed by the same individual who approved the associated PS Form 5429.

The issues occurred because the Postal Service officials responsible for monitoring and authorizing completion of these forms did not adequately train and oversee employees or reiterate the proper procedures for completing, approving, and submitting the forms. Consequently, we estimate the Great South Carolina District incurred \$519,286 in costs that were not properly supported or authorized in FY 2014, and could incur about \$4,209 in FY 2015.

## Late Payments and Interest Payments

We found that local officials did not always timely process PS Forms 5429. Specifically, 22 percent of the 59 PS Forms 5429 we reviewed for FY 2014, Q4, 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. In other cases, the late processing occurred due to late processing from the contractors. The Postal Service made about \$655 in interest payments to HCR contractors in FY 2014.

Postal Service regulations state that proper payment documentation for extra trips must be submitted within the month after the service takes place.<sup>13</sup> The Postal Service is obligated to make prompt payments to its contractors by virtue of 31 U.S.C. 3901,<sup>14</sup> 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.”

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<sup>13</sup> 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.”  
<sup>14</sup> Postal Service, *Supply Management Supplying Principles and Practices*, dated August 2009.

# Recommendations

***We recommend management 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 submitted on time.***

We recommend the vice president, Capital Metro Area:

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

## Management's Comments

Management agreed in principle with the findings and recommendations, but disagreed with the associated monetary impact for FY 2015.

Regarding recommendation 1, management agreed their compliance processes need to be reviewed. Management agreed to enforce controls and procedures to avoid processing delays and missent mail. Management also stated that they will continue to work on operational improvements to reduce late trips as a result of operating plan delays in mail processing. Management stated that local officials will monitor mail condition reports daily and make operational changes as necessary to avoid extra trips. The target Implementation date is July 31, 2015.

Regarding recommendation 2, management agreed with this recommendation and will train employees on the proper completion of extra trip authorization forms and monitor compliance. Management stated that they plan to create a template for use as a daily guide on how to properly complete the PS Form 5397. Management will also conduct service talks with staff on authorization of the PS Form 5397. Management further stated that the network specialist will review all PS Forms 5397 for accuracy and completion before authorizing payments. The target implementation date is July 17, 2015.

Regarding recommendation 3, management agreed in part to ensure employees submit extra trip forms on time by putting compliance procedures in place. Management stated that contractors must submit requests timely for payments to be processed timely. Management further stated that they could not find any potential penalties or remedies to force a contractor to submit timely payments. Management also stated changes were implemented October 1, 2014 using the Service Change Request System, to include training.

Management indicated they disagreed with the monetary impact for FY 2015. They stated that they cannot stipulate to the impacts assessed for FY 2016, as processes and controls implemented since the audit was conducted should diminish or eliminate the potential impacts attributed.

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

## Evaluation of Management's Comments

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



Regarding recommendation 1, management stated that factors outside the scope of local management control can lead to processing delays and extra trips. The OIG recognizes that these factors may result in extra trips. However, the extra trips identified in this report were caused by missent mail and mail processing delays resulting from non-adherence to dispatch leave times.

Regarding management's disagreement with the monetary impact for FY 2015, we acknowledge that implemented processes and controls since the audit could diminish or eliminate the potential impacts attributed. However, management agrees that opportunities exist to strengthen processes and improve performance regarding reduction of late trips and the associated expenses. The OIG will continue to monitor HCR extra trips as part of its quarterly Transportation Risk Model to identify if the Greater South Carolina 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

*Click on the appendix title  
to the right to navigate to  
the section content.*

Appendix A: Additional Information ..... 14

    Objective, Scope, and Methodology ..... 15

    Prior Audit Coverage ..... 17

Appendix B: U.S. Postal Service Office of Inspector General Sample  
Review of Highway Contract Route Extra Trips ..... 18

