



# OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

## Highway Contract Route Survey Compliance – Southern Transportation Category Management Team

### Audit Report

Report Number  
NL-AR-17-006

March 10, 2017





# OFFICE OF INSPECTOR GENERAL

## UNITED STATES POSTAL SERVICE

### Highlights

***The Southern TCMT did not effectively use HCR surveys to manage HCR contract renewals.***

### Background

The U.S. Postal Service uses highway contract routes (HCR) to transport mail between plants, post offices, or other designated points where mail is received or dispatched. This includes contract delivery service (CDS) route contracts, which are contracts with individuals or companies to deliver and collect mail from homes and businesses. As of January 2016, the Surface Transportation CMC had responsibility for 14,000 contracts and costing over \$3.3 billion.

Administrative officials (AOs), such as transportation and network specialists and postmasters, develop the HCR schedules to meet operational requirements, perform administrative functions, and conduct HCR surveys.

Contracting officers (CO) and the transportation category management teams (TCMT) administer HCR contracts. The TCMTs are in Largo, MD; Windsor, CT; Denver, CO; Memphis, TN; and Tacoma, WA; with a satellite office in San Juan, PR.

Postal Service Management Instruction SP-CS-2009-1 requires AOs to conduct HCR surveys so that COs and TCMT specialists can determine route continuations and adjustments, truck requirements, and operational changes that affect HCR costs.

Our objective was to determine the effective use and management of HCR surveys by the Southern TCMT. This is the second in a series of projects on HCR oversight.

### What the OIG Found

We found that the Southern TCMT did not effectively use HCR surveys to manage HCR contract renewals.

We statistically selected 177 of the 1,118 renewed HCR contracts for calendar years (CY) 2015 and 2016 for the Southern TCMT. We were able to locate only three HCR surveys, or 2 percent, in the contract files we reviewed.

Subsequently, we contacted the 112 AOs responsible for the sampled contracts, who reported that 21 HCR surveys were completed, but provided documentation to support only five completed HCR surveys, or 3 percent. However, these five surveys were not located in the HCR contract files. Therefore, the Southern TCMT renewed 174 of the 177 HCR contracts (or over 98 percent) without using HCR surveys.

This occurred because 37 percent of the AOs said they were not familiar with the requirement or the process and 46 percent said they were not conducting HCR surveys due to a lack of training and management oversight. In addition, there is no central management tool to track completion of HCR surveys by the COs or the TCMTs.

The Postal Service has not updated the HCR survey policy to accurately reflect current organizational structure, job titles, roles, or responsibilities. Therefore, there is no clear guidance for conducting HCR surveys.





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## UNITED STATES POSTAL SERVICE

As a result, we estimated that the Postal Service incurred unsupported questioned costs for HCR contracts of about \$233 million in CY 2015 and \$72 million in CY 2016 because the required contract renewal HCR surveys were not completed.

We are not making recommendations concerning training, survey tracking, or updating HCR survey policies and procedures because a previous OIG report (*Highway Contract Route Survey Compliance – Eastern Transportation Category Management Team*, Report Number NL-AR-16-005, dated

September 28, 2016) still has open recommendations concerning these issues. Management said they would continue using HCR surveys through FY 2017.

### **What the OIG Recommended**

We recommended management ensure completion of surveys for all HCR contract renewals until management institutes a new HCR survey process.


# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

March 10, 2017

**MEMORANDUM FOR:** ROBERT CINTRON  
VICE PRESIDENT, NETWORK OPERATIONS  
  
KEVIN L. MCADAMS  
VICE PRESIDENT, DELIVERY OPERATIONS  
  
SUSAN M. BROWNELL  
VICE PRESIDENT, SUPPLY MANAGEMENT

E-Signed by Michael Thompson  
VERIFY authenticity with eSign Desktop  


**FROM:** Michael L. Thompson  
Deputy Assistant Inspector General  
for Mission Operations

**SUBJECT:** Audit Report – Highway Contract Route Survey Compliance  
– Southern Transportation Category Management Team  
(Report Number NL-AR-17-006)

This report presents the results of our audit of the U.S. Postal Service's Highway Contract Route Survey Compliance – Southern Transportation Category Management Team (Project Number 16XG035NL000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Daniel Battitori, director, Transportation, or me at 703-248-2100.

