Audit Report

"As Needed" Highway Contract Routes

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Highlights

Objective

Our objective was to assess the U.S. Postal Service's use of the "as needed" transportation on Highway Contract Routes (HCR).

The Postal Service uses contracted, supplier-operated routes to transport mail and equipment between plants, post offices, and other designated points. These routes include "as needed" services that allow suppliers to travel anywhere within the continental U.S. "As needed" routes are on-demand services that operate infrequently, are generally more expensive than dedicated scheduled services, and involve multiple cost segments. The national "as needed" routes are paid a combination of a per trip rate and rate per mile, including miles driven in excess of the minimum guaranteed mileage. The locally serviced "as needed" routes are paid a per trip or per mile rate. The Postal Service spent about $21 million in fiscal year (FY) 2019 and $167 million in FY 2020 on "as needed" services.

The Postal Service uses the Transportation Contract Support System (TCSS) for overall management of transportation contracts. It also uses the electronic Service Change Request (eSCR) system to request changes in service when needed and process payments as specified in the contracts.

The Postal Service's process for executing an extra trip is also used for "as needed" trips. For example, Postal Service (PS) Form 5397, Contract Route Extra Trip Authorization, is used to initiate the trip. This form includes trip details such as time, date, mileage, trip justification, and the approving signature. Employees input trip information into Surface Visibility (SV), which helps the Postal Service optimize its surface transportation network by improving dock productivity tracking and performance. Once the trip is completed, the designated administrative official (AO) is required to verify the accuracy and completeness of the form and reconcile trip information against SV records.

Every month the network specialists or their designees enter all "as needed" trip information into the electronic PS Form 5429 (e5429) — a component in the eSCR system — for payment processing and approval. They are also required to upload all supporting documentation, including the trip authorization form, into the system. AOs review all supporting documentation for completeness and accuracy and approve the e5429 for payment.

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

Findings

We found the Postal Service increased its reliance from FY 2019 to FY 2020 on "as needed" contracts to transport increased package volume and to mitigate COVID-19 impacts. While we recognize the necessity for "as needed" services, we determined the Postal Service could improve its management of "as needed" transportation services and compliance with existing policy and procedures for the trip usage and payment processes.

Specifically, of the 17,027 invoice transactions for FYs 2019 and 2020, we reviewed a statistical sample of 198 transactions representing 1,334 "as needed" trip payments and found that 171 (86.4 percent) transactions consisting of 1,278 trips were not in compliance with processing and payment requirements. The remaining 27 (13.6 percent) transactions consisting of 56 trips were compliant. Of the 1,278 trips not in compliance:

- 713 trip authorization forms were missing and 301 of the available forms were incomplete.

- 189 trips were not recorded in SV and 297 trips could not be verified due to conflicting information between trip information recorded in SV and supporting documentation in e5429.

- 780 trips were incorrectly paid because of incorrect cost segments and mileage rates.

- 712 trips inconsistently reported mileage for payment.

This occurred because management did not review trip payment information to detect and correct errors and ensure required forms were complete, accurate, and uploaded in the eSCR system; and did not oversee the recording and reconciliation of trip information in SV. In addition, the complexity of the rate

structure used by AOs to determine the state of origin, trip mileage, rate per trip, and rate per mile for selecting the cost segment resulted in input errors and incorrect payments under the e5429 payment process. Further, the Postal Service did not have policy or guidance for determining trip mileage for payment purposes.

During our audit, management implemented a simplified rate structure and provided training for administering "as needed" contracts established as of April 1, 2021. Additionally, they issued a Letter of Accountability to AOs on December 15, 2020, addressing the need to reconcile exceptional service trips against SV transportation records before submitting the request for payment approval; therefore, we will not make a recommendation for reconciling trip information in SV. However, when trips are not recorded in SV, the Postal Service loses visibility of the mail, is unable to track trailer utilization, and may make decisions based on incomplete data. As such, we estimate the Postal Service incurred about $81.2 million in unsupported questioned costs annually.

Additionally, we found opportunities exist for management to convert these trips to less expensive dedicated services. We identified 234 trips that operated the same day each week, or over 20 times during March 2021. While the Postal Service is monitoring trip usage, it did not have an established process for determining when to take action by evaluating the continuation of these highly utilized "as needed" trips and converting them to dedicated services as appropriate. Converting these trips would reduce usage of the more expensive "as needed" services. Therefore, we estimated the Postal Service would save about $68.1 million annually in funds that could be put to better use.

Finally, we identified that the Postal Service established improper pay types for "as needed" trips. Specifically, 141 trips were categorized in TCSS as an annual pay type in error, resulting in incorrect supplier payments. We also identified that these errors occurred as far back as 1993. Postal Service management was not aware of the pay type errors until we notified them for correction. Due to our audit work, management took corrective action for 129 trips as of May 2021 by updating the pay types. They are also in the process of implementing

a system check to avoid future errors. We estimate the Postal Service incurred about $900,000 in questioned costs annually. Implementing corrective actions as identified in this report will enhance the Postal Service's ability to efficiently and effectively implement a fully optimized surface transportation network as defined in its Delivering for America ten-year plan.

Recommendations

We recommended management:

- Develop and implement periodic reviews to ensure timely detection and correction of payment errors and verify that Postal Service Forms 5397, Contract Route Extra Trip Authorization, are complete, accurate, and included in the electronic Service Change Request system.

- Develop requirements for the Postal Service Form 5397, Contract Route Extra Trip Authorization, to be automated in the new Transportation Management System so that all trip information is complete and visible, including the automation of the trip mileage determination.

- Develop a plan to monitor compliance with the requirements for recording "as needed" trips in the Surface Visibility system.

- Establish a process to review and identify opportunities to convert highly utilized "as needed" trips to dedicated services.

- Correct the remaining 12 pay type errors for "as needed" trips, detect and correct any errors that may have occurred for active contracts entered after October 1, 2020, and ensure the system check feature to avoid pay type errors in the Transportation Contract Support System is functioning, documented, and communicated to all users.

