



Office of Inspector General | United States Postal Service

## Audit Report

# Trips Operating More Than Four Hours Late

Report Number 21-116-R22 | November 8, 2021



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# Highlights

## Objective

Our objective was to assess the effectiveness of the U.S. Postal Service's management of Highway Contract Routes (HCR) and Postal Vehicle Service (PVS) trips operating more than four hours late.

The 2020 *Annual Compliance Determination Report* defines Postal Service trips that arrive more than four hours late as critically late trips (CLT). The Postal Service uses HCRs to transport mail and other products between plants and other designated stops for distances generally over 50 miles. PVS trips are internally operated by the Postal Service and are generally within a 50-mile radius of Postal Service facilities.

Surface Visibility Web (SVweb) provides the Postal Service with real-time data and reporting on the movement and delays of HCR and PVS trucks. When the Postal Service causes a late HCR trip, the origin facility issues a late slip for the HCR driver to receive compensation for the delay. When the HCR driver is at fault and arrives at the destination facility late, an irregularity form is automatically created in the Surface Transportation Automated Forms (STAF) application. There are no late slips or irregularity forms created for late PVS trips.

An Administrative Official (AO) is required to address all irregularities by following the HCR corrective action process in STAF. If the delay is significant enough or delays on the route continue, the HCR supplier faces the loss of all or part of the HCR.

Our audit was conducted during a challenging period for the Postal Service, as the number of employees available to work was lower than usual and the number of packages mailed increased significantly during the COVID-19 pandemic. We visited or conducted phone interviews with management at 13 mail processing facilities and surface transfer centers in the four logistics regions from May 3 to June 3, 2021. We also reviewed late trip and CLT data in SVweb and STAF. We reviewed trip data from fiscal year (FY) 2018 through 2021 Quarter 2, excluding December 2020, due to the anomalies created with peak season package volume and COVID.

## Findings

The Postal Service has opportunities to improve its management oversight of CLTs by improving its processes for HCR CLTs (which are at risk of missing expected service commitments) and by ensuring the integrity of PVS data.

### Oversight of HCR Critically Late Trips

We determined there were about 19 million late HCR trips for the period reviewed, including about 478,000 (about 2.5 percent) CLTs. While the percentage of CLTs compared to all late trips is small, they can significantly impact service performance.

The Postal Service's management of these HCR CLTs could be more effective with increased oversight of HCR operations, AO irregularity duties, and day-to-day mail processing and dock operations.

The Postal Service determined the suppliers were at fault for about 294,000 (about 62 percent) of the CLTs and issued supplier irregularities, while 76,000 (about 16 percent) HCR CLTs occurred due to events such as inclement weather that were outside of both parties' control. While the Postal Service took some actions to address CLTs deemed to be the fault of the supplier, those actions were less effective because:

- The management instruction detailing the HCR corrective action process for late trip irregularities is vague about when AOs should pursue an HCR supplier for unsatisfactory service. Additionally, the management instruction does not address how often AOs should address irregularities, resulting in inconsistent management of late trips across the country.
- There is limited oversight of AOs to ensure they addressed all HCR late trip irregularities in STAF, including CLTs. For example, between June 19 and July 19, 2021, about 496,000 HCR late trip irregularities were created. As of July 19, 2021, about 142,000 (or about 29 percent) had not been addressed by an AO.
- The Postal Service uses the same process for reviewing late trips and CLTs. Specifically, Postal Service management does not prioritize CLTs

over less severe late trips, even though CLTs have a greater impact on the Postal Service's reliability and on-time delivery. When CLTs are not prioritized, they may go unnoticed because they are commingled with the irregularities of all late trips in STAF.

- Postal Service management stated that they are limited as to what action they can take when an HCR supplier arrives late. Specifically, there is no language in HCR contracts allowing the Postal Service to assess liquidated damages for irregularities; therefore, there is limited incentive for contractors to be on time.

In addition, the Postal Service was at fault for about 108,000 (about 22 percent) HCR CLTs for the period reviewed due to dock and processing issues. When the Postal Service causes delays, it may have to compensate the HCR supplier. As a result, the Postal Service was at risk of having to pay suppliers over \$4 million annually in compensation for delays.

CLTs can significantly impact service performance because the longer delays can cause mail to miss critical processing windows, as facility processing and transportation schedules need to be aligned. Improving management oversight should reduce HCR CLTs and support the Postal Service's transportation initiatives to improve service performance.

### **PVS Data Integrity**

We determined there were about 10.6 million late PVS trips reported in the system for the period reviewed, including about 159,000 (about 1.5 percent) CLTs. The Postal Service should have limited CLTs resulting from its PVS operations. Postal Service employees confirmed that CLTs from PVS operations rarely occur and that trip data in SVweb can incorrectly cause trips to appear to be critically late. Postal Service management has been addressing the issue by improving the data within SVweb. These efforts are reflected in the data which

shows that PVS CLTs have decreased year over year from FY 2018 to FY 2020. However, the PVS CLT issue still exists. In the second quarter of FY 2021, Postal Service data showed about 10,000 PVS CLTs. Using inaccurate data to support management decisions puts the Postal Service at risk of making operational decisions that are incorrect and can affect facility driver complement levels.