Attachment

cc: Postmaster General  
Chief Operating Officer  
Corporate and Audit Response Management

# Table of Contents

Cover	
Highlights.....	1
Background.....	1
What the OIG Found.....	1
What the OIG Recommended.....	2
Transmittal Letter.....	3
Findings.....	5
Introduction.....	5
Summary.....	5
Highway Contract Route Surveys.....	6
Recommendations.....	10
Management’s Comments.....	10
Evaluation of Management’s Comments.....	10
Appendices.....	11
Appendix A: Additional Information.....	12
Background.....	12
Objective, Scope, and Methodology.....	12
Prior Audit Coverage.....	13
Appendix B: Postal Service Form 5406, Contract Delivery Service Route Survey.....	14
Appendix C: Postal Service Form 5407, Highway Contract Route.....	15
Appendix D: Management’s Comments.....	16
Contact Information.....	18

# Findings

**The Southern TCMT renewed 174 of the 177 sampled HCR contracts without using HCR surveys.**

## Introduction

This report presents the results of our audit of the U.S. Postal Service's highway contract route (HCR) survey compliance (Project Number 16XG035NL000). Our objective was to determine the effective use and management of HCR surveys by the Southern Transportation Category Management Team (TCMT). This is the second in a series of projects on HCR oversight. See [Appendix A](#) for additional information about this audit.

The Postal Service uses HCRs to transport mail between plants, post offices, or other designated points where it is received or dispatched. This includes contract delivery service (CDS) route contracts, which the Postal Service enters into with individuals or companies to deliver and collect mail from homes and businesses. As of January 2016, the Surface Transportation CMC had responsibility for 14,000 contracts and costing over \$3.3 billion.

HCRs are the Postal Service's largest single group of contracts. They are managed by the Network Operations, Delivery Operations, and Supply Management groups. Postal Service contracting officers (CO)<sup>1</sup> are responsible for awarding, amending, terminating, and altering transportation contract provisions. Administrative officials (AO) are transportation network specialists (TANS) and postmasters who develop HCR schedules to meet operational requirements and perform administrative functions, such as conducting HCR surveys. COs are supposed to develop a list of routes that require surveys and a timetable for conducting these surveys. They also advise AOs on forming route survey plans.

COs administer HCR contracts along with the TCMTs in Largo, MD; Windsor, CT; Denver, CO; Memphis, TN; and Tacoma, WA; as well as a satellite office in San Juan, PR.<sup>2</sup> This report addresses route surveys for expiring contracts during calendar years (CY) 2015 and 2016 at the Southern TCMT.

Postal Service Management Instruction (MI) SP-CS-2009-1, *Conducting Highway Contract Route Surveys*, dated January 15, 2009, requires the assigned AO or designee to survey HCRs in the fall of the year before the contract expires. The purpose of the survey is to obtain current and accurate data on route and delivery conditions and help COs determine route continuations, route adjustments, equipment requirements, and operational changes that affect Postal Service costs.

## Summary

We found that the Southern TCMT did not effectively use HCR surveys to manage HCR contract renewals.

We statistically selected 177 of the 1,118 renewed HCR contracts for CYs 2015 and 2016 at the Southern TCMT. We were able to locate only three completed HCR surveys (or 2 percent) in the contract files we reviewed.

Subsequently, we contacted the 112 AOs responsible for the sampled contracts, who reported that 21 HCR surveys were completed, but they provided documentation to support only five completed HCR surveys (or 3 percent). However, these five surveys were not located in the HCR contract files. Therefore, we determined the Southern TCMT renewed a total of 174 of the 177 HCR contracts (or over 98 percent) without using HCR surveys (see [Table 2](#)).