Appendix C: Management’s Comments ..... 19

## Appendix A: Additional Information

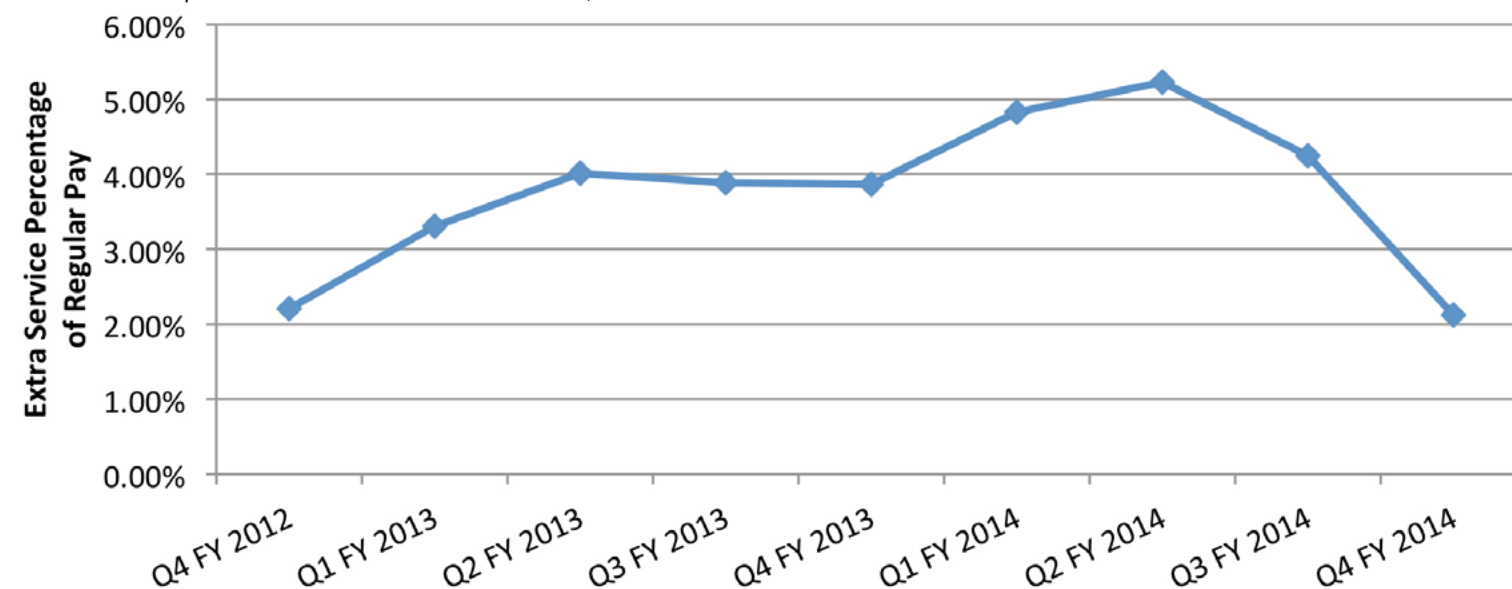
### Background

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.<sup>15</sup> The information is recorded in the Postal Service Surface Visibility or TIMES-Web system.

The Postal Service's goal is that extra trip costs will not exceed 2 percent of regular HCR transportation expenses. Nationally, as a trend, in FY 2012, Q4, the Postal Service spent \$600.3 million on HCR transportation, and in FY 2014, Q4, it spent \$620.9 million. This represents a modest 3.4 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 43.8 percent nationwide (see Figure 7).

**Figure 7. Transportation Risk Model Results – Extra Trip Expense as a Percentage of Regular Pay  
FY 2012, Q4 – FY 2014, Q4**

Source: OIG Transportation Risk Model results as of FY 2014, Q4.