### **Recommendations**

We recommended management:

- Update the management instruction for the HCR corrective action process to define when and how often AOs should pursue a supplier for unsatisfactory service in the STAF application, emphasizing critically late trips.
- Develop procedures to monitor the AO's duties and assign management oversight of AOs to a responsible official, specifically related to addressing irregularities in the STAF application.
- Consider prioritizing critically late trips and requiring critically late trip irregularities to be pursued with suppliers in the STAF application.
- Consider updating contracts to allow for the assessment of liquidated damages to HCR suppliers for critically late trips.
- Verify that HCR trips that are routinely critically late are aligned with Postal Service operations and adjust the schedules as needed.
- Develop procedures to routinely verify the accuracy of Postal Vehicle Service trip data in SVweb for trips that are critically late and correct any data integrity issues.

# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

November 8, 2021

**MEMORANDUM FOR:** ROBERT CINTRON  
VICE PRESIDENT, LOGISTICS

PETER ROUTSOLIAS  
VICE PRESIDENT, TRANSPORTATION STRATEGY

MICHAEL L. BARBER  
VICE PRESIDENT, PROCESSING AND MAINTENANCE  
OPERATIONS

A handwritten signature in black ink that reads "Todd J. Watson".

**FROM:** Todd J. Watson  
Acting Deputy Assistant Inspector General  
for Mission Operations

**SUBJECT:** Audit Report – Trips Operating More Than Four Hours Late  
(Report Number 21-116-R22)

This report presents the results of our audit of Trips Operating More Than Four Hours Late.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Dinesh Gosai, Acting 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 Trips Operating More Than Four Hours Late (Project Number 21-116). Our objective was to assess the effectiveness of the U.S. Postal Service's management of Highway Contract Routes (HCR)<sup>1</sup> and Postal Vehicle Service (PVS)<sup>2</sup> trips operating more than four hours late. See [Appendix A](#) for additional information about this audit.

## Background

The 2020 *Annual Compliance Determination Report* defines Postal Service trips that arrive more than four hours late as critically late trips (CLT). For the Postal Service to adhere to transportation schedules, the mail must be placed on the dock in a timely manner for loading onto trucks to support on-time departures. This requires mail processing, transportation, and delivery schedules to align. The Postal Service uses HCRs to transport mail and other products between plants and other designated stops for distances generally over 50 miles. PVS trips are internally operated by the Postal Service and are generally within a 50-mile radius of Postal Service facilities.

Surface Visibility Web (SVweb) provides the Postal Service with real-time data and reporting on the movement and delays of HCR and PVS trucks. Expeditors use handheld scanners to scan trailer barcodes, which record trip arrival and departure times. When trucks are late, expeditors select a delay reason code in the scanner (either a Postal Service or supplier delay reason) to provide visibility in SVweb as to why a trip was late. When the Postal Service causes a late HCR trip, the origin facility issues a late slip for the HCR driver to receive compensation for the delay. When the HCR driver is at fault for arriving at the destination facility late, an irregularity form is automatically created in the Surface Transportation Automated Forms (STAF) application once the trailer is scanned. There are no late slips or irregularity forms created for late PVS trips as they are internal Postal Service operations.

An Administrative Official (AO) is designated by Postal Service management and is responsible for monitoring the performance of mail transportation and related services by suppliers. AOs are required to address all irregularities by following the HCR corrective action process in STAF. If the delay is significant enough, or delays on the route continue, the HCR supplier faces the loss of all or part of the HCR.

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***“AOs are required to address all irregularities by following the HCR corrective action process in STAF.”***

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According to the 2019 *Annual Compliance Determination Report*, the Postal Regulatory Commission (PRC) identified that CLTs increased from fiscal year (FY) 2018 to FY 2019. The Postal Service attributed this solely to “increased scanning performance,” which allowed the Postal Service to capture more trip data such as increased CLTs that would have been missed with less scanning. Additionally, the 2020 *Annual Compliance Determination Report* states the Postal Service remains unable to quantify the impact of CLTs on service performance results. The Postal Service reported that it does not have the metrics to isolate delays specific to moving mail between processing facilities. The Postal Service also reported that it has been working with its suppliers to emphasize on-time arrival, loading, and departures to meet service commitments. The PRC recommended the Postal Service identify best practices at facilities with less CLTs and apply them to other facilities. Further, they encouraged the Postal Service to monitor and ensure employees adhere to the established processes of taking progressive corrective actions against underperforming suppliers and document the actions.

Our audit was conducted during a challenging period for the Postal Service, as the number of employees available to work was lower than usual and the number of packages mailed increased significantly during the COVID-19 pandemic. We

<sup>1</sup> A route of travel served by a contractor to carry mail in bulk over highways between designated points. HCRs generally do not deliver mail to individual customer addresses along the line of travel. HCRs make up the largest single group of transportation services used by the Postal Service.

<sup>2</sup> A service operated by Postal Service employees to transport mail between mail processing facilities, post offices, post office branches, post office stations, detached mail units, various postal customers, and terminals. The PVS fleet includes cargo vans, tractors, and trailers.

visited or conducted phone interviews with management at 13 mail processing facilities and surface transfer centers (STC) in the four logistics regions from May 3 to June 3, 2021. We also reviewed late trip and CLT data in SVweb and STAF.

We determined CLTs increased by over 7,000 nationwide (about 4 percent) from FY 2018 to FY 2019 but decreased by over 56,000 (about 28 percent)<sup>3</sup> from FY 2019 to FY 2020 (see Table 1).