- Identify the actual incorrect trip payments from the inception of the errors, initiate recovery, and maintain all supporting documentation either in the Transportation Contract Support System or the new Transportation Management System.

Transmittal Letter

July 16, 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 – "As Needed" Highway Contract Routes
(Report Number 21-022-R21)

This report presents the results of our audit of "As Needed" 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 "as needed" Highway Contract Routes (Project Number 21-022). Our objective was to assess the U.S. Postal Service's use of "as needed" transportation on Highway Contract Routes (HCR). See Appendix A for additional information about this audit.

Background

The Postal Service uses contracted, supplier-operated routes to transport mail and equipment between plants, post offices, and other designated points. These routes include "as needed" services that allow suppliers to travel anywhere within the continental U.S. "As needed" routes are on-demand services that operate infrequently, are generally more expensive than dedicated scheduled services, and involve multiple cost segments. The national "as needed" routes are paid a combination of a per trip rate and rate per mile, to include miles driven in excess of the minimum guaranteed mileage. The locally serviced "as needed" routes are paid a per trip or per mile rate. The Postal Service spent about $21 million in fiscal year (FY) 2019 and $167 million in FY 2020 on "as needed" services (see Table 1).

Table 1. "As Needed" Costs[1] — FYs 2019 and 2020

Service Type	FY 2019*	FY 2020*	Percentage Change
Additional Trips	$14,549,214	$95,021,394	553%
Air-to-Surface Diversions	736,715	54,830,529	7,343%
Other[2]	5,716,262	17,116,307	199%
Total	**$21,002,192**	**$166,968,229**	**695%**

Source: U.S. Postal Service Office of Inspector General (OIG) analysis of Transportation Contract Support System (TCSS) payment data.
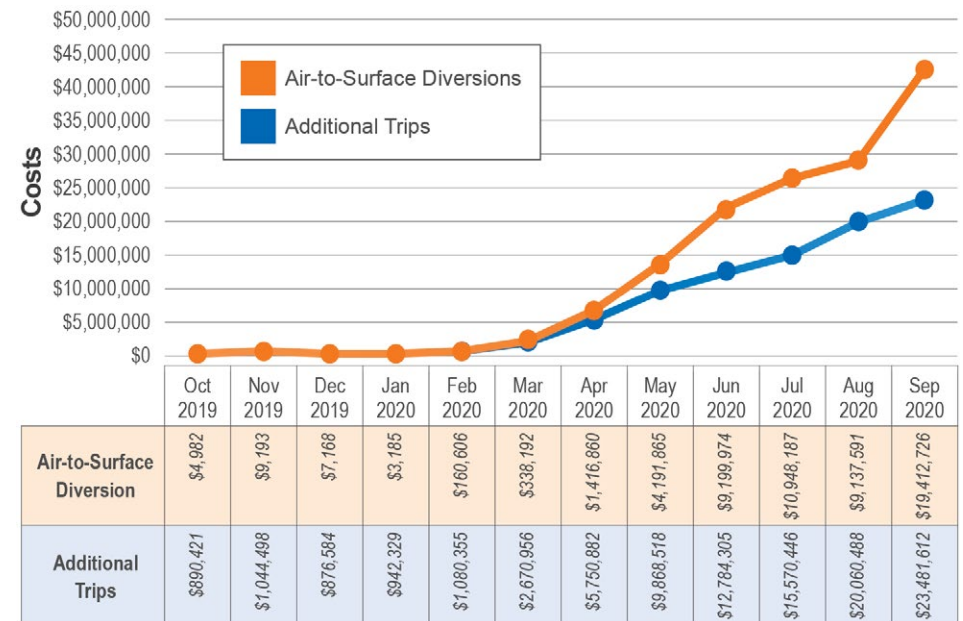*Differences may occur due to rounding.

The Postal Service increased its reliance on "as needed" routes from FY 2019 to FY 2020 to transport increased package volume and mitigate COVID-19 impacts. The additional trip and air-to-surface diversion[3] costs under "as needed" routes steadily increased from February to September 2020 (see Figure 1).

Figure 1. Additional Trips and Air-To-Surface Diversion Cost Increases — FY 2020

	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020	Apr 2020	May 2020	Jun 2020	Jul 2020	Aug 2020	Sep 2020
Air-to-Surface Diversion	$4,982	$9,193	$7,168	$3,185	$160,606	$338,192	$1,416,860	$4,191,865	$9,199,974	$10,948,187	$9,137,591	$19,412,726
Additional Trips	$890,421	$1,044,498	$876,584	$942,329	$1,080,355	$2,670,956	$5,750,882	$9,868,518	$12,784,305	$15,570,446	$20,060,488	$23,481,612

Source: OIG analysis of TCSS payment data.

The Postal Service uses the TCSS for overall management of transportation contracts. It also uses the electronic Service Change Request (eSCR) system to request changes in service, schedules, and vehicle requirements and to process payments for additional services rendered to the supplier as specified in the contracts.

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1 FY 2019 and 2020 costs include only active "as needed" routes as of October 1, 2020.
2 Other services included Christmas, detour, emergency, late slips, lumpsum adjustments, natural disaster, and plant load.
3 The purpose of the air-to-surface diversion is to improve or maintain current service while achieving cost reductions. Where it is operationally and economically feasible, the Postal Service will divert mail that is ordinarily dispatched by air and transport it by surface.

The Postal Service's process for executing an extra trip is also used for "as needed" trips. For example, Postal Service (PS) Form 5397, Contract Route Extra Trip Authorization, is used to initiate the trip (see Appendix B). This form includes trip details such as time, date, mileage, trip justification, and the approving signature. Employees input trip information into the Surface Visibility (SV) system, which helps the Postal Service optimize its surface transportation network by improving dock productivity tracking and performance. Once a trip is completed, the designated administrative official (AO) is required to verify the accuracy and completeness of the form and reconcile trip information against SV records.[4]

> "We found that from FY 2019 to FY 2020, the Postal Service increased its reliance on "as needed" contracts to transport the increase in package volume and mitigate COVID-19 impacts."

