Scheduled Hours and Payments for Highway Contract Routes

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Highlights

Objective

Our objective was to determine the accuracy of U.S. Postal Service Highway Contract Route (HCR) scheduled hours and payments from fiscal years (FYs) 2016 through 2020.

HCRs are routes serviced by suppliers carrying mail over highways between designated points. These suppliers provide contracted transportation services under specified schedules outlined in the contract terms and conditions. HCR schedules include trip information such as departure and arrival times, service facilities, operating frequencies, and trip mileage and payment terms.

The Transportation Contract Support System (TCSS) is an automated contracting system for administering over 17,500 Postal Service highway transportation contracts. It serves as a management system and repository for all HCR contracts including contract modifications and payments.

The Service Change Request (SCR) system is used for managing and controlling the submittal of requests to change the service, schedule, and vehicle requirements as specified in highway contracts administered through TCSS.

Postal Service management informed us on March 31, 2021, that they are replacing the existing TCSS and SCR systems with the Transportation Management System.

Within the HCR contract's terms and conditions, the Postal Service estimates the minimum hours to operate HCR trips. Contracts are awarded based on an evaluation of the supplier's proposals and any further negotiations, which include the costs necessary to accomplish the services and time needed to operate the trips.

When it is determined that changes to schedules are needed, the Postal Service uses the SCR system to generate these changes, which are submitted by administrative officials and approved by SCR coordinators at both the area and headquarters levels. Approved SCRs are sent to contracting personnel for entering the scheduled trip information in TCSS.

We performed a risk assessment of the HCR scheduled trips and determined that of the 82,578 scheduled trips in TCSS from FYs 2016 through 2020, 271 were at high- or medium-risk of their contracted schedules being overstated. We used the average speed of 50 miles per hour from the November 2010 Freight Facts and Figures study issued by the Department of Transportation to calculate trip hours, compared it to the actual trip hours in TCSS, and categorized the differences into high-risk (20 hours or more), medium-risk (five to 20 hours), and low-risk (fewer than five hours). The 271 trips included 130 spotter and shuttle services that we excluded from our review because they do not travel on highways, resulting in 141 at-risk trips for review.

Findings

We found that HCR scheduled hours are generally accurate. However, our review of 141 at-risk trips identified 84 trip schedules from FYs 2016 through 2020 that were inaccurate and resulted in incorrect payments to suppliers. Specifically, we determined that administrative officials manually entered the incorrect day count into the SCR system for the 84 trips. A day count error adds 24 hours to a scheduled trip when an additional day is erroneously added to the trip schedule. The remaining 57 trip schedules were entered correctly.

> *"Trip schedules from FYs 2016 through 2020 were inaccurate and resulted in incorrect payments to suppliers."*

The Postal Service corrected 82 of the 84 (98 percent) trip errors in the SCR system, which included 19 trips that were corrected during our audit after we notified management. However, the Postal Service had not corrected the remaining two errors (2 percent) as of March 2021; therefore, these contracts continue to be overpaid.

Additionally, the Postal Service did not timely identify and correct errors and initiate recovery of incorrect payments to HCR suppliers as required by the Postal Service's *Supplying Principles & Practices*. Specifically, Clause B-64,

Section D states that, "the supplier shall upon discovery refund any overpayments made by the Postal Service for service performed, or any payments for service not rendered." However, as of September 30, 2020, our review of payment information in TCSS indicated the Postal Service negotiated recovery of only $389,000 for five trip errors from FYs 2016 to 2020.

This occurred because errors are not easily identifiable since the trip duration information is not visible during the SCR generation and approval processes. Availability of this information would allow for the identification of erroneous hours before trip schedules are finalized. In addition, the Postal Service did not provide adequate oversight of these processes and did not conduct periodic monitoring to timely detect and correct errors and recover about $4.1 million in estimated overpayments from FYs 2016 to 2020.

We estimated the Postal Service incurred about $809,000 in questioned costs and about $65,000 in funds put to better use annually.