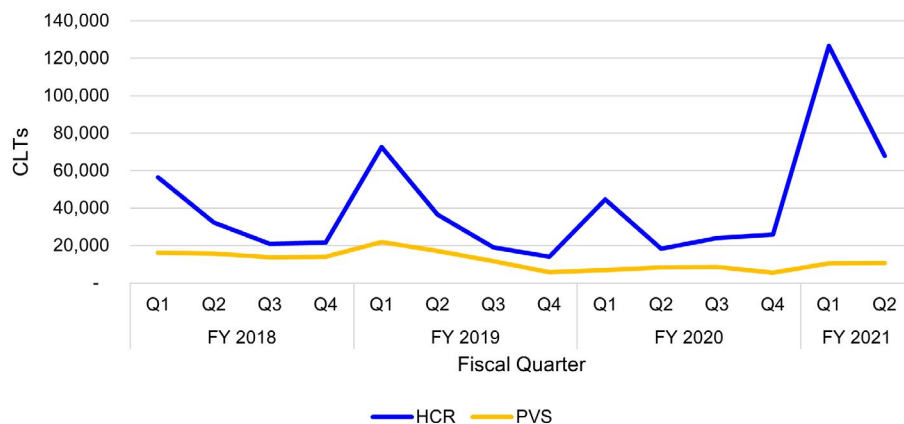
**Table 1. Number of Critically Late Trips by FY**

| Trip Type          | FY 2018        | FY 2019        | FY 2020        | Difference FY 18-19 | % Change FY 18-19 | Difference FY 19-20 | % Change FY 19-20 |
|--------------------|----------------|----------------|----------------|---------------------|-------------------|---------------------|-------------------|
| HCR                | 131,387        | 142,167        | 112,811        | 10,780              | 8.20%             | -29,356             | -20.65%           |
| PVS                | 59,765         | 56,273         | 29,223         | -3,492              | -5.84%            | -27,050             | -48.07%           |
| <b>Grand Total</b> | <b>191,152</b> | <b>198,440</b> | <b>142,034</b> | <b>7,288</b>        | <b>3.81%</b>      | <b>-56,406</b>      | <b>-28.42%</b>    |

Source: SVweb and Enterprise Data Warehouse (EDW).

We also trended quarterly data for FY 2018 through FY 2021, Quarter (Q)2. We determined CLTs significantly increase during peak season each year (see Figure 1).

**Figure 1. Quarterly Trend of Critically Late Trips**



Source: SVweb and EDW.

## Findings Summary

The surface transportation network ran about 119 million HCR and PVS trips for the period reviewed (FY 2018 through FY 2021, Q2, excluding December 2020).<sup>4</sup> Of those trips, over 29 million (about 24 percent of all trips) were late, including about 637,000 CLTs (about 2.2 percent of all late trips). While the percentage of CLTs compared to all late trips is small, they can significantly impact service performance. The Postal Service has opportunities to improve its management oversight of CLTs by improving its processes for HCR CLTs, which are at risk of missing expected service commitments, and by ensuring the integrity of PVS data.

### Finding #1: Oversight of Highway Contract Route Critically Late Trips

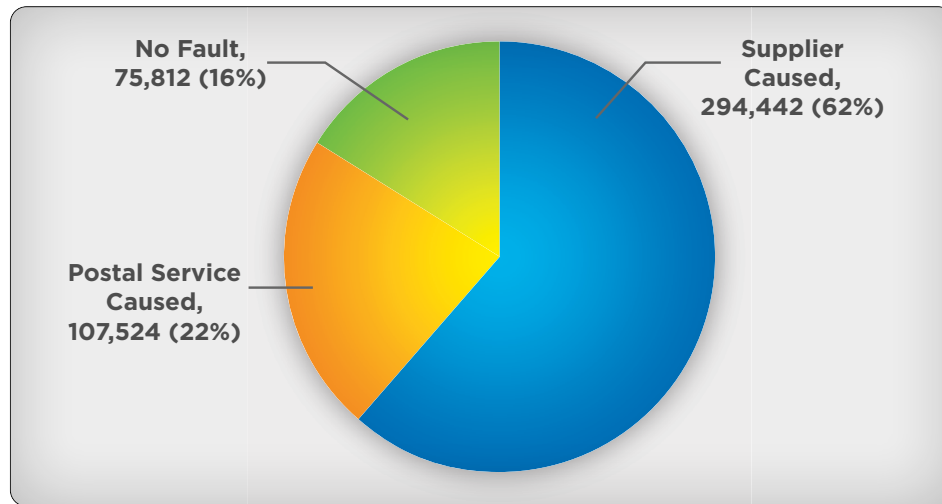
We determined there were about 19 million late HCR trips for the period reviewed, including about 478,000 (2.5 percent) CLTs. The Postal Service determined the supplier was at fault for about 294,000 (62 percent) of the CLTs, the Postal Service was at fault for about 108,000 (22 percent) of the CLTs, and

<sup>3</sup> Postal Service management stated this decrease was partially due to extra transportation being used to move the mail because of ongoing elections, which rely on the Postal Service for transporting absentee ballots. Additionally, the Postal Service emphasized on-time trip departures, resulting in a reduced number of late trips.

<sup>4</sup> December 2020 had nearly 110,000 CLTs, or about 77 percent of all CLTs in FY 2020. This was caused by increased mail volume during peak season coupled with a nationwide driver shortage partially due to the COVID-19 pandemic. Therefore, we removed December 2020 data from our findings because it was not representative of normal operations.

the nearly 76,000 (16 percent) remaining CLTs were due to events such as inclement weather that were outside of both parties' control (see Figure 2).

**Figure 2: Count and Percentage of HCR CLTs by Party at Fault**



Source: SVweb and EDW.