Every month the network specialists or their designees enter all "as needed" trip information into the electronic PS Form 5429 (e5429) — a component in the eSCR system — so payments can be processed and approved. They are also required to upload all supporting documentation, such as the trip authorization form, into the system. The AOs then review all supporting documentation for completeness and accuracy and approve the e5429 for payment.

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

Findings Summary

We found that from FY 2019 to FY 2020, the Postal Service increased its reliance on "as needed" contracts to transport the increase in package volume and mitigate COVID-19 impacts. While we recognize the necessity for "as needed" services, we determined the Postal Service could improve its management of "as needed" transportation services and its compliance with existing policy and procedures for the trip usage and payment processes. Lack of a proper control environment provides opportunities for fraud, waste, and abuse. Implementing corrective actions as identified in this report will enhance the Postal Service's ability to efficiently and effectively implement a fully optimized surface transportation network, as defined in its Delivering for America ten-year plan.

Finding #1: Processing and Payment Compliance

Of the 17,027 invoice transactions for FYs 2019 and 2020, we reviewed a statistical sample of 198 transactions representing 1,334 "as needed" trip payments and found that 171 (86.4 percent) transactions consisting of 1,278 trips were not in compliance with processing and payment requirements. The remaining 27 (13.6 percent) transactions consisting of 56 trips were compliant.[5] The compliance weaknesses included insufficient documentation, trip information not recorded in SV, incorrect cost segments and mileage rates, and incorrect mileage reported for payment.

Insufficient Documentation

For the 1,278 "as needed" trips not in compliance, the Postal Service was missing 713 trip authorization forms. The Lakeshores Division accounted for 640 (89.8 percent) of the 713 missing trip authorization forms (see Figure 2). Of the remaining 565 available forms, 264 were complete and 301 were incomplete

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4   Management Instruction PO-530-2017-1, *Highway Contract Route Exceptional Service Performance Payment Reconciliation*, dated August 31, 2017; and Letter of Accountability to the AOs, dated December 15, 2020.
5   Of the 56 compliant trips, 54 consisted of trips ordered but not used, Federal Emergency Management Agency trips, and trip adjustments that did not require a PS Form 5397.

and missing one or more of the following: contract route numbers, contractor names, dates, times, authorized miles, approver names, or driver signatures. A designated employee must properly complete the forms and AOs are responsible for reviewing all fields, verifying the form's completeness and accuracy, and uploading it into the eSCR system for payment processing.[6]

**Figure 2. Trips Missing PS Form 5397**
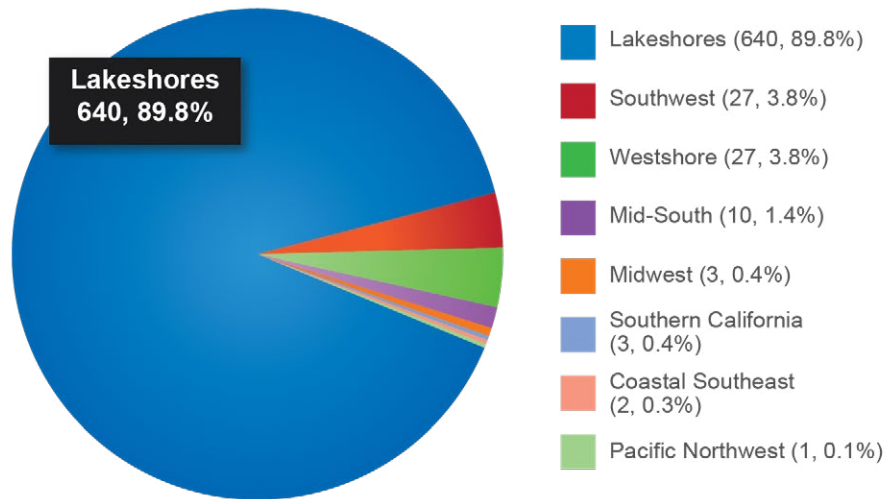
Source: OIG review of payment and SV data for FY 2019 and FY 2020.

Trips Not Recorded in Surface Visibility

AOs had not recorded 189 trips in SV. Additionally, 297 trips could not be verified due to conflicting information between trip information recorded in SV and supporting documentation in e5429. The "as needed" trips are not set on a fixed schedule and to track mail transported within the network, the AO is required to manually record these trips in SV daily. Our analysis identified that the Eastern

Region accounted for the majority of these missing trips or conflicting information (306 trips, or 63 percent). The top three divisions in the two regions with the most trips not recorded and conflicting information between SV and e5429 are Lakeshores with 265, Pacific Northwest with 98, and Westshore with 66 (see Figure 3).

Figure 3. Trips not in SV or With Conflicting Information in e5429
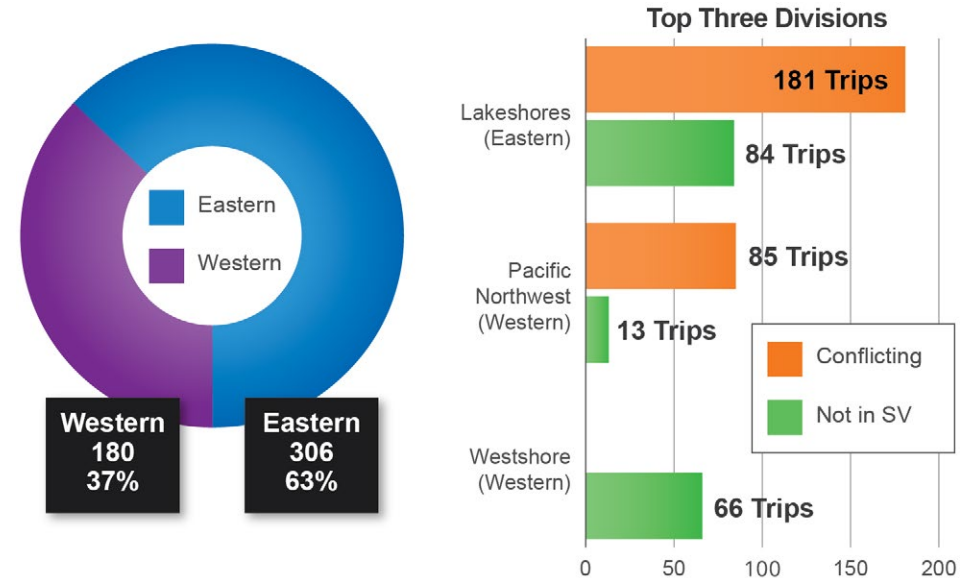
Source: OIG review of payment and SV data for FY 2019 and FY 2020.

