



AUDIT REPORT

Management of Highway Contract Route Contractor Failures at the Greensboro, NC, Processing and Distribution Center

June 23, 2020

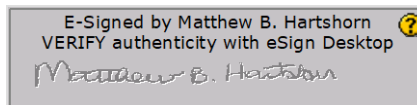


Report Number 20-223-R20



June 23, 2020

MEMORANDUM FOR: RUSSELL D. GARDNER JR.
MANAGER, GREENSBORO DISTRICT



FROM: Matthew B. Hartshorn
Director, Plant Evaluation Team

SUBJECT: Audit Report – Management of Highway Contract Route
Contractor Failures at the Greensboro, NC, Processing and
Distribution Center (Report Number 20-223-R20)

This report presents the results of our audit of the Management of Highway Contract Route Contractor Failures at the Greensboro, NC, Processing and Distribution Center.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Jeff Giordano, Operational Manager, or me at 703-248-2100.

Attachment

cc: Postmaster General
Chief Operating Officer and Executive Vice President
Acting Vice President, Processing and Maintenance
Vice President, Logistics
Vice President, Capital Metro Area Operations
Corporate Audit and Response Management

Background

This report presents the results of our self-initiated audit to assess the management of Highway Contract Route (HCR) irregularities due to contractor failure at the Greensboro Processing & Distribution Center (P&DC), in Greensboro, NC (Project Number 20-223). We conducted this audit to provide U.S. Postal Service management with timely information on operational risks at the Greensboro P&DC.

Late trips occur when various conditions cause a delay in the arrival or departure of transportation beyond the scheduled times. Late trip reason codes may include late processing, mail processing, contractor failure, and equipment failure. When trucks are late due to contractor failure, dock expeditors choose the reason code in the Surface Visibility (SV) Web scanner to generate Postal Service (PS) Form 5500, Contract Route Irregularity Report. The Administrative Officer (AO) is required to review the irregularities reported and the supplier's comments in Section 2 of PS Form 5500, consult with the contractor, and take appropriate corrective action.¹ Contractors can be assessed penalties or terminated if deficiencies are not corrected after notification by the Postal Service.²

In April 2019, headquarters and area management informed plant management that the goal was to have no late trips; therefore, all trips should depart and arrive to their destinations on-time. Our fieldwork was focused on late trips that occurred prior to March 31, 2020. The President of the United States issued the national emergency declaration concerning the novel coronavirus disease outbreak (COVID-19) on March 13, 2020. The results of this audit do not reflect operational changes and/or service impacts that may have occurred at this facility as a result of the pandemic.

The Greensboro P&DC is in the Greensboro District within the Capital Metro Area. In fiscal year (FY) 2019, the Postal Service reported 2.1 million late trips nationwide due to contractor failure. From October 1, 2019, to March 31, 2020, the Greensboro P&DC had the third highest number (10,921) of originating late trips³ due to contractor failure for P&DCs. The average time a trip was late was 42 minutes. There were 34 contractors with originating late trips due to contractor failure at the Greensboro P&DC. Three contractors accounted for 70 percent of the failures.

Objective, Scope, and Methodology

Our objective was to assess the management of HCR irregularities due to contractor failure at the Greensboro P&DC in Greensboro, NC.

To accomplish our objective, we analyzed Greensboro P&DC late trip data from October 1, 2018, to March 31, 2020, and interviewed the Greensboro P&DC Manager and AO. We limited our request for documentation to the three contractors that

¹ *Postal Operations Manual*, paragraph 534.2 Administrative Officials' Actions.

² Management Instruction PO-531-2019-1, *Monitoring Performance of Highway Contract Route Service*.

³ Data obtained from SV Web system. SV Web is a website dedicated to the Surface Visibility program. It provides real time transportation updates and reporting on the movement of trailers in the surface network. The data captured to identify early, on time, late or cancelled trips is also used to evaluate and improve transportation schedules.

accounted for 70 percent of the contractor failures for originating late trips at the Greensboro P&DC from October 1, 2019, to March 31, 2020.

We relied on computer-generated data from the Enterprise Data Warehouse (EDW)⁴ and SV Web. Although we did not test the validity of controls over these systems, we assessed the accuracy of the data by reviewing existing information, comparing data from other sources, and interviewing Postal Service officials knowledgeable about the data. Therefore, we determined the data were sufficiently reliable for the purposes of this report.