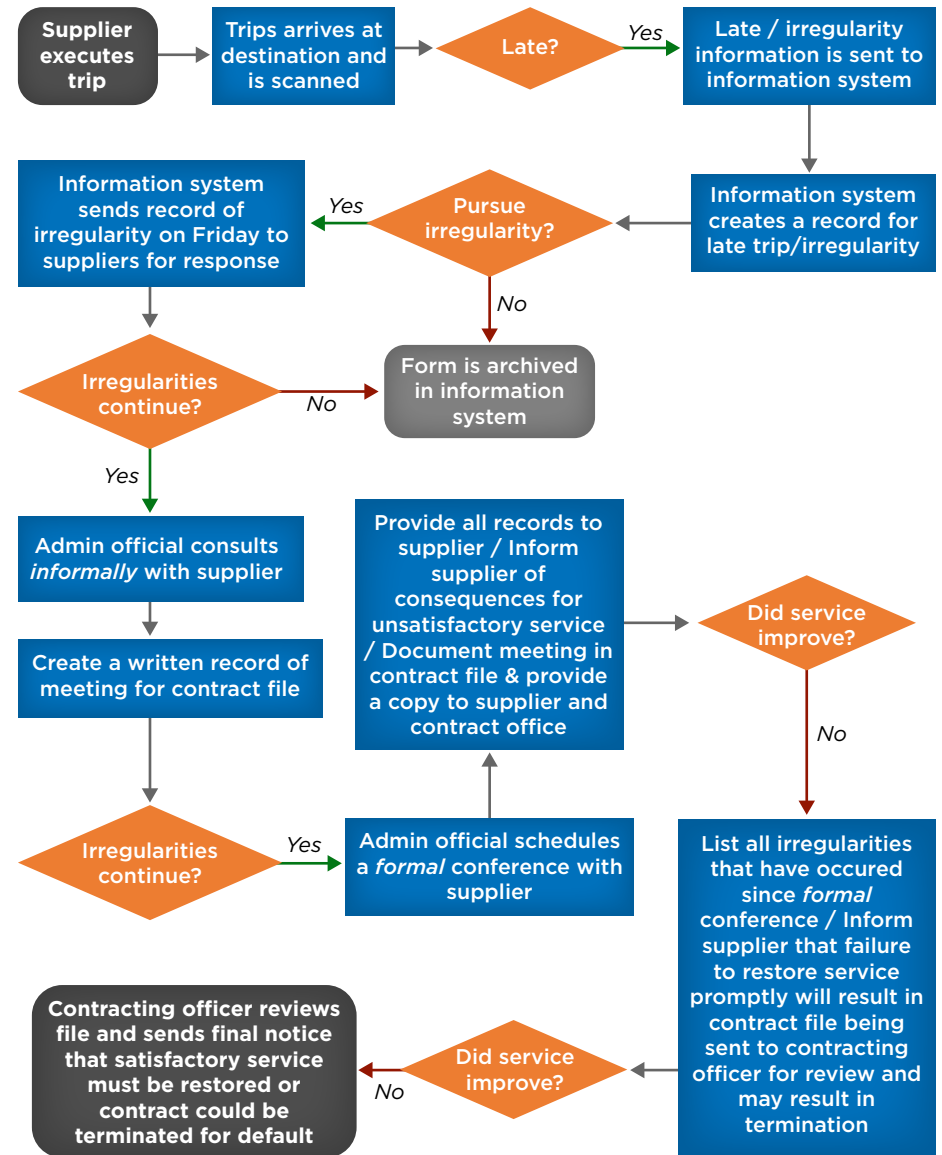
The Postal Service's management of these trips could be more effective with increased oversight of HCR operations, AO irregularity duties, and day-to-day mail processing and dock operations.

***“Management of these trips could be more effective with increased oversight of HCR operations, AO irregularity duties, and day-to-day mail processing and dock operations.”***

**Supplier-Caused Irregularities**

The Postal Service uses an HCR corrective action process to hold suppliers accountable for unsatisfactory service (see Figure 3).

**Figure 3: HCR Corrective Action Process**



Source: 5500 Processing in STAF guidance published August 10, 2020, and Admin Contractor Performance Standard Operating Procedure.



While the Postal Service took some actions to address CLTs deemed to be the fault of the supplier, we determined there were four primary areas where the Postal Service could improve its oversight to reduce supplier-caused CLTs. These included updating the management instruction detailing when and how often AOs should pursue irregularities outlined by the HCR corrective action process, increasing oversight of AO responsibilities to address HCR late trip irregularities, prioritizing CLTs over other late trips, and updating contracts to allow for assessment of liquidated damages caused by suppliers.

### **Management Instruction for Late Trip Irregularities**

The management instruction detailing the HCR corrective action process when addressing late trip irregularities is vague about when AOs should pursue HCR suppliers for unsatisfactory service. Specifically, the process states that the AO determines whether to pursue the irregularity with the supplier or to archive the irregularity. However, it is up to each AO to determine when it is appropriate to pursue an irregularity. The AOs at the facilities we visited gave various answers when asked about when they consider a supplier to be underperforming. For example, the AO at the Atlanta NDC considers a supplier as underperforming after three or more irregularities. However, the AO at the Chicago STC considers a supplier as underperforming if they arrive late one time. Additionally, the management instruction does not specify a timeframe for how often AOs should address irregularities. Finally, the Postal Service sent out its *FY21 ServiceNow STAF Release Notes* in August 2021, which states that AOs “should only be reviewing and sending out [irregularity] forms for the past 60 days to suppliers.” Therefore, any outstanding irregularity over 60 days old and not promptly addressed missed an opportunity for review. The lack of consistent guidance

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*“The management instruction detailing the HCR corrective action process when addressing late trip irregularities is vague about when AOs should pursue HCR suppliers for unsatisfactory service.”*

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on how often to review supplier irregularities in STAF causes inconsistent management of late trips across the country.