The two facilities in the Lakeshores Division with the highest number of trips not recorded in SV or with conflicting information were the Michigan Metroplex Processing and Distribution Center (P&DC) with 155 and the Detroit, MI, P&DC with 99 (see Table 2).

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6   Management Instruction PO-530-2017-1, *Highway Contract Route Exceptional Service Performance Payment Reconciliation*, dated August 31, 2017; and Letter of Accountability to the AOs, dated December 15, 2020.

Table 2. Lakeshores Division Trips Not Recorded in SV

Point of Origin Facility	Trips not in SV	Trips with Conflicting Information	Total	Percent
Michigan Metroplex P&DC	54	101	155	59%
Detroit, MI, P&DC	28	71	99	37%
Indianapolis, IN, Mail Processing Annex	1	5	6	2%
Akron, OH, P&DC	1	4	5	2%
Total	**84**	**181**	**265**	**100%**

Source: OIG review of payment data for FY 2019 and FY 2020.

Incorrect Cost Segments and Mileage

The Postal Service incorrectly paid 780[7] trips due to incorrect cost segments and mileage rates. Specifically, the rate structure consists of 11 cost segments based on origin states, which are used to determine trip costs for the national "as needed" trips. For example, if a trip is originating in MD, it could be one of two cost segments, depending on mileage. If it originates in CA, it could be one of two other cost segments, depending on mileage (see Table 3).

> *"Postal Service used the rate per mile to pay total trip mileage instead of using the per trip rate plus rate per mile for mileage over the minimum guaranteed mileage."*

Table 3. Cost Segment Trip Rate Structure

Origin States	Cost Segment Less Than 500 Miles	Cost Segment Equal to or Greater Than 500 Miles	Cost Segment Standby Service Over 600 Miles
ME, VT, NH, MA, CT, RI, NY, PA, NJ, MD, DE, WV, VA, NC, SC, GA, FL	Part A	Part F	
ND, SD, MN, WI, MI, NE, KS, OK, IA, MO, IL, IN, OH, KY, TN	Part B	Part G	
NM, TX, AR, LA, MS, AL	Part C	Part H	
MT, ID, WY, UT, CO	Part D	Part I	
WA, OR, CA, NV, AZ, HI	Part E	Part J	
Any Origin State			Part K

Source: Postal Service HCR Schedule Information Report in TCSS.

Additionally, a combination of the per trip rate and the rate per mile must be used to calculate the miles in excess of the minimum guaranteed mileage.[8] However, the Postal Service used the rate per mile to pay total trip mileage instead of using the per trip rate plus rate per mile for mileage over the minimum guaranteed mileage. Using the reported mileage on the uploaded attachments in e5429,[9] we determined the Postal Service overpaid some suppliers for 235 trips. For example, for one trip, the Postal Service excluded the contracted per trip rate of $1,800 and calculated trip mileage using the total trip mileage of 627 instead of 127 miles, which was the number of miles over the guaranteed mileage. This resulted in an overpayment of $100 for this trip (see Table 4).

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7   The 780 trips accounted for 235 overpaid, 503 underpaid, and 42 did not result in any cost differences.

8   The "as needed" routes established in December 2019 have three types of service requirements – short haul, long haul, and standby services. The minimum guaranteed mileage for short-haul service is 200 miles with a rate per mile for all miles between 201 and 499. The minimum guaranteed mileage for long-haul service is 500 miles with rate per mile payment method for all miles over the 500-mile minimum. The minimum guaranteed mileage for standby service is 600 miles with an additional rate per mile for miles over the 600-mile minimum.

9   Uploaded attachments in e5429 include PS Forms 5397, Excel spreadsheets, or PDF documents.

Table 4. Example of Incorrect Overpayment

	Description	Incorrect Payment Calculation	Correct Payment Calculation
a	Per Trip Rate	$0.00	$1,800
b	Rate Per Mile	$3.80	$3.80
c	Mileage	627	500
d	Excess over Guaranteed Mileage	0	127
e	Payment Calculation	$2,382.60 = a + (b x c)	$2,282.60 = a + (b x d)
f	**Overpayment to Supplier**		**$100 Due to Postal Service**

Source: OIG review of payment data for FYs 2019 and 2020.

In addition, we determined the Postal Service underpaid suppliers for 503 trips. As an example, the Postal Service correctly paid the per trip rate of $1,350 but did not include the 62.9 in excess mileage over the guaranteed mileage, as stated in the contract, resulting in an underpayment of $223.92 for this trip (see Table 5).

Table 5. Example of Incorrect Underpayment

	Description	Incorrect Payment Calculation	Correct Payment Calculation
a	Per Trip Rate	$1,350	$1,350
b	Rate Per Mile	$3.56	$3.56
c	Mileage	262.9	200
d	Excess over Guaranteed Mileage	0	62.9
e	Payment Calculation	$1,350 = a + (b x d)	$1,573.92 = a + (b x d)
f	**Underpayment to Supplier**		**$223.92 Due to Supplier**

Source: OIG review of payment data for FYs 2019 and 2020.

This resulted in the Postal Service overpaying suppliers by $27,635 and underpaying suppliers by $130,300.