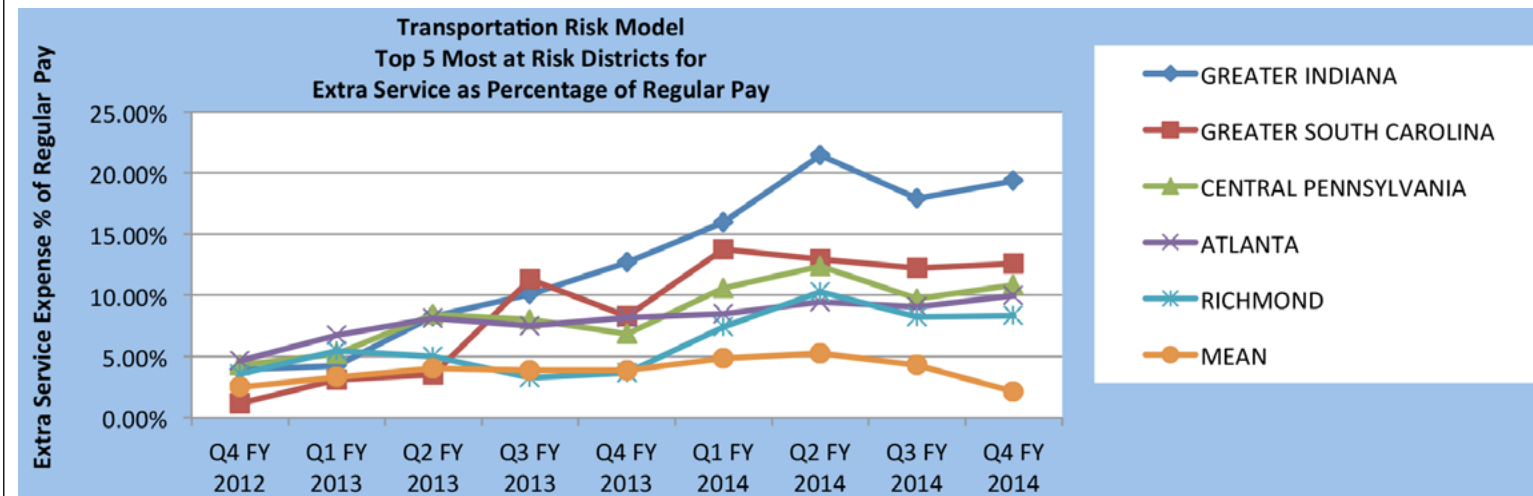


The OIG has been monitoring HCR extra trips as part of its quarterly Transportation Risk Model. The risk model consistently ranked the Greater South Carolina District as the second most at risk district for extra trips for FY 2014, Q4 (see [Figure 8](#) and [Figure 9](#)).<sup>16</sup> The Greater South Carolina District paid \$628,220 for extra trips during this timeframe.

<sup>15</sup> PS Forms 5397 are maintained for 1 year and PS Forms 5249 are maintained for 7 years.

<sup>16</sup> In FY 2015, Q1, the Greater South Carolina District was still ranked one of the 10 most at risk districts for extra trips.

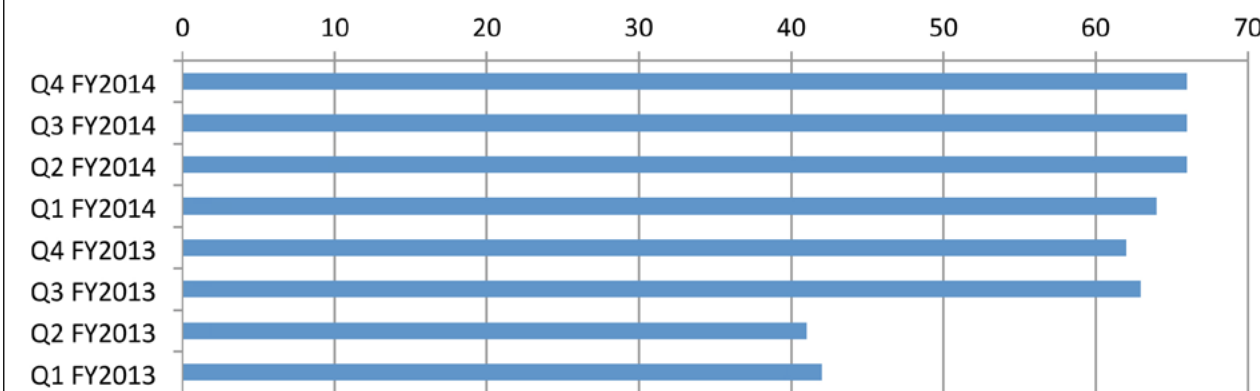
**Figure 8. Transportation Risk Model-Greater South Carolina District Second at Risk for Extra Service Expenses as a Percentage of Regular Pay<sup>17</sup>**



Source: OIG Transportation Risk Model results as of FY 2014, Q4.