Recommendations

We recommended management:

- Develop and implement periodic reviews to ensure timely detection and correction of trip errors in the SCR system for the scheduled hours and corresponding payments in the TCSS.

- Develop requirements for the new Transportation Management System to include total trip duration details.

- Develop a plan to review the accuracy of previously approved scheduled trips to identify and correct day count errors in the SCR system, determine actual overpayments, initiate recovery, and maintain all supporting documentation in either the TCSS or Transportation Management System.

"Develop requirements for the new Transportation Management System to include total trip duration details."

Transmittal Letter

OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

May 5, 2021

MEMORANDUM FOR: ROBERT CINTRON
VICE PRESIDENT, LOGISTICS

PETER ROUTSOLIAS
VICE PRESIDENT, TRANSPORTATION STRATEGY

FROM: Melinda Perez
Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Audit Report – Scheduled Hours and Payments for Highway Contract Routes (Report Number 20-295-R21)

This report presents the results of our audit of the Schedule Hours and Payments for Highway Contract Routes.

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 Scheduled Hours and Payments for Highway Contract Routes (Project Number 20-295). Our objective was to determine the accuracy of U.S. Postal Service Highway Contract Route (HCR) scheduled hours and payments from fiscal years (FYs) 2016 through 2020. See Appendix A for additional information about this audit.

Background

HCRs are routes serviced by suppliers carrying mail over highways between designated points. These suppliers provide contracted transportation services under specified schedules outlined in the contract terms and conditions. Schedules include trip information such as departure and arrival times, service facilities, operating frequencies, and trip mileage and payment terms.

The Transportation Contract Support System (TCSS) is an automated contracting system for administering over 17,500 Postal Service highway transportation contracts mail transportation contracts. It serves as a management system and repository for all contracts including contract modifications and payments.

The Service Change Request (SCR) system is used for managing and controlling the submittal of requests to change the service, schedule, and vehicle requirements as specified in highway contracts administered through TCSS.
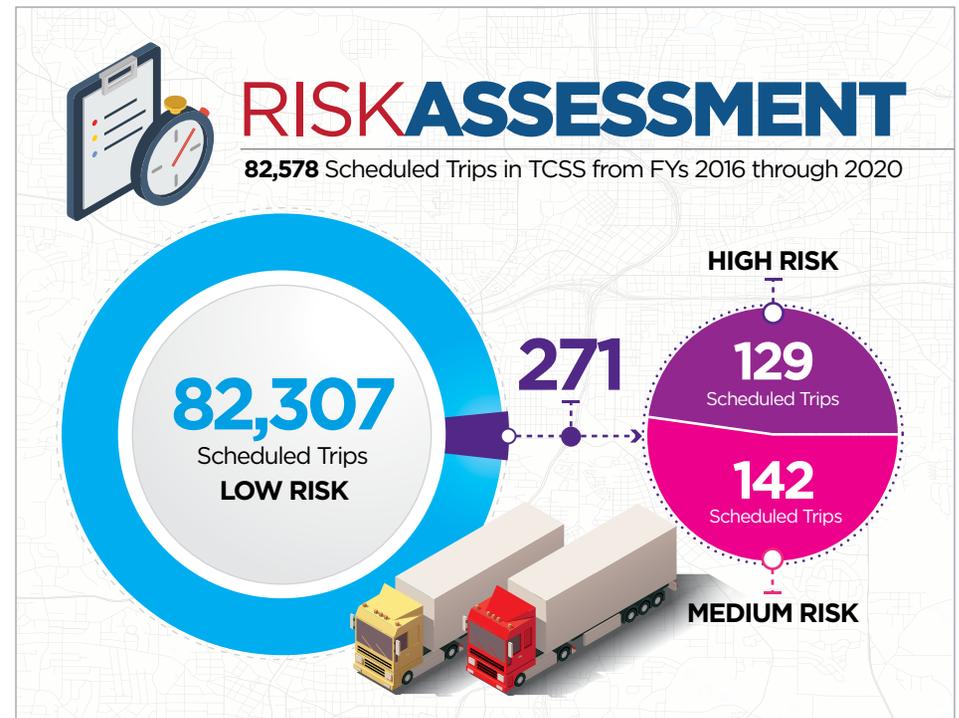
Postal Service management informed us on March 31, 2021, that they are replacing the existing TCSS and SCR systems with the Transportation Management System.