Mileage Calculation Verification

The mileage for 712 trips was inconsistently reported for payment.[10] Specifically, AOs did not use a consistent methodology to calculate mileage for each trip. For example, some AOs used Google Maps or similar online websites, while others used PC Miler, a routing, mileage, and mapping software used by transportation professionals. In addition, when validating the mileage, we used online mileage websites[11] and determined the Postal Service's reported mileage in e5429 for all statistically sampled trip payments was different from our calculations by about 34,407 miles. The differences ranged from under reporting by 340 miles to over reporting by 332 miles. See Table 6 for examples of trip mileage differences.

Table 6. Examples of Trip Mileage Difference

One-Way Trip Origin and Destination	Reported Mileage	Online Website Mileage	Difference
Portland P&DC (OR) to Southern CA Surface Transportation Center (STC) (CA)	650	990	(340)
Michigan Metroplex (WI) to Fort Worth P&DC (TX)	1,205	1,244	(39)
Austin P&DC (TX) to Birmingham Annex (AL)	821	783	38
Seattle P&DC (WA) to Southern CA STC (CA)	1,362	1,174	188
Detroit P&DC (MI) to Grand Rapids P&DC (MI)	500	168	332

Source: OIG review of payment data for FY 2019 and FY 2020.

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10 When calculating and verifying mileage, if the mileage associated with the payment was within 10 miles of what the OIG calculated, it was considered consistent.
11 We used Google Maps and MapQuest for mileage validation and used the most conservative approach for our analysis.

These compliance weaknesses occurred because management did not review trip payment information to detect and correct errors and ensure required forms were complete, accurate, and uploaded into the eSCR system. They also did not oversee the recording and reconciliation of trip information in SV. In addition, the complexity of the rate structure AOs used to determine the state of origin, trip mileage, rate per trip, and rate per mile for selecting the cost segment resulted in input errors and incorrect payments under the e5429 payment process. Further, the Postal Service did not have policy or guidance to determine trip mileage for payment purposes.

> "We found opportunities exist for management to convert these trips to less expensive dedicated services."

During our audit, management implemented a simplified rate structure and provided training for administering "as needed" contracts that were established as of April 1, 2021. Additionally, a Letter of Accountability to the AOs was issued on December 15, 2020, addressing the need to reconcile exceptional service trips[12] against SV transportation records before submitting the request for payment approval. Therefore, we will not make a recommendation for reconciling trip information in SV. However, when trips are not recorded in SV, the Postal Service loses visibility of the mail, is unable to track trailer utilization, and may make decisions based on incomplete data which can negatively affect the network. As such, we estimated the Postal Service incurred about $162.3 million in unsupported questioned costs during FYs 2019 and 2020.

Recommendation #1

We recommend the **Vice President, Logistics,** develop and implement periodic reviews to ensure timely detection and correction of payment errors and verify that Postal Service Forms 5397, Contract Route Extra Trip Authorization, are complete, accurate, and included in the electronic Service Change Request system.

Recommendation #2

We recommend the **Vice President, Logistics,** in coordination with the **Vice President Transportation Strategy,** develop requirements for the Postal Service Form 5397, Contract Route Extra Trip Authorization, to be automated in the new Transportation Management System so that all trip information is complete and visible, including the automation of the trip mileage determination.

Recommendation #3

We recommend the **Vice President, Logistics,** develop a plan to monitor compliance with the requirements for recording "as needed" trips in the Surface Visibility system.

Finding #2: "As Needed" Trip Usage

We found opportunities exist for management to convert these trips to less expensive dedicated services. An "as needed" trip is an additional trip of service operated on an infrequent basis. We identified 234 trips recorded in SV that operated the same day each week, or over 20 times during March 2021. We also determined that 103 of these trips were highly utilized during January and February 2021. Specifically, a trip between Busse, IL, and Boston, MA, occurred daily whereas a trip between Bethpage, NY, and Fort Worth, TX, occurred every Saturday and Sunday (see Table 7). See Figure 4 for recurring trips by origin location.

Table 7. Examples of Frequently Used Trips

Trip Origin	Trip Destination	Trip Frequency
Busse Priority Hub, IL	Boston P&DC, MA	Daily
Southern Area STC, TX	Knoxville P&DC, TN	Tuesdays to Fridays
Akron P&DC, OH	Kansas City STC, KS	Tuesdays to Sundays
Austin Priority Annex, TX	West Valley P&DC, AZ	Wednesdays to Mondays
Bethpage P&DC, NY	Fort Worth P&DC, TX	Saturdays to Sundays

Source: OIG analysis of SV data.

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12 Exceptional service trips include extra trips.

Figure 4. Recurring Trips by Origin Location
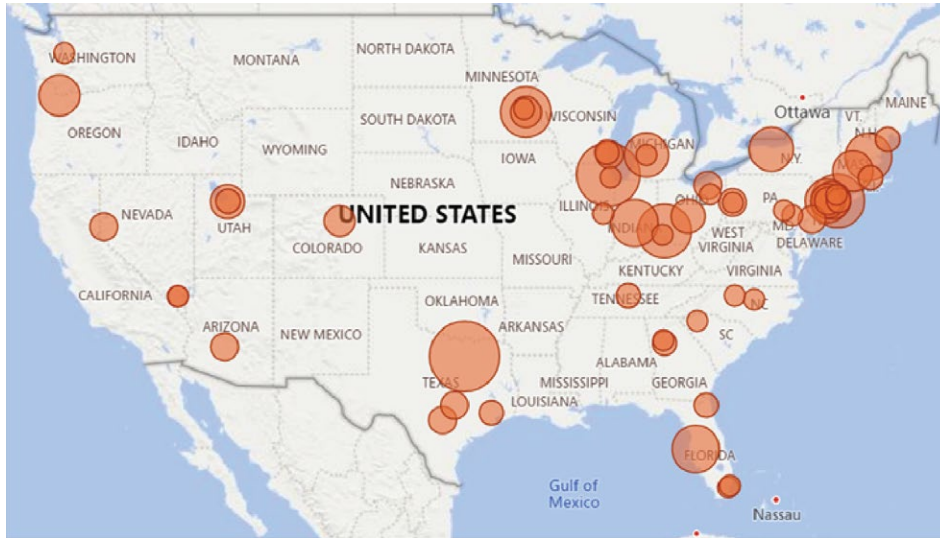
Source: OIG analysis of SV data.