<sup>1</sup> Postal Service managers of transportation contracts are also referred to as contracting officers.

<sup>2</sup> The Postal Service is in the process of realigning TCMTs from a geographic structure to a commodity-based structure. They are consolidating five area regional offices to three commodity-based offices in Largo, MD, Aurora, CO, and Memphis, TN.

This occurred because 37 percent of the AOs said they were not familiar with the requirement or the process and 46 percent said they were not conducting HCR surveys due to a lack of training and management oversight. In addition, there is no central management tool to track completion of HCR surveys.

The Postal Service has not updated the HCR survey policy to accurately reflect current organizational structure, job titles, roles, or responsibilities. Therefore, there is no clear guidance for conducting HCR surveys. The CO for the Southern TCMT confirmed during our review that they do not follow up on or wait for HCR surveys for contract renewals.

As a result, we estimated the Postal Service incurred unsupported questioned costs for HCR contracts of about \$233 million in CY 2015 and \$72 million in CY 2016 because the required HCR contract renewal HCR surveys were not completed.

## Highway Contract Route Surveys

We found that the Southern TCMT did not effectively use HCR surveys to ensure HCR contract renewals met operational needs and were cost effective.

### *Management Instruction SP-CS-2009-1*

On January 15, 2009, the Postal Service established policies and procedures for conducting HCR surveys, including surveys for CDS and transportation routes. For each survey, the AO or authorized representative conducts a physical inspection of the route conditions while following or accompanying the supplier during the performance of the route. The survey is used to obtain current and accurate data on route and delivery conditions. Management reviews the route layout to identify route travel changes that would improve efficiency and economy of service and are required for contract renewals.

Postal Service (PS) Form 5406, CDS Route Survey, provides key information, which includes assessing the:

- Number of families and businesses served.
- Current number of regular and central mailboxes and the proposed number of regular and central mailboxes.
- Number of current and proposed vehicle stops.
- Daily mileage added by the service change.
- Distribution of daily time added or subtracted as a result of the changes.

PS Form 5407, Highway Contract Route, provides key information, which includes assessing:

- Differences between scheduled and actual mileage.
- Whether equipment reflects favorably on the Postal Service.
- Adequacy of cargo space (trailer size).

- Terminal time (time spent loading and unloading at the origin and destination offices).
- Number of vehicles used.

See [Appendix B](#) and [Appendix C](#) for copies of PS Form 5406 and PS Form 5407.

In addition, management must review and correct any potentially hazardous conditions and safety issues.

We reviewed a statistical sample of 177 out of 1,118 renewed HCR contracts for CYs 2015 and 2016 at the Southern TCMT to determine if surveys were completed and used as required. The 1,118 total excludes contracts terminated prior to renewal (see Table 1).

**Table 1. Total Number of HCR Contracts and Statistical Sample**

CY	Total Contracts	Less Terminated Contracts	Total HCR Universe	Sampled HCR Contracts
2015	936	(1)	935	157
2016	213	(30)	183	20
<b>Total</b>	<b>1,149</b>	<b>(31)</b>	<b>1,118</b>	<b>177</b>

Source: Postal Service Transportation Contract Support System (TCSS) data provided by manager, Surface Transportation Category Management Center (CMC) for CYs 2015 and 2016.

The Postal Service maintained electronic format contract files for CYs 2015 and 2016. We reviewed 177 electronically maintained contract files in TCSS. Of the 177 contracts reviewed, we located only three completed HCR surveys supporting HCR contract renewals. Additionally, we followed up with the CO for the Southern TCMT who informed us that the HCR surveys were not received from area offices.