Within the contract's terms and conditions, the Postal Service estimates the minimum hours to operate trips. Contracts are awarded based on an evaluation of the supplier's proposals and any further negotiations, which include the costs necessary to accomplish the services and time needed to operate the trips.

When it is determined that changes to schedules are needed, the Postal Service uses the SCR system to generate these changes, which are submitted by administrative officials and approved by SCR coordinators at both the area and headquarters levels. Approved changes are sent to contracting personnel for entering the scheduled trip information in TCSS.

We performed a risk assessment of the scheduled trips and determined that of the 82,578 scheduled trips in TCSS from FYs 2016 through 2020, 271 were at high- or medium-risk of their contracted schedules being overstated. We used the average speed of 50 miles per hour from the November 2010 Freight Facts and Figures study issued by the Department of Transportation to calculate the trip hours, compared it to the actual trip hours in TCSS, and categorized the differences into high-risk (20 hours or more), medium-risk (five to 20 hours), and low-risk (fewer than five hours). The 271 trips included 130 spotter and shuttle services that we excluded from our review because they do not travel on highways, resulting in 141 at-risk trips for review. See Appendix A for additional information.

RISKASSESSMENT

82,578 Scheduled Trips in TCSS from FYs 2016 through 2020

82,307 Scheduled Trips **LOW RISK**

271

HIGH RISK
129 Scheduled Trips

142 Scheduled Trips
MEDIUM RISK

Finding #1: Service Change Request System

We found that scheduled hours are generally accurate. However, of the 141 at-risk trips reviewed, we identified 84 trip schedules from FYs 2016 through 2020 that were inaccurate and resulted in incorrect payments to suppliers. Specifically, we determined that administrative officials manually entered the incorrect day count into the SCR system. A day count error adds 24 hours to a scheduled trip when an additional day is erroneously added to the trip schedule. The remaining 57 trip schedules were entered correctly (see Figure 1).

Figure 1. Errors in Trip Schedules

84 Trips With Day Count Errors

57 Trips With No Day Count Errors
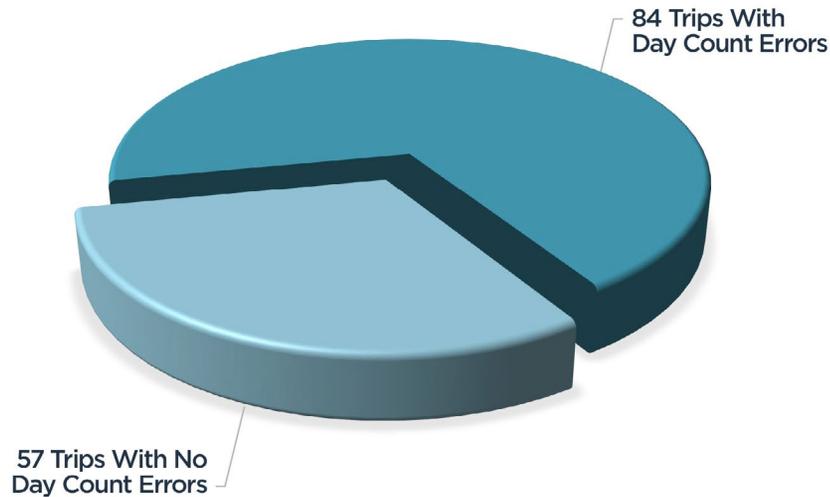
Source: U.S. Postal Service Office of Inspector General (OIG) risk analysis of high- and medium-risk trips.