### **Oversight of AO Responsibilities**

There was limited oversight of AOs to ensure they addressed all HCR late trip irregularities in STAF. For example, between June 19 and July 19, 2021, about 496,000 late trip irregularities were created. As of July 19, 2021, about 142,000 irregularities (29 percent) had not been addressed by an AO. When the audit team visited the San Francisco Processing and Distribution Center (P&DC) in May 2021, there were over 5,000 irregularities waiting to be addressed by the AO. Additionally, five other facilities we visited were using paper copies of irregularities rather than the STAF system. Finally, the Postal Service sent out its *FY21 ServiceNow STAF Release Notes* in August 2021 stating that all irregularity forms created before May 1, 2021, would be archived in the STAF application. Therefore, any outstanding irregularities prior to May 1, 2021, have the potential of not being reviewed. Suppliers are not held accountable for unsatisfactory service when irregularities are not addressed.

### **Prioritization of Critically Late Trips**

The Postal Service uses the same process for reviewing late trips and CLTs. Postal Service management does not prioritize CLTs over less severe late trips, even though CLTs have a greater impact on the Postal Service’s reliability and on-time delivery. The STAF system separates late trip irregularities from other types of irregularities such as omitted service, but it does not separate irregularities created from CLTs from less severe late trip irregularities. Further, there is no additional guidance for AOs on how to address CLT irregularities. When CLTs are not prioritized, they may go unnoticed and

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*“Postal Service management does not prioritize CLTs over less severe late trips, even though CLTs have a greater impact on the Postal Service’s reliability and on-time delivery.”*

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unaddressed because they are commingled with the irregularities of all late trips documented in STAF.

### **Assessing Liquidated Damages for Late Trip Irregularities**

The Postal Service can collect compensation for omitted services by a supplier; however, management stated there is no language in HCR contracts allowing the Postal Service to assess liquidated damages for late trip irregularities. Postal Service management further stated that they are limited as to what action they can take when an HCR supplier arrives late. CLTs can create additional costs for the Postal Service and impact its reliability and on-time delivery. Additionally, suppliers are entitled to compensation when the Postal Service causes delays. When the Postal Service does not have the ability to assess liquidated damages for CLTs, there is limited incentive for contractors to be on time and suppliers may continue to be at fault for CLTs without being held accountable.

### **Postal Service Caused Irregularities**

The Postal Service was at fault for about 108,000 (or 22 percent) of the HCR CLTs for the period reviewed. According to Postal Service SVweb scan data, these trips were late predominately due to dock and mail processing issues. When the Postal Service causes delays, the supplier is entitled to compensation. As a result, we determined the Postal Service was at risk of paying suppliers about \$8.1 million due to CLTs from March 2019 to March 2021, excluding December 2020.<sup>5</sup> Additionally, we estimated the Postal Service is at risk of paying suppliers almost \$8.4 million from April 2021 to March 2023 if operations remain unchanged.

CLTs can significantly impact service performance because the delays can cause mail to miss critical processing windows, as facility processing and transportation schedules need to be aligned. Improving management oversight should reduce HCR CLTs and support the Postal Service's transportation initiatives to improve service performance.

### **Recommendation #1**

We recommend the **Vice President, Logistics**, in coordination with the **Vice President, Transportation Strategy**, update the management instruction for the Highway Contract Route corrective action process to define when and how often Administrative Officials should pursue a supplier for unsatisfactory service in the Surface Transportation Automated Forms application, emphasizing critically late trips.

### **Recommendation #2**

We recommend the **Vice President, Logistics**, develop procedures to monitor the Administrative Official's duties and assign management oversight of Administrative Officials to a responsible official, specifically related to addressing irregularities in the Surface Transportation Automated Forms application.

### **Recommendation #3**

We recommend the **Vice President, Logistics**, consider prioritizing critically late trips and requiring critically late trip irregularities to be pursued with suppliers in the Surface Transportation Automated Forms application.

### **Recommendation #4**

We recommend the **Vice President, Transportation Strategy**, consider updating contracts to allow for the assessment of liquidated damages to Highway Contract Route suppliers for critically late trips.

### **Recommendation #5**

We recommend the **Vice President, Logistics**, in coordination with the **Vice President, Processing & Maintenance Operations**, verify that Highway Contract Route trips that are routinely critically late are aligned with Postal Service operations and adjust the schedules as needed.