*Postal Operations Manual Issue 9*

Postal Service requirements<sup>3</sup> identify the AO as the Postal Service official designated – by the manager, Distribution Networks, for transportation routes or the district manager, Distribution Networks, for CDS routes – to supervise and administer the performance of mail transportation and related services by suppliers. AOs are responsible for ensuring supplier compliance with the operational requirements of HCRs and administering functions related to performance of that service. Specifically, AOs are responsible for:

- Supervising the supplier’s operations daily to ensure contract compliance, including necessary recordkeeping.
- Obtaining screening information from highway transportation suppliers on contractor personnel in order to verify their eligibility.
- Investigating irregularities and complaints regarding service on the route, taking corrective action, and reporting to the CO any full or partial trips not performed, including service miles omitted and the reason for omission.
- Recommending routes be established, discontinued, or modified.

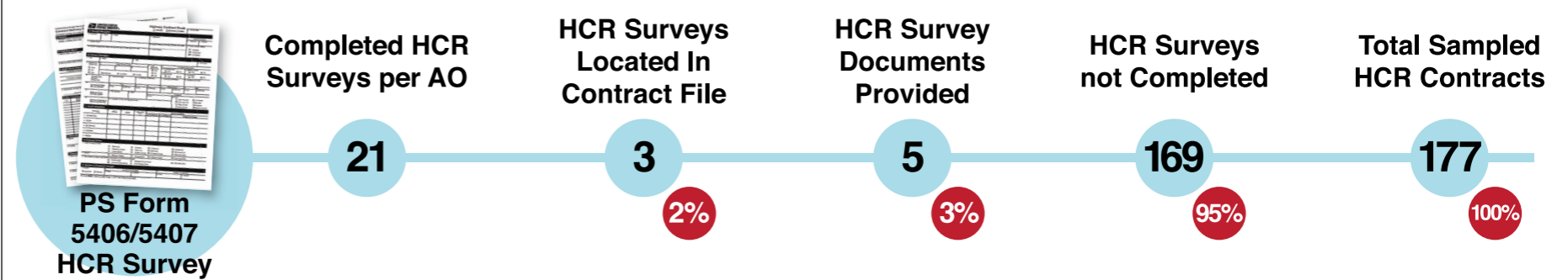
<sup>3</sup> *Postal Operations Manual*, Section 533.2, issued July 2002, and updated March 1, 2015, to identify AO roles and duties.



We requested a list of AOs responsible for completing HCR surveys from the CO for the Southern TCMT and the manager of network operations for the Southern Area. They did not maintain a list of assigned AOs for the contracts and were unable to provide the requested information. We identified 112 AOs by contacting 119 facilities servicing the 177 sampled contracts.

We contacted the 112 AOs and 17 responded that they had completed 21 HCR surveys for the sampled contracts. We requested copies of the 21 completed HCR surveys and received only five documented HCR surveys<sup>4</sup> (or about 3 percent); however, these five surveys were not included in the contract files. We concluded there were eight documented surveys (the five provided by the AOs and the three we identified), while 169 surveys (or about 95 percent) were not completed as required (see Table 2).

**Table 2. Review of HCR Surveys Completed by AOs**



Source: U.S. Postal Service Office of Inspector General (OIG) Office of Audit (OA) survey.

However, because the five surveys the AOs identified were not in the contract files, we concluded the Southern TCMT renewed 174 of the 177 (or over 98 percent) of the HCR sampled contracts without HCR surveys.

This occurred because AOs said they are not familiar with the requirement or process for conducting HCR surveys due to a lack of training and management oversight. In addition, the AOs and COs do not have a central management tool to track completion of HCR surveys. Furthermore, the Postal Service has not updated policy since January 15, 2009, to accurately reflect the current organizational structure, job titles, roles, or responsibilities. Therefore, there is no clear guidance for conducting HCR surveys. During our review, the CO for the Southern TCMT confirmed the CO does not follow up on or wait for HCR surveys for contract renewals.

The vice president, Supply Management, stated that the Postal Service is considering an alternative technological solution for incorporating route management service change requests and will continue conducting manual HCR surveys until the alternative is implemented.<sup>5</sup>

Twenty-nine of the 112 AOs we contacted (or about 26 percent) said they were not familiar with the January 2009 policy and 47 (or almost 42 percent) were familiar with it, but did not always complete the surveys. Thirty-six AOs (or 32 percent) did not respond to our request (see Table 3).