For the 84 trips with errors, we reviewed trip information to identify the specific day count errors. For example, trip 133[1] was scheduled to depart at 21:00 hours and arrive at its final destination at 21:55 hours, for a trip duration of 0.917 hours.[2] A value of zero must be entered under the field day[3] because the trip started and ended on the same day. However, a value of five was incorrectly entered, resulting in an overstatement of five days, or 120 hours (24 hours x 5 days = 120 hours) (see Figure 2).

Figure 2. SCR Schedule

Source: SCR system.

Due to the incorrect manual entry of five-day count, the system automatically added an additional 120 hours to the trip schedule (see Table 1).

Table 1. TCSS Hours Analysis Report

Trip Number	Leave Time	Arrive Time	Trip Duration Hours	Day Count Error Hours	Trip Schedule Hours
133	2100	2155	0.917	120.000	120.917

Source: TCSS – Hours Analysis Report.

Overpayments

We estimated overpayments for the 84 trips with errors by using the overstated hours from the day count error, trip frequency, and the hourly rate. Generally, hourly rates increased over time. We ran a linear regression analysis to estimate an hourly rate representative of the error period.

For example, we used the information for trip 133 to estimate the overpayment from the inception of the error on April 1, 2017, to the end of our audit scope period of September 30, 2020 (120 hours x 51.61 frequency x $22.97 hourly rate x 3.5 years = $498,152) (see Table 2).

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1   Trip 133 had the largest day count error of five days when compared to the remaining 83 errors, which only had one day count error.
2   The trip duration time was calculated by dividing the 55 minutes of travel time by 60 minutes in an hour.
3   The SCR system training dated July 2019, provides step by step instructions where a value of 0 is entered when the trip begins and ends within the same day.

Table 2. Overpayment Calculation

| A	B	C	D	E	F	G	H	I
Trip Number	Error Hours	Trip Frequency	Hourly Rate	Overpayment Annualized Amount (BxCxD)	Error Begin Date	Error End Date	Years Overpaid	Overpayment Amount as of 09/30/2020
133	120	51.61	$22.97	$142,274	4/1/2017	9/30/2020	3.50	$498,152[4]

Source: OIG analysis.

Error Corrections

Our review of contracting documents identified that the Postal Service corrected 82 of the 84 trips (98 percent) in the SCR system, which included 19 trips that were corrected during our audit after we notified management. However, the Postal Service had not corrected the remaining two errors (2 percent) as of March 2021; therefore, these contracts continue to be overpaid (see Figure 3).

Figure 3. Corrected Trips

Errors Corrected 98%

Errors Not Corrected 2%
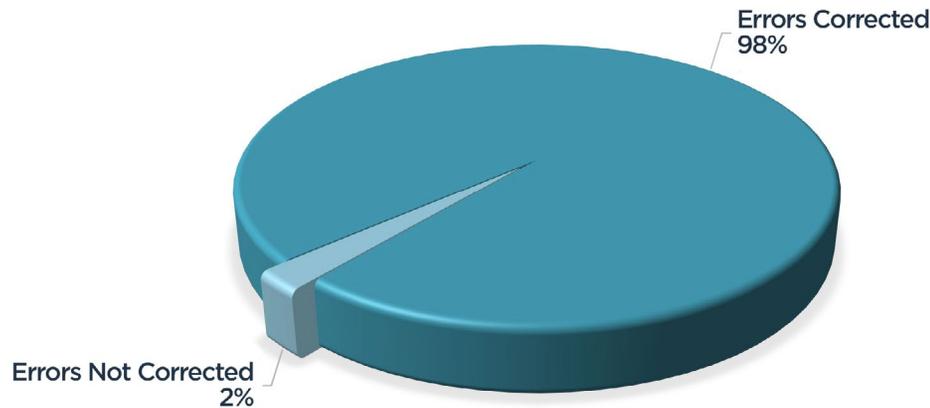
Source: OIG review of corrected trips as of 3/17/2021.

