



AUDIT REPORT

Management of Highway Contract Route Contractor Failures at the Columbus, OH, Processing and Distribution Center

July 13, 2020



Report Number 20-219-R20



July 13, 2020

MEMORANDUM FOR: JEAN C. LOVEJOY
MANAGER, OHIO VALLEY DISTRICT

E-Signed by Matthew B. Hartshorn 
VERIFY authenticity with eSign Desktop
Matthew B. Hartshorn

FROM: Matthew B. Hartshorn
Director, Plant Evaluation Team

SUBJECT: Audit Report – Management of Highway Contract Route
Contractor Failures at the Columbus, OH, Processing and
Distribution Center (Report Number 20-219-R20)

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

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

Attachment

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

Background

This report presents the results of our self-initiated audit to assess the management of Highway Contract Route (HCR) irregularities due to contractor failure at the Columbus Processing & Distribution Center (P&DC), in Columbus, OH (Project Number 20-219). We conducted this audit to provide U.S. Postal Service management with timely information on operational risks at the Columbus P&DC.

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

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

The Columbus P&DC is in the Ohio Valley District of the Eastern Area. In fiscal year (FY) 2019, the Postal Service reported 2.1 million late trips nationwide due to contractor failure. From October 1, 2019, to March 31, 2020, the Columbus P&DC had the second highest number (10,948) of originating late trips³ due to contractor failure for P&DCs. The average time a trip was late was 43 minutes. There were 41 contractors with originating late trips due to contractor failure at the Columbus P&DC. Two contractors accounted for 61 percent of the failures.

Objective, Scope, and Methodology

Our objective was to assess the management of HCR irregularities due to contractor failure at the Columbus P&DC.

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

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

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

To accomplish our objective, we analyzed Columbus P&DC late trip data from October 1, 2018, to March 31, 2020, and interviewed the Columbus P&DC Manager and AO. We reviewed documentation of meetings with contractors provided by the AO. We limited our request for documentation to the two contractors that accounted for 61 percent of the contractor failures for originating late trips at the Columbus P&DC from October 1, 2019, to March 31, 2020.

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

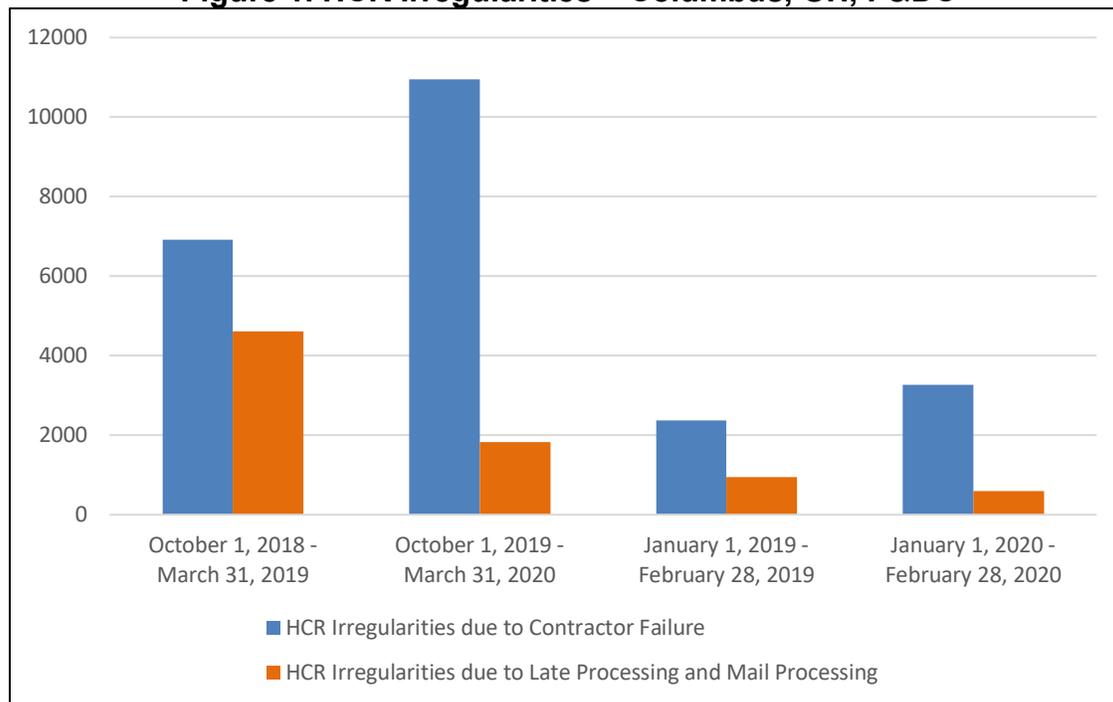
We conducted this audit from April through July 2020, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on June 23, 2020, and included their comments where appropriate.