According to our Transportation Risk Model, since FY 2013, Q3, the Greater South Carolina District has been one of the 10 districts most at risk for extra trips as a percentage of regular pay for 6 of the past 8 quarters, ranking between 62nd and 66th.

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



Source: OIG Surface Transportation Risk Model results as of FY 2014, Q4.

## Objective, Scope, and Methodology

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

- Reviewed extra service costs as a percentage of regular pay at the district level as part of the OIG Transportation PARIS Risk Model for 1 year, which identified the most at risk districts for each quarter. We analyzed this data to determine which districts are most frequently among the top 5 most at risk districts for extra service costs as a percentage of regular pay. We selected the second most at risk district for further review and examined the data for FY 2014, Q4.

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



- Reviewed a judgmental sample of 1,483 PS Forms 5397 and a sample of 60 PS Forms 5429 during FY 2014, Q4, for HCRs with an extra trip expense that exceeded 2 percent of regular pay. The OIG reviewed PS Forms 5397 and 5429 in the Greater South Carolina 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 Greater South Carolina 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 1,483 PS Forms 5397 and a sample of 60 PS Forms 5429 for proper authorization, certification, and payment. We reviewed PS Forms 5429 to determine if contractors received timely payment to prevent interest charges.
- Completed site visits at four processing facilities and four associate offices in the Greater South Carolina 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 January and March 2015. In FY 2014, American Postal Workers Union (APWU) officials indicated concerns with HCR contractors making early and late trips in addition to scheduled trips, as well as using smaller versus authorized larger vehicles. In the Greater South Carolina District the OIG observed the back docks at four processing facilities<sup>18</sup> and did not note any issues associated with the APWU's concerns.

We conducted this performance audit from January through July 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 May 28 and June 30, 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.

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<sup>18</sup> The four processing and distribution centers/facilities visited in the Greater South Carolina District are the Charleston, Columbia, Florence, and Greenville facilities.

## Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Late Payments for Highway Contract Routes - Indianapolis, IN, Processing and Distribution Center</i>	NO-MA-14-003	7/21/2014	\$74,000
<b>Report Results:</b> The OIG determined that the Indianapolis, IN, Processing & Distribution Center did not promptly process about \$74,000 in exceptional service payments from June 2013 through January 2014. The OIG found payments to HCR contractors were about 3.7 months late, on average. The OIG recommended the vice president, Great Lakes Area Operations, ensure management properly trains employees to prepare and promptly submit exceptional services documentation, develop a process to continually monitor locally generated exceptional services expenses, and ensure local compliance with exceptional services payment processes. Management agreed with the findings and recommendations.			
<i>Highway Contract Routes – Extra Trips – Greensboro District</i>	NO-AR-14-012	9/23/2014	\$591,443
<b>Report Results:</b> The OIG determined that the Greensboro District could have avoided 689 of 7,386 extra trips (9.3 percent) used to transport mail due to unnecessary mail processing delays or missent mail. Mail processing delays were the result of non-adherence to dispatch leave times and missent mail was the result of operational errors. These events caused the district to spend an additional \$53,927 on extra trips in FY 2013, Q4. The OIG also determined that procedures for authorizing and documenting extra trips were not always followed. Over 49 percent of PS Forms 5397 (or 3,163 of 6,342) were not completed properly. Local officials did not always review or authorize these forms and, in some cases, recorded incorrect miles for the trips. Consequently, the Greensboro District incurred \$536,643 in costs that were not properly supported or authorized. The OIG recommended management reduce extra trips by implementing controls and enforcing procedures to avoid processing delays and missent mail; and provide training on and monitor compliance with proper completion of extra trip authorization forms, ensure HCR extra trip forms are submitted timely for payment, and calculate and pay contractors any interest due. Management agreed with all findings and recommendations in the report.			
<i>Highway Contract Routes – Extra Trips – Greater Indiana District</i>	NO-AR-15-004	5/07/2015	\$1,529,388
<b>Report Results:</b> The OIG determined that the Greater Indiana District could improve controls over the use and processing of extra trips. We estimate that the district could have avoided 101 extra trips totaling about \$118,000 in FY 2014. These trips were caused by mail processing delays resulting from non-adherence to dispatch leave times and by missent mail. Management could avoid about \$118,000 in FY 2015 by reducing delays and missent mail. The OIG also determined that the Postal Service did not always follow procedures for authorizing and documenting extra trips. We identified about 4,000 instances of improper information on about 43 percent of reviewed PS Forms 5397. Local officials did not always review or authorize the forms and sometimes recorded incorrect trip miles. Consequently, the Greater Indiana District incurred \$1,181,651 in improperly supported or authorized costs in FY 2014, and could incur \$110,182 in additional costs in FY 2015. Finally, the OIG estimated the Postal Service made nominal interest payments in FY 2014 because PS Forms 5397 were not submitted on time, delaying payments to HCR contractors. This occurred because local employees responsible for these functions were not adequately trained and plant managers were not monitoring their activity. The OIG 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 with all findings and recommendations in the report.			