Average Time of Error Correction

The Postal Service did not timely identify and correct trip schedule errors. On average, it took about 1.97 years to detect and correct these errors, which were entered between 2005 and 2020[5] (see Figure 4).

Figure 4. Error Presence in Years

Source: OIG analysis.

Overpayment Recovery

Additionally, the Postal Service did not timely initiate recovery of incorrect payments to suppliers as required by the Postal Service's *Supplying Principles & Practices*. Specifically, Clause B-64, Section D states that, "the supplier shall upon discovery refund any overpayments made by the Postal Service
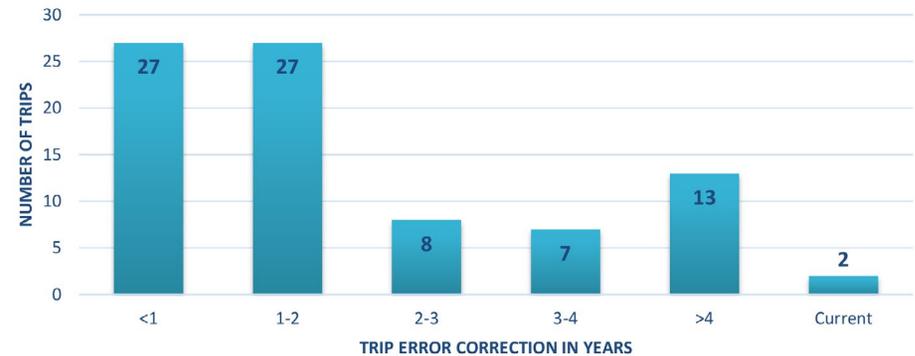
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4 The calculation in Column I reflects the overpayment through 9/30/2020. The Postal Service corrected the error on 12/1/2020, which is outside of our scope period; therefore, the actual overpayment was greater than what the OIG calculated.

5 Errors reported ranged from July 1, 2005, to the end of our audit scope period of September 30, 2020.

for service performed, or any payments for service not rendered." However, as of September 30, 2020, our review of payment information indicated the Postal Service negotiated recovery of only $389,000 for five trip errors from FYs 2016 to 2020 (see Figure 5).

Figure 5. Corrected and Recovered Trips
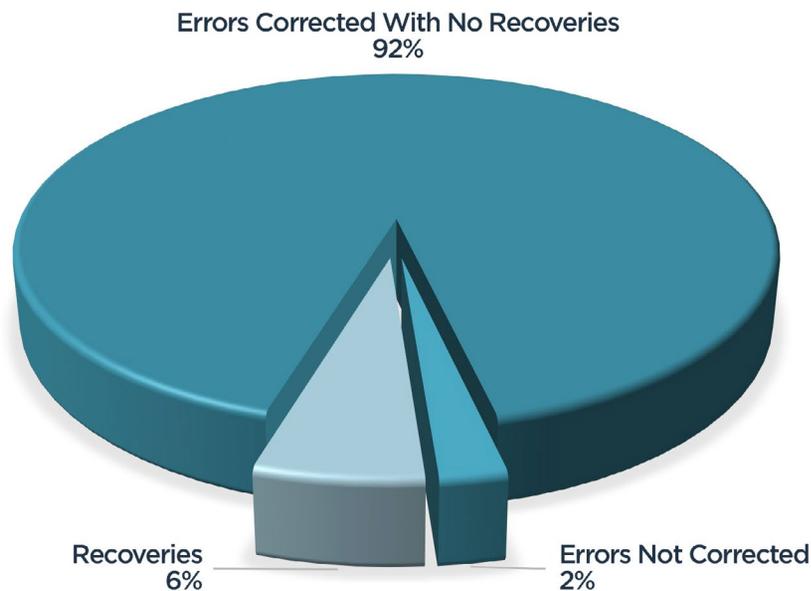
Source: OIG review of recovered overpayments as of 9/30/2020.