<sup>4</sup> The cut-off date for providing documentation confirming survey completion was November 9, 2016.

<sup>5</sup> This discussion took place with the vice president, Supply Management, at the entrance conference on September 20, 2016.

**Table 3. AOs' Awareness of Management Instruction**

<b>Category</b>	<b>No</b>	<b>Yes</b>	<b>No Response</b>	<b>Total AOs</b>
Management Instruction Awareness	29	47	36	<b>112</b>
<b>Percentage</b>	26	42	32	<b>100</b>

Source: OIG AO survey.

Forty-nine of the 112 AOs, or about 44 percent, stated they had not received training on how to conduct a survey for HCRs (see Table 4).

**Table 4. Training on Conducting HCR Surveys**

<b>Category</b>	<b>No</b>	<b>Yes</b>	<b>No Response</b>	<b>Total AOs</b>
HCR Survey Training	49	27	36	<b>112</b>
<b>Percentage</b>	44	24	32	<b>100</b>

Source: OIG AO survey.

We estimated the Postal Service incurred about \$305 million in unsupported questioned costs for HCR contracts managed by the Southern TCMT over 2 years (CYs 2015 and 2016) because required HCR surveys for contract renewals were not completed.

We are not making recommendations concerning training, survey tracking, or updating HCR survey policies and procedures because a previous OIG report (*Highway Contract Route Survey Compliance – Eastern Transportation Category Management Team, Report Number [NL-AR-16-005](#)*, dated September 28, 2016) still has open recommendations concerning these issues. Management advised that they need more time to address the recommendations and would continue using surveys through FY 2017.

# Recommendations

***We recommended management ensure completion of surveys for all HCR contract renewals until management institutes a new HCR survey process.***

We recommend the vice president, Supply Management, in coordination with the vice president, Network Operations, and the vice president, Delivery Operations:

1. Ensure completion of highway contract route (HCR) surveys for all HCR contract renewals until management institutes a new HCR survey process.

## Management's Comments

Management agreed with the findings and recommendation and agreed in principle with the monetary impact. Management is currently reevaluating the HCR contract renewal process. Management noted that "Unsupported Questioned Costs," as defined, do not necessarily connote any real damages to the Postal Service.

In response to the recommendation, management stated that the vice president, Network Operations, issued a notice to the area vice presidents directing the administration of surveys in accordance with existing policy. Further, management stated that Supply Management instituted an interim process to ensure that no HCR contract is renewed without a completed HCR survey. The interim process will be in place until the existing management instruction is obsolete.

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

## Evaluation of Management's Comments

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

We recognize that unsupported questioned costs do not indicate that the Postal Service incurred an actual loss; however, with minimal surveys completed, management does not have current and accurate route information to determine the actual loss amount.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action(s) are completed.

Subsequent to management's formal response, they submitted written confirmation that they have completed corrective actions related to the recommendation; therefore, we consider the recommendation closed with the issuance of this report.

# Appendices

*Click on the appendix title  
to the right to navigate  
to the section content.*

Appendix A: Additional Information .....	12
Background .....	12
Objective, Scope, and Methodology .....	12
Prior Audit Coverage .....	13
Appendix B: Postal Service Form 5406, Contract Delivery Service Route Survey .....	14
Appendix C: Postal Service Form 5407, Highway Contract Route .....	15
Appendix D: Management’s Comments .....	16



## Appendix A: Additional Information

### Background

HCRs are the largest single group of contracts in the Postal Service. They are managed by five nationwide Postal Service TCMTs consisting of about 108 employees, including 25 COs in the Southern Area responsible for awarding, amending, terminating, and altering transportation contract provisions.

The COs work with AOs, whose responsibilities include daily management and oversight of HCR contracts at the local level. The AOs must inform the CO of any HCR performance irregularities.