## **Finding #2: Postal Vehicle Service Data Integrity**

We determined there were about 10.6 million late PVS trips reported in the system for the period reviewed, including about 159,000 CLTs. The Postal Service should have limited CLTs resulting from PVS operations as these trips generally travel within a 50-mile radius of Postal Service facilities. Postal Service

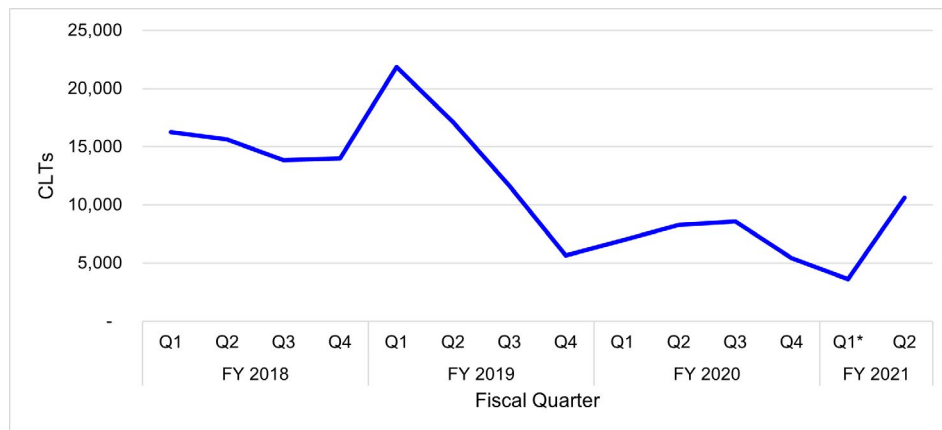
<sup>5</sup> We determined these figures using data from the Transportation Contracting Support System (TCSS), SVweb, and EDW.

employees confirmed PVS CLTs were infrequent; however, trip data could be input in SVweb incorrectly, causing trips to appear to be critically late. For example, Postal Service management stated there are often various PVS trips scheduled that need not run and are, therefore, cancelled. The problem occurs when employees accidentally enter departure and arrival data under a cancelled trip instead of the trip that actually ran. This results in the system reopening the cancelled trip and causing it to appear as critically late.

*“Postal Service employees confirmed PVS CLTs were infrequent; however, trip data could be input in SVweb incorrectly, causing trips to appear to be critically late.”*

Postal Service management stated that they have been addressing the issue by working with facilities to schedule only trips that are needed. This can be seen in SVweb data, which shows that PVS CLTs have decreased year over year from FY 2018 to FY 2020 (see Figure 4). However, the PVS CLTs are still an issue. In FY 2021, Q2, Postal Service data shows that about 10,000 PVS trips were critically late.

**Figure 4: PVS CLTs**



Source: SVweb and EDW. \*Excludes data from December 2020 because it was not representative of normal operations.

Using inaccurate data to support management decisions puts the Postal Service at risk of making operational decisions that are incorrect and can affect facility driver complement levels.

**Recommendation #6**

We recommend the **Vice President, Logistics**, develop procedures to routinely verify the accuracy of Postal Vehicle Service trip data in Surface Visibility Web for trips that are critically late and correct any data integrity issues.

**Management’s Comments**

Management agreed with recommendations 2 and 4, partially agreed with recommendation 6, and disagreed with recommendations 1, 3, and 5. Further, management disagreed with the calculations we used to determine the monetary impact. See [Appendix B](#) for management’s comments in their entirety.

Management stated that they had concerns with prioritizing critically late trips over the less severe late trips because they encounter situations where trips that are less than 4 hours late also significantly impact operations and service must be addressed. Additionally, management stated that their recent organizational restructure will enhance management’s oversight of HCR operations, while continuing to update their systems, applications, and policies in referencing the alignment of their new organizational restructure.

Regarding monetary impact, management stated that when they filtered their Surface Transportation dashboard in their Informed Visibility system to show critically late trips that were Postal Service failures, it indicated a total of 13,000 trips versus the more than 38,000 trips identified by the audit team.

Regarding recommendation 1, management disagreed, citing their concerns with emphasizing critically late trips over other late trips. Management also stated that they will reissue the management oversight directive for AO duties regarding the five-step process for handling HCR unsatisfactory performance. The target implementation date is January 31, 2022.

Regarding recommendation 2, management agreed and will update the management instruction to align recent organizational changes identifying management personnel to provide oversight of AOs. They will also reissue the management oversight directive and the annual AO accountability certification. The target implementation date is January 31, 2022.

Regarding recommendation 3, management disagreed, stating that “late is late” and the STAF application already has the ability to address critically late trips. Therefore, management did not provide a target implementation date.

Regarding recommendation 4, management agreed, stating that they will consider updating HCR contracts to allow for the assessment of liquidated damages for critically late trips. Management further stated that actual damages can be assessed for the late delivery of mail under the current contracts but they will consider whether a liquidated damages clause would be feasible in surface transportation contracts. Management will also consider whether they can determine a reasonable estimate of damages and how they could implement a clause in consideration of their contract irregularity process. The target implementation date is June 30, 2022.

Regarding recommendation 5, management disagreed, stating that they analyze critically late trips during their routine daily service analysis. Management also stated that they schedule trips according to Postal Operations’ operating plans and make adjustments when they identify major changes in the facility operating plans. Therefore, management did not provide a target implementation date.

Regarding recommendation 6, management partially agreed, stating that they will review the source data for data integrity issues and correct PVS critically late trips. Management also stated that they conduct zero-base reviews annually from January to September and use them to verify the accuracy of PVS trips data in SVweb. The target implementation date is January 31, 2022.

## Evaluation of Management’s Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management’s comments responsive to recommendations 2, 4, and 6 as the

corrective actions should resolve the issues identified in the report. We consider management’s comments nonresponsive to recommendations 1, 3, and 5.

Regarding management’s concern about prioritizing critically late trips, we are aware that trips less than four hours late can impact postal operations. However, as stated in our report, a single critically late trip has a greater impact on the Postal Service’s reliability and on-time delivery than a single occurrence of a less severe late trip. Therefore, critically late trips require prioritization over less severe late trips.