This occurred because errors are not easily identifiable since the trip duration information is not visible during the SCR generation and approval processes. Availability of this information would allow for the identification of erroneous hours before trip schedules are finalized. This addition could potentially prevent the Postal Service from making inaccurate payments to suppliers. In addition, the Postal Service did not provide adequate oversight of these processes and did not conduct periodic monitoring to timely detect and correct errors and recover about $4.1 million in estimated overpayments from FYs 2016 to 2020.

As a result, we estimated the Postal Service incurred about $1,619,826 million ($654,828 for FY 2019 and $964,998 for FY 2020) in questioned costs and about

$193,770 ($124,738 for FY 2021, $59,409 for FY 2022, and $9,623 for FY 2023 in funds put to better use.

Recommendation #1

We recommend the **Vice President, Logistics**, in coordination with the **Vice President, Transportation Strategy**, develop and implement periodic reviews to ensure timely detection and correction of trip errors in the Service Change Request system for the scheduled hours and corresponding payments in the Transportation Contract Support System.

Recommendation #2

We recommend the **Vice President, Logistics**, develop requirements for the new Transportation Management System to include total trip duration details.

Recommendation #3

We recommend the **Vice President, Transportation Strategy**, in coordination with the **Vice President, Logistics**, develop a plan to review the accuracy of previously approved scheduled trips to identify and correct day count errors in the Service Change Request system, determine actual overpayments, initiate recovery, and maintain all supporting documentation in either the Transportation Contract Support System or Transportation Management System.

Management's Comments

Management disagreed with the finding and partially agreed with the recommendations. Specifically, management disagreed with recommendations 1 and 3 but provided alternate actions and agreed with recommendation 2. Further, management disagreed with the calculations we used to determine the monetary impact. See Appendix B for management's comments in their entirety.

Regarding the finding, management agreed that the scheduled hours are generally accurate and that the audit report indicated that of the 82,578 trips, only 84 trip schedules were determined to be inaccurate. Management also stated that because so few discrepancies were found, they believed the current process is adequate, even though improvements could be made. Further, management disagreed with the OIG's statement that they did not timely initiate recovery

of incorrect payments to suppliers. Instead, management stated there was no overpayment; the hours and miles listed on the schedules are estimates that were projected when the Postal Service and the supplier agree to a fixed-price service change or extra trip adjustment.

Regarding recommendation 1, management disagreed with this recommendation as written but stated that they will develop standard work instructions and train key personnel on auditing the service change requests. If corrections are necessary for the requirements, Logistics will submit a service change request to Transportation Strategy who will take appropriate actions to negotiate the corrections. The target implementation date is July 31, 2021.

Regarding recommendation 2, management agreed and stated that they will draft requirements for the new Transportation Management System to include the trip duration field. The target implementation date is September 30, 2021.

Regarding recommendation 3, management disagreed and said it is the same as recommendation 1. Management further stated that, as noted for recommendation 1, they will develop standard work instructions and train key personnel to audit the service change requests as submitted. If corrections are necessary for the requirements, Logistics will submit a service change request to Transportation Strategy who will take appropriate actions to negotiate the corrections.

Regarding monetary impact, management disagreed with the monetary impact and stated that contractors are not automatically entitled to an additional adjustment whenever actual days or miles differ from estimates. In addition, management mentioned that when errors are based on grossly inaccurate information, negligence, or misrepresentation, then an adjustment is likely to be appropriate. Further, management said most of the identified errors were routine

situations in which the work differed by a few days or miles from the estimate and payment recovery is not warranted.

Evaluation of Management's Comments

We consider management's comments responsive to recommendations 1 and 2 as the corrective actions should resolve the issues identified in the report. We consider management's comments nonresponsive to recommendation 3.