Finding #1 Management Oversight of HCR Irregularity Reporting

Inadequate management oversight of mail processing dock operations caused inaccurate reporting of contractor failures for late trips at the Columbus P&DC. From October 2019 to March 2020, late trips caused by contractor failures for Columbus P&DC originating trips increased from 6,911 to 10,948 (58 percent) compared to the same period last year. In addition, during this same period, late trips caused by late processing and mail processing failures decreased from 4,610 to 1,828 (60 percent). Similarly, from January 2020 to February 2020, late trips caused by contractor failures for Columbus P&DC originating trips increased from 2,364 to 3,265 (38 percent) compared to the same period last year. In addition, during this same period, late trips caused by late processing and mail processing failures decreased from 954 to 598 (37 percent). See [Figure 1](#).

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

Figure 1. HCR Irregularities – Columbus, OH, P&DC



Source: SV web.

Two contractors accounted for 6,712 contractor failures (61 percent) from October 2019 to March 2020. While in some instances the AO did consult with the contractors, he did not take corrective actions during this fiscal year. Further, the P&DC manager and AO believed dock expeditors incorrectly recorded the cause for late trips as contractor failure rather than attributing them to late processing and mail processing failures. Therefore, they did not believe the data was reliable for identifying the scope of late trips caused by contractor failure. The P&DC manager also stated that implementation of Dynamic Route Optimization⁵ at the Columbus P&DC may have resulted in an increase in contractor failures and, since he became the plant manager in October 2019, he has focused on identifying causes for the late trips.

Mail processing supervisors are responsible for ensuring that dock expeditors properly record the correct reason code for contractor late trips. In addition, while the AO said there are regular meetings with the two contractors, formal reviews were only conducted once a year for each HCR provider. This is inconsistent with Postal Service policy⁶, which requires semiannual reviews for each HCR contractor.

⁵ The initiative allows for morning HCRs to change from a fixed-price contract with set routes (static), to a rate per mile contract with varying departure times, lines of travel, and mail types transported based on mail volume (dynamic) to optimize routes with the goal of reducing mileage and transportation costs.

⁶ *Transportation Operations Management Order* (TOMO-001-20, dated November 8, 2019).

According to Postal Service policy⁷, choosing the correct reason for late trips is not only crucial to mail visibility but vital for maintaining accurate transportation records and providing accurate supplier payments. In addition, timely contractor reviews are necessary to assist management in assessing contractor performance and implementing corrective actions when necessary.

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

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

Management's Comments

Management agreed with the report's findings and recommendations.

Regarding recommendation 1, management stated the Columbus P&DC will utilize a late trip grid and log report to monitor all late trips. The log will include late trip details and a section to document corrective actions by operations management for senior plant manager and transportation manager review. In addition, transportation staff will be in daily contact with suppliers regarding issues related to late trips, monitor late trip data, and conduct bi-weekly performance reviews with suppliers and escalate the corrective actions process if necessary. The transportation manager will provide weekly notifications regarding contract failures and supplier performance to the senior plant manager. In addition, the transportation manager will report any operation manager's noncompliance to the senior plant manager, senior operations manager, and manager in-plant support both in-person and electronically. The target implementation date is August 3, 2020.

Regarding recommendation 2, management stated the transportation manager will meet with suppliers each quarter and provide a detailed performance report for discussion. The report will be signed by the transportation manager and supplier. The senior plant manager will review and sign off on the report following the meeting. The target implementation date is July 25, 2020.

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

⁷ *Standard Operating Procedure for Delay/Irregularity Reasons*, dated November 13, 2019.

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendations in the report and planned actions should resolve the issues identified in the report.

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

Appendix A. Management's Comments



July 7, 2020

Response Due Date: July 9, 2020

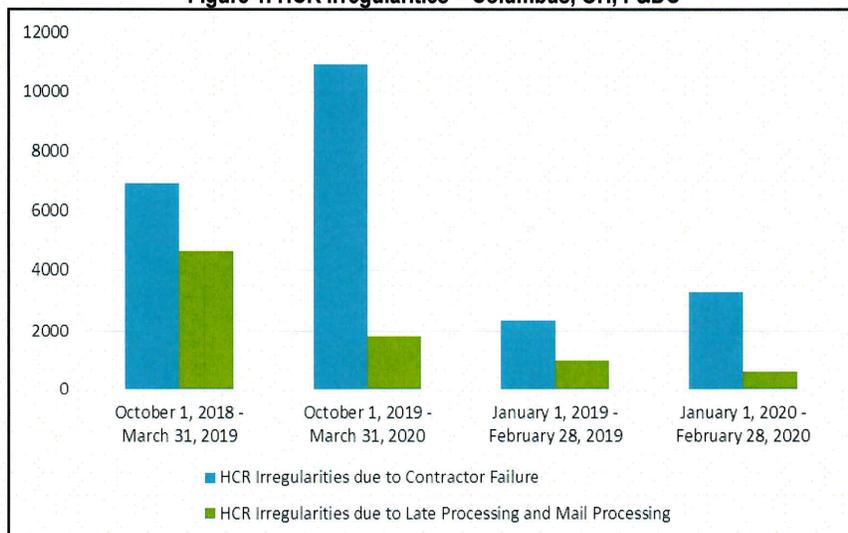
MEMORANDUM FOR: LAZERICK POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Response to OIG Audit: Management of Highway Contract
Route Contract Failures at the Columbus, OH Processing
and Distribution Center
(Project Number 20-219-DRAFT)