Appendix B:  
U.S. Postal Service Office of  
Inspector General Sample  
Review of Highway Contract  
Route Extra Trips

We determined that discrepancies identified in prior OIG audits of the Greensboro and Greater Indiana Districts also existed in the Greater South Carolina District. Specifically, our judgmental sample review of 1,483 PS Forms 5397 and 60 PS Forms 5429 for FY 2014, Q4, for the four processing facilities and five associate offices. We identified the following similar conditions (see Tables 1 and 2) that resulted in a total of \$693,420 in monetary impact:<sup>19</sup>

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

Table 1. OIG Sample Review of 1,483 HCR Extra Trips PS Forms 5397 Greater South Carolina District for FY 2014, Q4

	Issue In This Area	No Issue In This Area
Avoidable Extra Trips – Due To Delayed/Missent Mail	13%	87%
Improper Extra Trip Documentation		
Signed by Unauthorized Employees	84%	16%
Missing Mileage	55%	45%
Missing Volumes	21%	79%
Missing Time	12%	88%
Signed by Person who signed PS Form 5429	1%	99%
Missing Dates	1%	99%
Missing Authorizing Signature	1%	99%

Source: OIG analysis.

Table 2. OIG Sample Review of 60 HCR Extra Trips PS Forms 5429 Greater South Carolina District for FY 2014, Q4

	Issue In This Area	No Issue In This Area
Late Payments and Interest Payments	Used Actual Numbers from EDW <sup>20</sup>	

Source: OIG analysis.

19 Percentages are rounded

20 We determined Interest payments by extracting the actual payment totals from the USPS Enterprise Data Warehouse or EDW for the Q4 FY 14 for the South Carolina District. By doing so, this eliminates any chances of contractor error because the only payments in this account should have been approved by Postal Service officials before payments are made.

## Appendix C: Management's Comments

AREA VICE PRESIDENT  
CAPITAL METRO AREA OPERATIONS



July 8, 2015

Lori Lau Dillard  
Director Audit Operations  
Office of Inspector General  
United States Postal Service

**Subject:** Response to OIG Audit Report – Highway Contract Routes – Extra Trips in the Greater South Carolina District- Report Number NO-AR-15-DRAFT

Thank you for the opportunity to respond to the OIG Audit of Highway Contract Routes - Extra Trips in the Greater South Carolina District. We generally agree with the findings in the subject audit performed in our Area. At the request of the Greater South Carolina District, the OIG reviewed the financial impact methodologies; recalculating potential impacts based on actual field data reviewed in the subject audit. While the Greater South Carolina District management acknowledges the methodologies utilized to assess potential financial impacts for FY2014 and FY2015, they cannot stipulate to the impacts assessed for FY2015 as processes and controls implemented since this audit was conducted should diminish or eliminate the potential impacts attributed ()

### **Recommendation #1**

We recommend 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.

### **Management Response/ Action Plan**

Management agrees in part with this recommendation. While the vast majority of the controls and procedures to prevent processing delays and missent mail are under the direct control of the Greater South District management team, external variables including network, weather, and factors outside the scope of local management can lead to delays in processing which will preclude complete elimination of extra trips. The Greater South District management team is focused daily on improving mail flow, reducing processing delays, and improving end-to-end service performance. The district leadership team has multiple daily teleconferences working through service and mail flow issues. The district currently has multiple Lean Six Sigma projects focused on improving mail processing, reducing delays, and eliminating missent mail. Management utilizes a number of reports and metrics to measure success and make operational adjustments to achieve objectives including 24-hour clock indicators, maintenance at-risk indicators, and service performance scores.