Regarding management's concerns with the finding, the OIG explained in our report that we conducted a risk assessment to identify trips at high- or medium-risk of their contracted schedules being overstated. We reported that of 141 at-risk trips, 84 (or 60 percent) contained day count errors. This is an important distinction and therefore, management's assertion that the current process is adequate because, so few discrepancies were found is misguided. Specifically, management did not acknowledge that the day count errors identified were directly attributable to manual input errors in the system — resulting in incorrect payments to suppliers — and are not related to fixed-price contract arrangements or schedule trip hour estimates. In some instances, these errors occurred as far back as 2005 and persisted over several years before correction.

Regarding recommendation 3, management's assumption that this recommendation is the same as recommendation 1 is incorrect and therefore, their alternate plan of action is unresponsive. Specifically, recommendation 1 highlights implementing controls going forward to timely detect, correct, and prevent trip errors whereas recommendation 3 suggests implementing a plan to review previously approved trips to correct errors, determine actual overpayments, and initiate recovery. We understand that reviewing the remaining trips not reviewed in this audit would be time consuming, which is why we suggested developing a plan to review the remaining trips. We view management's alternate plan of action for recommendation 3 as unresponsive and will pursue this through the formal audit resolution process.

Regarding monetary impact, the OIG estimated about $4.1 million in incorrect payments and confirmed these errors with administrative officials. However, management incorrectly asserted that over the OIG's five-year review period, only five trips in the amount of $389,000 were appropriate for recovery. It should be noted that management does not have a formal process or effective controls to timely identify and correct errors and initiate recovery of overpayments. Thus, we believe management's dismissal of the finding and monetary impact is unfounded. Instead, management should focus on establishing a review process and strengthening controls for the timely detection and correction of errors.

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

Click on the appendix title below to navigate to the section content.

Appendix A: Additional Information

Scope and Methodology

Our scope period was scheduled trip data for active routes from FYs 2016 to 2020 as of September 1, 2020. We included only per annum and service period-based pay types. To accomplish our objective, we:

- Obtained trip data from FY 2016 to FY 2022 which included trip number, scheduled hours, trip frequency, and mileage.

- Analyzed data and performed a risk analysis to identify high- and medium-risk trips (see Table 3).

Table 3. Risk Assessment

Risk Category	Number of Trips
High Risk (discrepancy of 20 hours or more)	129
Medium Risk (discrepancy of five to 20 hours)	142
Subtotal	**271**
Low Risk (discrepancy of fewer than five hours)	82,307
Total	**82,578**

Source: OIG analysis of TCSS data for FYs 2016 through 2020 and active HCRs as of September 1, 2020.

- Interviewed headquarters personnel and Postal Service management to obtain an understanding of the overall process for establishing scheduled hours and the effect on payments.

- Analyzed TCSS reports, reviewed HCR schedules, and validated data for potential errors.

- Identified the SCR number that caused the error.

- Consulted with appropriate personnel to confirm trip schedule hour errors.

- Reviewed payment data to determine whether the errors affected payments.

- Performed data analysis to determine the average time expanded before the errors were corrected.

- Estimated the overpayment for the scope period.

- Determined whether the Postal Service timely corrected errors and recovered overpayments.

We conducted this performance audit from October 2020 through May 2021, 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 April 9, 2021 and included their comments where appropriate.

We assessed the reliability of trip and payment data from FYs 2016 through 2020 by interviewing knowledgeable Postal Service officials, tracing to source documentation, testing for completeness, recalculating amounts, and comparing it to other relevant and related data. We determined the data was 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 conducted within the last five years.

Appendix B: Management's Comments

UNITED STATES POSTAL SERVICE

April 29, 2021

TO: Joe Wolski
Deputy Assistant Inspector General for Mission Operations

SUBJECT: Draft Report – Scheduled Hours and Payments for Highway Contract Routes
(Project Number 20-295-DRAFT)

Thank you for providing the United States Postal Service with an opportunity to review and comment on the subject draft audit report.

Management does not agree with several of the recommendations contained in the report nor the amount of monetary impact. Management also does not agree with the report's finding of fact on the Service Change Request system.