FROM: JEAN C. LOVEJOY
DISTRICT MANAGER, OHIO VALLEY DISTRICT

Finding #1: Management Oversight of HCR Irregularity Reporting
Management inadequacies and oversight of mail processing on the dock caused inaccurate reporting of contractor failures due to late trips at the Columbus Processing and Distribution Center (P&DC). From October 2019 to March 2020, late trips caused by contractor failures for Columbus P&DC originating trips increased from 6,911 to 10,948 (58 percent) compared to the same period last year. In addition, during this same period, late trips caused by late processing and mail processing failures decreased from 4,610 to 1,828 (60 percent). January 2020 to February 2020, late trips caused by contractor failures for Columbus P&DC originating trips increased from 2,364 to 3,265 (38 percent) compared to the same period last year. During this same period, late trips caused by late processing and mail processing failures decreased from 954 to 598 (37 percent) (see Figure 1).

Figure 1. HCR Irregularities – Columbus, OH, P&DC



Source: SV web

Two contractors accounted for 6,712 contractor failures (61 percent) from October 2019 to March 2020. While in some instances the AO did consult with the contractors, no documented corrective action has been taken during this fiscal year. Further, the Columbus P&DC Sr. Plant Manager and AO believe dock expeditors incorrectly recorded the cause for late trips as contractor failure rather than attributing them to late processing and mail processing failures. In light of this, they did not believe the data was reliable for identifying the scope of late trips caused by contractor failure.

Mail processing supervisors are responsible for ensuring that dock expeditors properly record the correct reason code for a contractor's late trip. Also, while the AO said they meet regularly with the two contractors, they were only conducting formal reviews once a year for each HCR provider. This is inconsistent with Postal Service policy¹, which requires semi-annual reviews for each HCR contractor.

According to Postal Service policy², choosing the correct reason(s) for late trips is not only crucial to mail visibility, it is vital for maintaining accurate transportation records and providing accurate supplier payments. Timely contractor reviews are also necessary to assist management in assessing contractor performance and implement corrective action(s) when necessary.

¹ *Transportation Operations Management Order (TOMO-001-20)* dated November 8, 2019.

² *Standard Operating Procedure for Delay/Irregularity Reasons*, dated November 13, 2019.

Recommendation #1: We recommend the District Manager, Ohio Valley District, instruct Columbus P&DC management to ensure that reason codes for late trips are accurately reported.

Management agrees with the recommendation.

Columbus P&DC will utilize a late trip grid and log report for all late trips. The details of the report will include date, time, delay time, and reason for delay. The log will have a section dedicated for management's response to the Sr. Plant Manager and the Transportation Manager. The report back from operations management will include; reason for the trip delay, responsible party, and action(s) taken to correct late trips. In addition to logging the contract failure, Columbus Transportation staff will contact suppliers daily for any issues related to late trips. Transportation staff will also document the following information on the log; explanation for delay, driver's name, and action(s) taken to mitigate the supplier failure for the late trip.

Columbus Transportation staff will conduct bi-weekly reviews of supplier performance with the supplier. This, along with reviewing the 5500's from the Service Now System, will lead to the escalation process for corrective action with suppliers.

Compliance will be emailed to the Plant Manager each Thursday following the bi-weekly reviews.

Target Implementation Date:

Implementation of the Late Trip Grid and Log reports and bi-weekly Supplier Performance/5500 review will begin Monday, July 20, 2020. The escalation for the Supplier corrective action will follow beginning Monday, August 3, 2020.

Responsible Official:

The site Transportation Manager will provide weekly notifications about contract failures and supplier performance to the Sr. Plant Manager. To aid with timely Grid and Log responses and deficiency corrections, the site Transportation Manager will report any non-compliance from operations managers to the Sr. Plant Manager, Sr. Operations Manager, and Manager of In-Plant Support both face-to-face and electronically.

Recommendation #2: We recommend the District Manager, Ohio Valley District, ensure that semi-annual reviews are conducted and documented for each Highway Contract Route contractor and necessary corrective action(s) taken.

Management agrees with the recommendation.

Previous semi-annual reviews were certified on the Eastern Area website.

Target Implementation Date:

Meetings will be scheduled and documented the week of July 18, 2020. Review with the Sr. Plant Manager will be conducted quarterly to begin Saturday, July 25, 2020.

Responsible Official:

The Transportation Manager will meet with contractors the 3rd week of each quarter with a detailed performance report to be signed by both parties. This report will be brought to the Sr. Plant Manager and reviewed the week following each quarterly meeting with hard copy signatures.

As part of compliance with the Electronic Freedom of Information Act (E-FOIA) Amendments of 1996 and other congressional mandates directing the prompt posting of materials of public interest on agency websites, we do not believe any portions of this report is exempt from disclosure under the E-FOIA.

Respectively submitted,



Jean C. Lovejoy
District Manager, Ohio Valley District

cc: [REDACTED]
[REDACTED] Manager, Corporate Audit Response Management,
[REDACTED]