While the Postal Service monitored trip usage, it did not have an established process for determining when to take action by evaluating the continuation of these highly utilized "as needed" trips and converting them to dedicated services as appropriate. Converting these trips would reduce the usage of the more expensive "as needed" services. Therefore, we estimated the Postal Service would save about $136.2 million in funds that could be put to better use during FYs 2022 and 2023.

Recommendation #4:
We recommend the **Vice President, Logistics,** establish a process to review and identify opportunities to convert highly utilized "as needed" trips to dedicated services.

Finding #3: Pay Type Determination for "As Needed" Trips

We identified that the Postal Service established improper pay types for "as needed" trips. "As needed" trips are paid via a PS Form 5397 at the rate per trip and/or[13] per mile rate and are paid at the end of each month via the e5429 payment process. However, we found 141 trips incorrectly categorized in TCSS as an annual pay type in error, resulting in incorrect supplier payments. We also identified that these errors occurred as far back as 1993. For example, we found one supplier was paid monthly based on the annual rate in addition to the trips manually entered and paid through the e5429 payment process since January 2015. We also found the Postal Service automatically paid the monthly amount based on the annual rate for all trips whether the suppliers operated these trips or not. See Figure 5 for the 141 trips and the number of years these payment errors persisted.

Figure 5. Number of Years for Pay Type Error
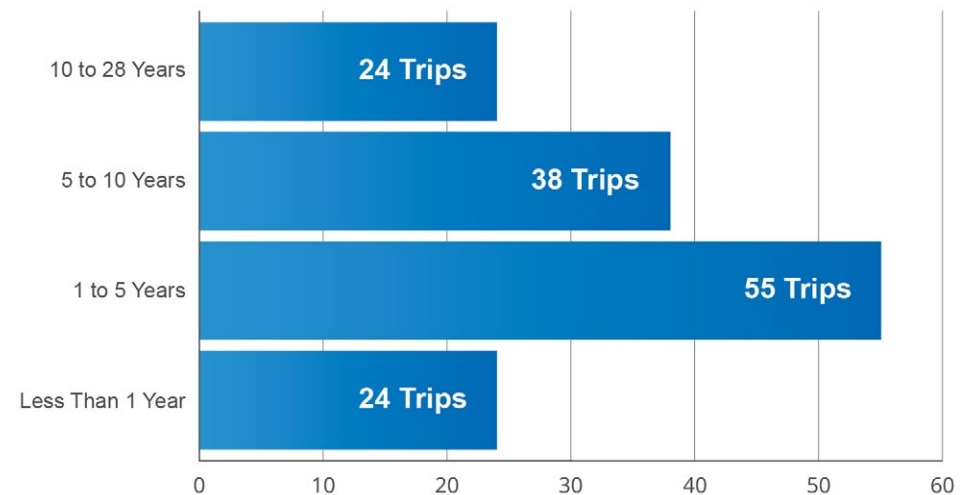
Source: OIG analysis of TCSS trip data.

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13 The national "as needed" routes established in December 2019, travel anywhere within the continental U.S and are paid a combination of per trip rate and rate per mile including the miles in excess of the minimum guaranteed mileage. The locally serviced "as needed" routes are either paid a per trip or per mile rate.

Postal Service management was not aware of the pay type errors until we notified them. Due to our audit work, management took corrective action for 129 trips as of May 2021 by updating the pay types and began the process of implementing a system check to avoid future errors. We estimated that for these trips the Postal Service incurred about $1.8 million in questioned costs in FYs 2019 and 2020.

Recommendation #5

We recommend the **Vice President, Logistics,** in coordination with the **Vice President, Transportation Strategy,** correct the remaining 12 pay type errors for "as needed" trips; detect and correct any errors that may have occurred for active contracts entered after October 1, 2020; and ensure the system check feature to avoid pay type errors in the Transportation Contract Support System is functioning, documented, and communicated to all users.

Recommendation #6

We recommend the **Vice President, Transportation Strategy,** in coordination with the **Vice President, Logistics,** identify the actual incorrect trip payments from the inception of the errors, initiate recovery, and maintain all supporting documentation either in the Transportation Contract Support System or the new Transportation Management System.

Management's Comments

In their official comments, management disagreed with recommendation 1, but agreed with it in subsequent correspondence. They also agreed with recommendations 2 through 5, partially agreed with recommendation 6, and disagreed with the monetary impact. See Appendix C for management's official comments in their entirety.

Overall, management agreed there are payment accuracy and timeliness issues they need to address and identified ongoing work they are conducting to resolve them. Specifically, management deployed Surface Transportation Automated Forms to assist with payment reconciliations, is working toward automating trip payments, and will be implementing a new system that will track supplier payments.

Regarding recommendation 1, management agreed to develop and issue standard work instructions along with implementing a periodic review process to detect and correct payment errors and will verify that PS Forms 5397 are complete, accurate, and included in the eSCR system. The target implementation date is August 31, 2021.

Regarding recommendation 2, management stated they will finalize requirements to be included in the rollout of the new Transportation Management System. The target implementation date is October 31, 2021.

Regarding recommendation 3, management stated they will reissue instructions for recording or adding trips in SV. The target implementation date is August 31, 2021.

Regarding recommendation 4, management stated they will continue working on converting COVID-19 lanes to temporary or regular contracts. The target implementation date is September 30, 2021.

Regarding recommendation 5, management stated the remaining pay type errors will be corrected with the system check feature implemented to identify future errors and will be resolved through service change requests. Additionally, management submitted a systems requirement change in May 2021 defining "As Needed" services with an operating frequency above "0" as a TCSS error, requiring further review and correction. The target implementation date is September 30, 2021.

Regarding recommendation 6, management stated they will continue to review and correct issues, including recovery of funds where possible; however, they do not agree to going back to correct all potential payment issues. Management initially did not provide a target implementation date but in subsequent correspondence provided an October 31, 2021, target implementation date.