The OIG noted in its report, and the Postal Service agrees, that scheduled hours are generally accurate. The audit report indicated that of the total population of 82,578 trips over a four-year period from FY 2016 through 2020, only 84 trip schedules were determined to be inaccurate. The fact that so few discrepencies were found indicates to management that, while improvements could be made, the current process is adequate.

Management disagrees with the OIG's finding that the Postal Service did not timely initiate recovery of incorrect payments to suppliers as required by the Postal Service's Supplying Principles & Practices. As management explained during the exit conference, the hours and miles listed on the schedules are estimates projected at the time that the Postal Service and the supplier agree to a fixed-price service change or extra trip adjustment. In some instances, the work may exceed the parties' initial estimate and in some instances it may be less.

The parties are not automatically entitled to an additional adjustment whenever actual days or miles differ from the estimates. When estimating errors are based on grossly inaccurate information, negligence or misrepresentation, then a further adjustment is likely to be appropriate. Most of the errors identified in the audit, however, were routine situations in which the actual work differed by a few days or miles from the estimated work. The Postal Service, therefore, disagrees with the amount of monetary impact. As the OIG notated, of the 84 trips identified, the Postal Service determined that only five trips over the four year period were appropriate for recovery in the amount of $389,000.

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Management will work to address the issues raised in the audit and agreed to below. Management also proposes an alternate course of action in response to Recommendation 1.

OIG RECOMMENDATIONS:
Recommendation #1:
We recommend the Vice President, Logistics, in coordination with the Vice President, Transportation Strategy, develop and implement periodic reviews to ensure timely detection and correction of trip errors in the Service Change Request system for the scheduled hours and corresponding payments in the Transportation Contract Support System.

Management Response/Action Plan:
Management disagrees with this recommendation as written. It is the position of management that the low number discrepencies found during the audit indicate that the current process is adequate. Additionally, because the hours and miles listed on the schedules are estimated, not all discrepencies are recoverable, as explained above.

Management will develop standard work instructions and train key personnel to audit the service change requests as submitted. If a correction in requirements is necessary, a service change request will be submitted by Logistics to Transportation Strategy who will take appropriate actions to negotiate the corrections if warranted.

Responsible Official:
Senior Director, Surface Logistics

Target Implementation Date: 7/31/2021

Recommendation #2:
We recommend the **Vice President, Logistics,** develop requirements for the new Transportation Management System to include total trip duration details.

Management Response/Action Plan:
Management agrees with this recommendation. Requirements will be drafted for the Transportation Management System.

Responsible Official:
Senior Director Surface Logistics

Target Implementation Date: 9/30/2021
Recommendation #3:
We recommend the Vice President, Transportation Strategy, in coordination with the Vice President, Logistics, develop a plan to review the accuracy of previously approved scheduled trips to identify and correct day count errors in the Service Change Request system, determine actual overpayments, initiate recovery, and maintain all supporting

documentation in either the Transportation Contract Support System or Transportation Management System.

Management Response/Action Plan:
Management disagrees with this recommendation as it redundant to Recommendation 1 and as the OIG found, the scheduled hours are generally accurate. Additionally, as explained above, the hours and miles listed on the schedules are estimated and as such not all inaccuracies are recoverable. Lastly, maintaining supporting documentation in the Transportation Contract Support System is part of the Postal Service's standard work processes and the audit did not reference any findings of missing supporting documentation to support the OIG's recommendation.

As previously mentioned in recommendation 1, management will develop standard work instructions and train key personnel to audit the service change requests as submitted. If a correction in requirements is necessary, a service change request will be submitted by Logistics to Transportation Strategy who will take appropriate actions to negotiate the corrections if warranted.

Responsible Official: N/A

Target Implementation Date: N/A

Robert Cintron
_____
Robert Cintron
Vice President, Logistics

E-SIGNED by PETER ROUTSOLIAS
on 2021-04-29 15:44:54 CDT
_____
Peter Routsolias
Vice President, Transportation Strategy

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