Regarding the disagreement with the monetary impact calculation, we obtained the number of critically late trips from SVweb, which is the source data fed into Informed Visibility. Additionally, management did not provide any documentation or analysis about how they determined their critically late trip figure, and we were unable to determine the reasons for the differences.

Regarding recommendation 1, while we acknowledge that management will reissue the oversight directive for AO duties, management, however, did not address the issue of updating current policy to define when to pursue a supplier for unsatisfactory service and how often it should be addressed by the AO. Therefore, we view management’s alternate plan of action for recommendation 1 as unresponsive and will work with management through the audit resolution process.

Regarding recommendation 3, management stated that “late is late” and that the STAF application already has the ability to address critically late trips. As stated above, it is important for the Postal Service to prioritize critically late trips when addressing late trips in the STAF application given their impact on operations. Additionally, while the ability to address critically late trips in the STAF application exists, there is no requirement for management to pursue each critically late trip. We view management’s alternate plan of action for recommendation 3 as unresponsive and will pursue this through the formal audit resolution process.

Regarding recommendation 5, management did not address the issue of identifying whether critically late trips are routinely occurring and how they verify whether they are aligned with Postal Service operations. Management stated that they schedule trips in accordance with the operating plans and make necessary

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adjustments when major changes are announced or identified in an operating plan. However, critically late trips that are happening routinely may need to be addressed independently to determine the root cause and whether they are aligned with operations. We view the disagreement on recommendation 5 as unresolved and will work with management through the audit resolution process.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. The 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

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# Appendix A: Additional Information

## Scope and Methodology

The scope of this audit was a nationwide review of HCR and PVS trips operating more than four hours late for FYs 2018, 2019, 2020, and 2021 through Q2. We analyzed inbound and outbound trips, late trips, and CLTs in which we identified the late reason codes for both HCR and PVS operations. We interviewed Postal Service headquarters management regarding oversight of CLTs.

To accomplish our objective and determine the causes of CLTs, we:

- Reviewed AO duties and the corrective action process for managing HCR suppliers.
- Determined the national total scan percentage and whether the rise in CLTs from FY 2018 to FY 2019 was due to increased scanning performance.
- Determined if and how the Postal Service gave HCR suppliers corrective action for late trips.
- Reviewed the local transportation department's process for addressing PS Form 5500, Contract Route Irregularity Reports, and steps to address supplier performance.
- Analyzed irregularity data in STAF.

Finally, we conducted fieldwork at seven P&DCs, three Network Distribution Centers (NDC) and three STCs by interviewing facility management and observing transportation operations (see Table 2).

**Table 2. Site Visits**

| Location/Facility | P&DC     | NDC      | STC      |
|-------------------|----------|----------|----------|
| Altoona, PA       | X        |          |          |
| Atlanta, GA       | X        | X        | X        |
| Chicago, IL       | X        |          | X        |
| Detroit, MI       | X        | X        |          |
| Mid-Hudson, NY    | X        |          |          |
| San Francisco, CA | X        | X        | X        |
| Oakland, CA       | X        |          |          |
| <b>Total</b>      | <b>7</b> | <b>3</b> | <b>3</b> |

We performed site observations at 11 facilities and conducted phone interviews with management at an additional two facilities from May 3 to June 3, 2021. Our review included facilities from all four logistics regions. We chose these facilities by stratifying the trip data into three groups based on the average number of weekly trips performed at each facility to ensure facilities of all sizes were considered. To conduct our fieldwork, we chose the facility with the highest number of CLTs from each group. Additionally, we interviewed management at the facility with the lowest number of CLTs from two of the three groups to gain insight into best practices.

To determine which party was at fault for HCR CLTs (Postal Service, supplier, or neither party) we analyzed the late reason codes associated with each trip and separated them into fault categories (see Table 3). We then attributed fault to a party for each HCR CLT based on its associated late reason code.

**Table 3. Late Reason Codes**

| Postal Service Fault         | Supplier Fault     | No Fault                 |
|------------------------------|--------------------|--------------------------|
| Dock Personnel Issues        | Contractor Failure | Traffic/Construction     |
| Late Inbound with 5466       | Mechanical Failure | Road Construction/Detour |
| Late Outbound with 5466      | Equipment Failure  | Inclement Weather        |
| Mail Not On Dock             |                    | Load After Depart        |
| Mail Processing              |                    | Vehicle Accident         |
| Dock Congestion              |                    | THS/UPS/FedEx Delay      |
| Trip Cancelled               |                    | Mailer/Customer Delay    |
| Late Processing              |                    |                          |
| Dock Operations              |                    |                          |
| Station/Customer Service OPS |                    |                          |

Source: SVweb.

### Prior Audit Coverage

| Report Title  | Objective  | Report Number | Final Report Date | Monetary Impact |
|---|--|---------------|-------------------|-----------------|
| <i>Late and Extra Trips at the Richmond, VA, Processing and Distribution Center</i>     | Assess the causes of late and extra trips from the Richmond P&DC to delivery units.    | 21-029-R21    | 1/11/2021         | None            |
| <i>Late and Extra Trips at the Los Angeles, CA, Processing and Distribution Center</i>  | Assess the causes of late and extra trips from the Los Angeles P&DC to delivery units. | 21-028-R21    | 1/11/2021         | None            |
| <i>Late and Extra Trips at the Philadelphia, PA, Processing and Distribution Center</i> | Assess the causes of late and extra trips at the Philadelphia P&DC.                    | 20-164-R20    | 5/13/2020         | None            |

We conducted this performance audit from April through November 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 September 24, 2021, and included their comments where appropriate.