Regarding questioned costs, management disagreed with our use of two years of data in the calculations because they believe it inflated the monetary impact and sensationalized the opportunity. In addition, management stated the questioned costs assumes that every transaction in the calculation was wrong when, in reality, the majority of the discrepancies were related to the AO not entering the

complete site name either on the PS Form 5397 or in the e5429 system. While management agreed this leaves the possibility for errors in total mileage, they added that it does not mean the entire cost of the trip was not justified.

Management also disagreed with the funds put to better use calculation and believes it assumes the Postal Service could foresee the COVID pandemic and should have placed the extra trips on regular transportation at the beginning of the pandemic. Management also stated they have initiated efforts to put these trips on temporary contracts, but, even with this action management does not believe it would save the amount the OIG is claiming. Finally, management stated that the savings for the two years of calculation include one future year that has not yet occurred.

Evaluation of Management's Comments

The OIG considers management's comments responsive to recommendations 1 through 5 and the corrective actions should resolve the issues identified in the report.

Regarding recommendation 6, management stated they did not agree to going back to correct all potential payment issues but provided no explanation or justification. As stated in the report, we found the Postal Service paid suppliers monthly based on the annual rate in addition to paying for the trips manually entered through the e5429 payment process. We also noted in the report we found errors for 141 trips, and 24 of these errors persisted for 10 to 28 years, back as far as 1993. Correcting the identified payment issues and initiating recovery of overpayments could assist the Postal Service in achieving financial sustainability and service excellence, as mentioned in the 10-Year Plan, *Delivering for America*. We view management's response to this portion of the recommendation as unresponsive and will pursue it through the formal audit resolution process.

Regarding monetary impact, the OIG reviewed trip and payment data for FYs 2019 and 2020 based on the statistical sampling methodology. We then projected the results of the noncompliant transactions to the universe to calculate unsupported questioned costs. The OIG considers questions costs to exist when there is missing or incomplete documentation, or failure to follow required procedures. Specifically, we consider these costs to be unsupported because we identified trips that did not comply with established processing and payment requirements including incomplete PS Forms 5397; trips not recorded in SV; and incorrectly paid invoices due to using incorrect cost segments, trip mileage, and rate errors. PS Form 5397 is used to initiate the trip with details such as time, date, mileage, trip justification, and the approving signature. Once the trip is completed, the designated AO is required to verify the accuracy and completeness of the form, reconcile trip information against SV records, and upload them into e5429 system for payment processing. Finally, management did not account for the lack of a proper internal control environment, which may provide opportunities for fraud, waste, and abuse to occur.

Regarding funds put to better use, generally this category applies to future events. They may be reported as a one-time impact or calculated as a cumulative impact for a multi-year period. We understand the Postal Service could not foresee the COVID pandemic, which is why we reviewed recurring trips for March 2021, about one year after the start of the pandemic. Additionally, the OIG estimated future savings for two years based on the difference between the average rate for "as needed" and dedicated trips multiplied by trip mileage and frequency. These are costs the Postal Service could avoid because of the audit, or potential dollars it could use more efficiently if management implements our recommendations.

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

Objective, Scope, and Methodology

Our scope was nationwide for active "as needed" HCRs as of October 1, 2020. We used payment data from FYs 2019 and 2020 and data from the SV system. To accomplish our objective, we:

- Interviewed headquarters Surface Transportation and Transportation Strategy staff about "as needed" routes.

- Obtained trip data in TCSS as of October 1, 2020 and identified "as needed" routes based on trip frequency.

- Obtained and analyzed payment data in TCSS for FYs 2019 and 2020 and determined the costs for the "as needed" routes.

- Selected a statistical sample of 198 transactions from a total of 17,027 invoice transactions for the "as needed" routes in FYs 2019 and 2020, using the OIG standard of a 95 percent confidence level.

  - Reviewed documents in the e5429 component of the eSCR system and determined if the payments were accurate and supported with PS Forms 5397.

  - Determined if the trips were recorded in SV.

- Obtained and analyzed all SV trip data for Quarter 2, FY 2021, and identified highly recurring "as needed" trips to determine if they should be converted to dedicated services.

- Reviewed the payment type for all "as needed" trips to determine if the trips were established with the correct payment method.

We conducted this performance audit from November 2020 through July 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 June 18, 2021 and included their comments where appropriate.

We assessed the data reliability of the Postal Service's TCSS, e5429 in eSCR, and SV systems by interviewing Postal Service officials, tracing to source systems and documentation, reviewing sample invoiced transactions associated with "as needed" trips. We also reviewed and recalculated the trip payment amounts. We determined the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

The OIG did not identify any prior audits or reviews related to the objective for "as needed" HCRs within the last five years.

Appendix B: Example of Postal Service Form 5397

U.S. Postal Service
Contract Route Extra Trip Authorization

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 22-25 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.	2. Contractor				3. Extra Trips Authorized (Check one) ☐ One Way (_____ miles) ☐ Round Trip (_____ miles)
4. Point of Origin (City and State)	5. Date & Time of Departure	6. Cont. or Pcs.	7. % Load	8. Trailer-Truck No.	
9. Destination (Outer terminal)	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

16. Destination (Outer terminal)	17. Date & Time of Departure	18. Cont. or Pcs.	19. % Load	20. Trailer-Truck No.
21. Point of Origin	22. Date & Time of Return	23. Cont. or Pcs.	24. % Load	25. Trailer-Truck No.
26. Name of Receiving Employee at Destination	27. Name of Dispatching Employee at Point of Destination (Return trip)		28. Name of Receiving Employee at Point of Origin (Return trip)	

29. Remarks

30. Authorized By (Title and Signature of Postal Supervisor) ▶

31. Driver's Signature ▶

PS Form 5397, February 1987

Administrative Official (City and State), _____

COPY 1

Appendix C: Management's Comments

UNITED STATES
POSTAL SERVICE

July 7, 2021

TO: Joe Wolski
Director, Audit Operations

SUBJECT: Draft Report – "As Needed" Highway Contract Routes
(Project Number 21-022-DRAFT)

Thank you for providing the United States Postal Service with an opportunity to review and comment on the subject draft audit report, "As Needed" Highway Contract Routes.