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#### **Target Implementation Date**

These are ongoing Lean Six Sigma (LSS) activities that will induce operational adjustments when root cause determinations are made. As LSS projects progress to the improvement phases, changes have been implemented. These are daily, ongoing actions. These LSS DMAIC and KAIZEN projects will be completed by 7/31/2015.

#### **Responsible Official**

Senior Plant Manager (A), Leslie Johnson-Frick

#### **Recommendation #2**

We recommend the Vice President, Capital Metro Area train employees to properly complete extra trip authorization forms and monitor compliance.

#### **Management Response/ Action Plan**

Management agrees with this recommendation. The audit cites issues such as improper documentation of mileage because the mileage is not documented on the PS Form 5397. However, the audit then indicates the mileage was documented on a spreadsheet which was attached to the PS Form 5429 as documentation of the mileage. The facility transportation department has the mileage from facility to facility on file and calculates the trip mileage when the 5397s are returned based on the destinations and routing. It was the District's assumption that mileage not actually on the PS Form 5397, but recorded on a spreadsheet, did not place funds at risk. Proper completion of the PS Form 5397 is important and having extra trips properly authorized are control measures. The District will develop an electronic PS Form 5397 to mimic the paper version wherein the necessary information will be recorded, can be printed, and signed, thereby combining the electronic spreadsheet currently in use with the requirement to have the mileage documented on the PS Form 5397.

Greater South Carolina District Transportation will develop a template within 30 days of this report to be utilized as a guide in properly completing the PS Form 5397. The template will be produced in a large format, "24 x 36", to be placed near each expeditor desk in the mail processing plants for easy daily use. Additionally, Service Talks will be developed and delivered to all management staff in the mail processing facilities regarding the requirement to properly sign and authorize any necessary extra trips. A similar Service Talk will be developed, given to all craft employees, and documented; indicating the necessity to have all extra trips authorized by a member of management. Finally the Network Transportation Specialist will review all PS Forms 5397 when compiling the PS Forms 5429 for completion and accuracy.

#### **Target Implementation Date**

July 17, 2015

#### **Responsible Official**

Prince Brock, Greater South Carolina Manager Transportation / Networks

### **Recommendation #3**

We recommend the Vice President, Capital Metro Area ensure employees submit extra trip authorization forms on time.

### **Management Response/ Action Plan**

Management agrees with this recommendation. As noted in the audit, in many cases the late submittal of PS Forms 5397 by contractors is a contributing factor in late payments. However, management can find no reference to potential penalties or remedies to force a contractor to submit documents timely. In October 2014, the Postal Service began utilizing the SCR System to route and process electronic PS Forms 5429. This serves multiple purposes including expediting the processing of 5429s and payments. Network Transportation employees were trained on the use of the system and the Greater South Carolina Operations Programs Support conducted field training for Postmasters / Managers / Supervisors acting as Administrative Officials in Post Offices on October 8, 2014. In Mail Processing facilities, the Network Transportation Specialists produce the electronic PS Form 5429 after compiling the PS Form 5397. The electronic 5429 is then submitted to the Manager Transportation / Networks for approval ensuring the separation of duties. In field operations, the AO creates the electronic PS Form 5429, attaches supporting documentation electronically, and submits to the District Finance Manager for approval ensuring the separation of duties in that environment as well.

### **Target Implementation Date**

These changes were implemented October 1, 2014.  
Documented field training was completed October 8, 2014.

### **Responsible Official**

Prince Brock, Greater South Carolina District, Manager Transportation / Networks  
Don Flak, Greater South Carolina District, Finance Manager.

The management of Greater South Carolina acknowledges the results of the audit and appreciates the opportunity to respond to the findings. While management does not fully concur with all citations in the report, they do agree there are opportunities to strengthen processes and improve performance regarding the reduction of late trips and the associated expenses. The district management is committed to ensuring processes are put in place to enhance controls, improve employee training, and ensure required payments are made in a timely, controlled fashion to comply with all applicable Postal Service policies and regulations .

  
Kristin A. Seaver



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

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