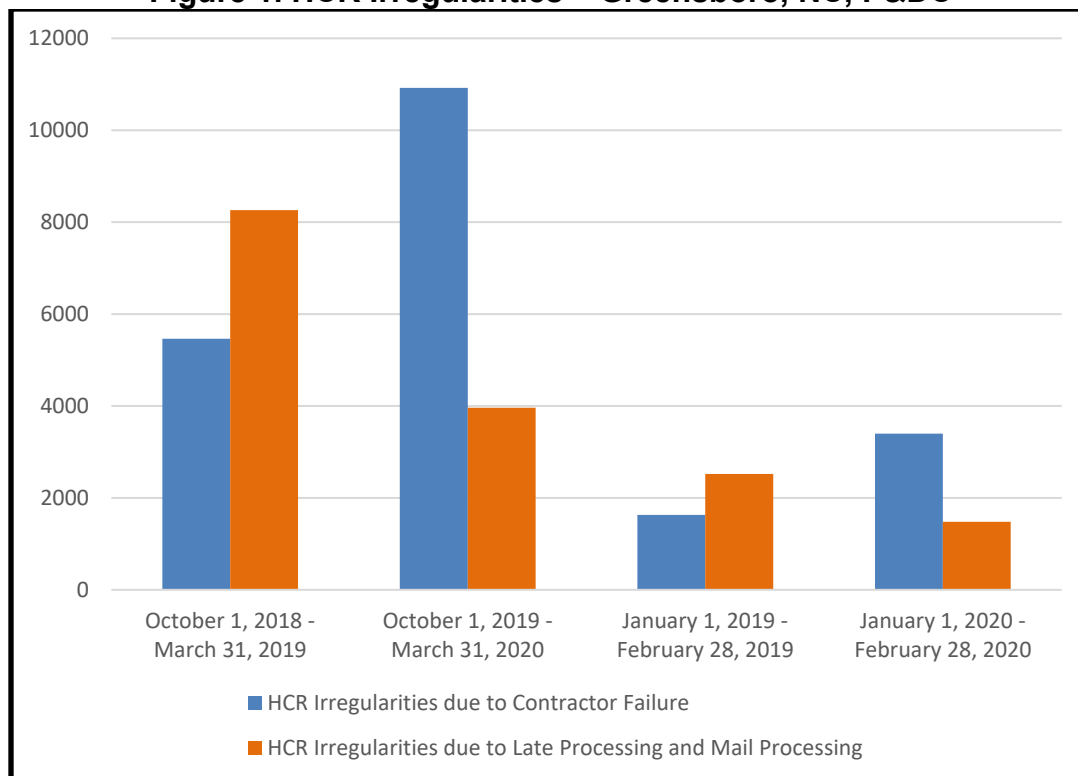
We conducted this audit from April through June 2020, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our 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 June 16, 2020, and included their comments where appropriate.

Finding #1 Management Oversight of HCR Irregularity Reporting

Inadequate management oversight of mail processing dock operations caused inaccurate reporting of contractor failures for late trips at the Greensboro P&DC. From October 2019 to March 2020, late trips caused by contractor failures for Greensboro P&DC originating trips increased from 5,462 to 10,921 (100 percent) compared to the same period last year. In addition, during this same period, late trips caused by late processing and mail processing failures decreased from 8,261 to 3,963 (52 percent). Similarly, from January 2020 to February 2020, late trips caused by contractor failures for Greensboro P&DC originating trips increased from 1,631 to 3,399 (108 percent) compared to the same period last year. In addition, during this same period, late trips caused by late processing and mail processing failures decreased from 2,522 to 1,479 (41 percent) (see Figure 1).

⁴ A repository intended for all data and the central source for information on retail, financial, and operational performance. Mission-critical information comes to EDW from transactions that occur across the mail delivery system, points-of-sale, and other sources.

Figure 1. HCR Irregularities – Greensboro, NC, P&DC



Source: SV web.

Three contractors accounted for 7,684 contractor failures (70 percent) from October 2019 to March 2020. While in some instances the AO did consult with the contractors, he did not take corrective actions during this fiscal year. Further, the P&DC manager and AO believed the dock expeditors incorrectly recorded the cause for late trips as contractor failure rather than attributing them to late processing and mail processing failures. Therefore, they did not believe the data was reliable for identifying the scope of late trips caused by contractor failure.

Mail processing supervisors are responsible for ensuring that dock expeditors properly record the correct reason code for contractor late trips. Also, while the AO said they meet regularly with the three contractors, formal reviews for each provider was not performed for the last two years. This is inconsistent with Postal Service policy⁵, which requires semi-annual reviews for each HCR contractor.