In general, management agrees with the recommendations, however we like to emphasize that the issues raised in this audit are not new and have work ongoing to resolve. Accuracy and timeliness of exception payments (extras and lates) has been a known issue. Ultimately to resolve this issue an automated payment system needs to be implemented to resolve the issues raised in this audit. However, implementing an automated system is not a short-term solution so management has been taking intermediate action to help with payment issues.

In the short term, management has deployed a tool to help aggregate all late and extra trips into one location for the Administrative Officials to utilize in reconciliation of payments. This system called Surface Transportation Automated Forms (STAF) replaces the need to keep a spreadsheet of the extra and late trips. The next progression of this tool is to then automate the payment of these trips using STAF as well. This solution is expected to be implemented in the January 2022 timeframe. The final solution is fully implementing the new Transportation Management System that will track all trips and will have logic to pay suppliers for the exception trips. This capability is expected to be fully deployed in Quarter 1 FY 23.

The first concern we have with the OIG findings is the practice of using two years of data in the calculations. The use of the practice in our opinion over inflates and sensationalizes the opportunity. The other problem with the questioned costs is that the calculation assumes that every transaction that was questioned was completely wrong. In reality, the majority of the discrepancies were related to the AO not entering the complete site name in either the 5397 or the e5429 system. For example, a trip going from the Chicago PDC going to the Indianapolis STC may have only had Indianapolis listed as the destination, leaving the end location ambiguous. While this certainly does leave the possibility for errors in total mileage it does not mean the entire cost of the trip was not justified. Given both of these issues we believe the questioned costs are significantly overstated.

- 2 -

Regarding funds put to better use, again we believe this calculation and assumptions are not based in reality. This calculation assumes that management had the capability of foreseeing the future extent of COVID and would have put the COVID extras on regular transportation at the very start of the pandemic. Once it was determined that the plus one day would be maintained, management has been working with Transportation Strategy to put these trips on temporary contracts. Even with these trips going on temporary contracts it does not completely save the amount the OIG is claiming. Finally, as with questioned costs above the OIG is using two years of calculation, one of the years being a future year that has not even occurred yet.

In closing, while we agree there are payment accuracy issues that need to be addressed, management has been aware of the issues and is already taking corrective steps.

OIG RECOMMENDATIONS:

Recommendation #1:
We recommend the **Vice President, Logistics**, develop and implement periodic reviews to ensure timely detection and correction of payment errors and verify that Postal Service Forms 5397, Contract Route Extra Trip Authorization, are complete, accurate, and included in the electronic Service Change Request system.

Management Response/Action Plan:
Disagree; Management request this recommendation either be removed or closed. It duplicates a recommendation that is currently in development and execution involving standard work instructions and training for another audit and will overlap this recommendation.

Responsible Official:
Vice President, Logistics

Target Implementation Date:
N/A

Recommendation #2:
We recommend the **Vice President, Logistics**, in coordination with the **Vice President Transportation Strategy**, develop requirements for the Postal Service Form 5397, Contract Route Extra Trip Authorization, to be automated in the new Transportation Management System so that all trip information is complete and visible, including the automation of the trip mileage determination.

Management Response/Action Plan:
Management agrees and will finalize requirements to be included in the rollout of the TMS system.

Responsible Official:
Senior Director, Surface Logistics

Target Implementation Date:
10/31/2021

Recommendation #3:
We recommend the **Vice President, Logistics**, develop a plan to monitor compliance with the requirements for recording "as needed" trips in the Surface Visibility system.

Management Response/Action Plan:
Management agrees and will reissue instructions for recording trips or adding trips in SV.

Responsible Official:
Senior Director, Surface Logistics

Target Implementation Date:
8/31/2021

Recommendation #4:
We recommend the **Vice President, Logistics**, establish a process to review and identify opportunities to convert highly utilized "as needed" trips to dedicated services.

Management Response/Action Plan:
Management agrees and will continue working with Transportation Strategy to convert COVID lanes to temporary or potentially regular contracts.

Responsible Official:
Senior Director, Surface Logistics

Target Implementation Date:
9/30/21

Recommendation #5:
We recommend the **Vice President, Transportation Strategy**, correct the remaining 12 pay type errors for "as needed" trips; detect and correct any errors that may have occurred for active contracts entered after October 1, 2020; and ensure the system check feature to avoid pay type errors in the Transportation Contract Support System is functioning, documented, and communicated to all users.

Management Response/Action Plan:
The recommendation for correcting the remaining 12 pay type errors and ensuring the system check feature identifies future errors is assigned to Vice President, Transportation Strategies and resolved through service change requests received from Logistics by September 30, 2021. Logistics submitted a requirement change to IT in May 2021 to the TCSS system managed by Transportation Strategies. The new system check defines "As Needed" service with an operating frequency above "0" as a TCSS error.

Responsible Official:
Manager Surface Transportation CMC

Target Implementation Date:
9/30/2021

Recommendation #6:
We recommend the **Vice President, Transportation Strategy,** in coordination with the **Vice President, Logistics,** identify the actual incorrect trip payments from the inception of the errors, initiate recovery, and maintain all supporting documentation either in the Transportation Contract Support System or the new Transportation Management System.

Management Response/Action Plan:
Conditional agreement; Management partially agrees with this recommendation. Management will continue to review and correct issues that are found going forward (to include recovering funds where possible). Management does not agree to go back in time to correct all potential issues in payments.

Responsible Official:
Senior Director, Surface Logistics

Target Implementation Date:
Recommend closure. Management already has a process to identify and recover payments from suppliers when they are overpaid.

Robert Cintron

Robert Cintron
Vice President, Logistics

E-SIGNED by PETER ROUTSOLIAS
on 2021-07-07 15:39:23 CDT

Peter Routsolias
Vice President, Transportation Strategy

OFFICE OF
INSPECTOR
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UNITED STATES POSTAL SERVICE

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