We assessed the reliability of the EDW, SVweb, TCSS, and STAF data by interviewing agency officials knowledgeable about the data and reviewing related documentation. We determined that the data were sufficiently reliable for the purposes of this report.



# Appendix B: Management's Comments



October 28, 2021

JOSEPH WOLSKI  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Management Response: Trips Operating More than Four Hours Late (Report Number 21-116-DRAFT)

Thank you for providing the Postal Service with an opportunity to review and comment on the recommendations outlined in the draft audit report.

Management has concerns with prioritizing critically late trips over what you have identified as less severe late trips. As your report points out critically late is defined as greater than 4 hours late. However, we encounter situations with trips that are "less than" 4 hours and also have a significant impact to downstream operations and service. They are all trips that are not in compliance to their contracted schedule and must be addressed as such.

The recent organizational restructure will enhance management's oversight in HCR operations. The Administrative Official are in direct alignment with Logistics Operations. We still continue to update our systems, applications, and policy manuals to reference the alignment of our new organizational restructure.

Management disagrees with the number of Critically Late Trips in the Monetary Impact. Pulling the same periods from the IV – Surface Transportation Dashboard, filtering on Postal Failures and Critically Late Trips, the data shows a total of just under 13.0k versus the data provided in the Monetary Impact of 38.2k Critically Late Trips.

**Recommendation [1]:**

We recommend the **Vice President, Logistics**, in coordination with the **Vice President, Transportation Strategy**, update the management instruction for the Highway contract Route corrective action process to define when and how often Administrative Officials should pursue a supplier for unsatisfactory service in the Surface Transportation Automated Forms application, emphasizing critically late trips.

**Management Response/Action Plan:**

Management does not agree to emphasize critically late trips over other late trips. However, management will reissue instructions for AO duties and responsibilities regarding the five-step process for HCR unsatisfactory performance.

**Target Implementation Date:**

01/31/2022

**Responsible Official:**

Sr. Director Surface Logistics

**Recommendation [2]:**

We recommend the **Vice President, Logistics**, develop procedures to monitor the Administrative Official's duties and assign management oversight of Administrative Officials to a responsible official, specifically related to addressing irregularities in the Surface Transportation Automated Forms application.

**Management Response/Action Plan:**

Management agrees and will update the MI to align with recent structural changes that will identify management oversight of AO's, along with reissuing the management oversight directive and the annual AO accountability certification that is already in place.

**Target Implementation Date:**

01/31/2022

**Responsible Official:**

Sr Director Surface Logistics

**Recommendation [3]:**

We recommend the **Vice President, Logistics**, consider prioritizing critically late trips and requiring critically late trip irregularities to be pursued with suppliers in the Surface Transportation Automated Forms application.

**Management Response/Action Plan:**

Management disagrees. Late is late. The ability to address critically late trips already exist in STAF (Surface Transportation Automated Forms).

**Target Implementation Date:**

N/A

**Responsible Official:**

Sr Director Surface Logistics

**Recommendation [4]:**

We recommend the **Vice President, Transportation Strategy**, consider updating contracts to allow for the assessment of liquidated damages to Highway Contract Route suppliers for critically late trips.

**Management Response/Action Plan:**

Management agrees with the recommendation. Management will consider the OIG's recommendation that contracts be updated to allow for the assessment of liquidated damages for critically late trips. Transportation Strategy also notes that actual damages can be assessed for the late delivery of mail under current surface transportation contracts. Transportation Strategy will further consider whether a liquidated damages clause would be feasible in surface transportation contracts. We will have to consider whether we could come up with a reasonable estimate of damages that would be appropriate across these contracts and how such a clause could be implemented, taking into account our contract irregularity reporting process and suppliers' response there to.

**Target Implementation Date:**

06/30/2022

**Responsible Official:**

Vice President, Transportation Strategy

**Recommendation [5]:**

We recommend the **Vice President, Logistics**, in coordination with the **Vice President, Processing & Maintenance Operations**, verify that Highway Contract Route trips that are routinely critically late are aligned with Postal Service operations and adjust the schedules as needed.

**Management Response/Action Plan:**

Management disagrees. Critically late trips are part of our routine day to day Service analysis. Trips are scheduled according to Postal Operations operating plans. Adjustments are made, accordingly and when a major change in the Plant/Facility operating plans have been announced or identified.

**Target Implementation Date:**

N/A

**Responsible Official:**

Sr Director Surface Logistics

**Recommendation [6]:**

We recommend the **Vice President, Logistics**, develop procedures to routinely verify the accuracy of Postal Vehicle Service trip data in Surface Visibility Web for trips that are critically late and correct any data integrity issues.

**Management Response/Action Plan:**

Management partially agrees. Procedure to routinely verify accuracy of PVS trip data in SV already exist via zero-base reviews that take place Jan-Sept annually.

However, management will review the data source of reported data integrity to identify cause and correct PVS CLTs.

**Target Implementation Date:**

01/31/2022

**Responsible Official:**

Sr Director Surface Logistics



Robert Cintron  
Vice President, Logistics

E-SIGNED by PETER ROUTSOLIAS  
on 2021-10-28 15:30:41 CDT

Peter Routsolias  
Vice President, Transportation Strategy



Mike L. Barber  
Vice President, Processing & Maintenance Ops

cc: Manager, Corporate Audit Response Management

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

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