According to Postal Service policy⁶, choosing the correct reasons for late trips is not only crucial to mail visibility but is vital for maintaining accurate transportation records and providing accurate supplier payments. Also, timely contractor reviews are necessary to assist management in assessing contractor performance and implementing corrective actions when necessary.

⁵ *Transportation Operations Management Order* (TOMO-001-20) dated November 8, 2019.

⁶ *Standard Operating Procedure for Delay/Irregularity Reasons*, dated November 13, 2019.

Recommendation #1: We recommend the **District Manager, Greensboro District**, instruct Greensboro Processing and Distribution Center management to ensure that reason codes for late trips are accurately reported.

Recommendation #2: We recommend the **District Manager, Greensboro District**, ensure that semi-annual reviews are conducted and documented for each Highway Contract Route contractor and necessary corrective actions are taken.

Management's Comments

Management agreed with the report's findings and recommendations.

Regarding recommendation 1, management stated they trained dock expeditors to ensure reason codes for late trips are accurately reported. Management also stated they will track late trip reason codes weekly, trend the data, and compare it to the same period last year to look for abnormalities. If abnormalities are apparent, personnel will conduct a more thorough investigation and the results will be reported to the P&DC manager for appropriate action. Subsequent to their management's comments, management provided documentation supporting the actions taken.

Regarding recommendation 2, management stated that transportation management personnel certified that they completed the AO training course. Management also stated that they conducted semiannual reviews with each of the seven HCR suppliers for the Greensboro P&DC on May 20, 2020, and the next semiannual reviews are scheduled for October 2020. Subsequent to their management's comments, management provided documentation supporting the actions taken.

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

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General considers management's comments responsive to the recommendations. Based on the information provided by management, we consider recommendations 1 and 2 closed with the issuance of the report.

Appendix A. Management's Comments

DISTRICT MANAGER
GREENSBORO PERFORMANCE CLUSTER



June 19, 2020

LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Response to Draft Audit Report –Management of Highway Contract
Route Contractor Failures at the Greensboro, NC Processing and
Distribution Center (Project Number 20-223)

Thank you for the opportunity to respond to the Office of Inspector General (OIG) draft audit report, "Management of Highway Contract Route Contractor Failures at the Greensboro, NC Processing and Distribution Center".

Management agrees with the findings noted in the audit report.

Management does agree with recommendations as outlined in the audit per the responses below.

Recommendation #1

We recommend the District Manager, Greensboro District, instruct Greensboro Processing and Distribution Center management to ensure that reason codes for late trips are accurately reported.

Management Response/Action Plan

Management agrees with this recommendation and has implemented the following actions to make sure reason codes for late trips are accurately reported. The Network Specialist from the Transportation department met with the expeditors at the plant to review the procedures for issuing PS Form 5466 (late Slips) and PS form 5500 Contract Route Irregularity Report. The Networks Specialist identified reasons for Postal delays and the reason for Contractor delays. The training was documented acknowledging they understood how to document and code the late trips correctly. The Transportation Manager will track late trip reason codes weekly and trend this data and compare to SPLY to look for any abnormalities. If abnormalities are apparent, a more thorough investigation will be conducted and reported to the Plant Manager for the appropriate action.

Documentation of the service talks given to the expeditors along with an example copy of the trend data will be submitted to request closure of this recommendation.

Target Implementation Date

June 2020

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Responsible Official

Plant Manager, Greensboro P&DC

Recommendation #2

We recommend the District Manager, Greensboro District, ensure that semi-annual reviews are conducted and documented for each Highway Contract Route contractor and necessary corrective actions are taken.

Management Response/Action Plan

Management agrees with this recommendation and has implemented the following actions.

Semi-annual reviews have been conducted with each of the seven (7) Highway Contract Route suppliers for the Greensboro P&DC. These reviews were conducted on May 20, 2020 and uploaded into the SharePoint on the USPS Blueshare page under HCR Supplier Discussion Certification Form.

The next semi-annual reviews have already been scheduled for the month of October. The interviews will be held between October 5, 2020 and October 15, 2020.

All EAS management personnel in Transportation were certified that they had completed the Administrative Official (AO) course in HERO.

Appropriate action has been taken addressing the deficiency.

Documentation of the recently completed semi-annual reviews along with documentation of the HERO training taken by Greensboro P & DC transportation management employees will be submitted to request closure of this recommendation.

Target Implementation Date

June 2020

Responsible Official

Plant Manager, Greensboro P&DC



Russell D. Gardner
Greensboro District Manager/Lead Executive

cc: Manager, Corporate Audit & Response Management