Postal Service policy dated January 15, 2009, requires the assigned AO to conduct HCR surveys in the fall of the year before the contract expires. These route surveys assist COs and TCMTs in determining route continuations, route adjustments, equipment requirements (trucks, trailers, and global positioning system devices), and operational changes that can affect the cost to the Postal Service.

### Objective, Scope, and Methodology

Our objective was to determine the effective use and management of HCR surveys by the Southern TCMT. This is the second in a series of projects on HCR oversight. To accomplish our objective, we:

- Obtained a list of expiring HCR contracts for CYs 2015 and 2016 from the manager, Surface Transportation CMC.
- Reviewed Postal Service policies and procedures relating to establishing or verifying transportation needed to meet operational requirements and contract management processes for completing and using HCR surveys.
- Consulted with OIG Research Operations to discuss risk factors and variables for planning a statistical sample and determining sample selection.
- Selected the Southern TCMT for review based on a high number of electronically maintained HCR contracts and their high dollar value.
- Determined our universe of 1,118 HCR contracts for the Southern TCMT by eliminating terminated contracts.
- Obtained a statistical sample of 177 Southern TCMT HCR contracts from OIG Research Operations to evaluate the use and management of HCR surveys for these CY 2015 and 2016 renewals.
- Conducted interviews with Postal Service Headquarters managers; Surface Transportation CMC and Surface Transportation Operations; the Postal Service CO, Southern TCMT; the manager, Network Operations Southern Area; and the manager, Delivery Programs Support Southern Area.
- Reviewed contract renewal documents that were electronically maintained in TCSS for the existence of completed HCR surveys performed by AOs.

- Performed a secondary review and identified 112 AOs responsible for conducting surveys for the 177 statistically selected contracts. We communicated with these AOs to confirm HCR survey completion and requested documentation of completed surveys when appropriate.
- Assessed management oversight by performing analysis of AOs for the number of HCR surveys completed, their awareness of the 2009 policy, and the training they have received that provides guidance on completing HCR surveys.

We conducted this performance audit from September 2016 through March 2017, 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 February 17, 2017 and included their comments where appropriate.

We used computer-processed data from TCSS when performing our analysis. We assessed the reliability of computer-generated data by interviewing agency officials knowledgeable about the data. We determined that the data were sufficiently reliable for the purposes of this report.

### Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Management and Oversight of Highway Contract Routes</i>	Determine if the Postal Service's management and oversight of HCRs is efficient and effective.	NL-AR-16-006	9/30/2016	\$2.9
<i>Highway Contract Routes Survey Compliance - Eastern Transportation Category Management Team</i>	Determine the effective use and management of HCR surveys by the Eastern TCMT.	NL-AR-16-005	9/28/2016	\$237.2

Appendix B:  
Postal Service Form 5406,  
Contract Delivery Service  
Route Survey

United States Postal Service®  
**Contract Delivery Service Route Survey**  
*(Conduct survey on a day with average mail volume)*

New/Adjusted Service     Extension  
 Annual

**A. General**

1. Supplier's Name and Address (include county/parish and telephone number, including area code)	2. Survey Date	3. CDS Route No. (5 Digits)	4. AMS Route No. (4 Digits)
	5. Vehicle Make		6. Vehicle Type

**B. Origin Post Office™**

1. Name, State, and ZIP + 4®	2. Duty Hours	
	a. Monday - Friday	b. Saturday
3. At what time is 80% of the mail available for carriers?	4. Time and Means of Dispatch of Outgoing Mail	

**C. Route Data for Extension Only**

1. Number of Families	3. Number of Boxes				4. Number of Vehicle Stops	
		Present	Proposed	Present	Proposed	
2. Number of Businesses	Regular	Central	Regular	Central		
						5. Daily Mileage Added by Change
6. Distribution of Daily Time as a Result of This Change			7. I agree that the data in Section C is accurate (Supplier's Signature)			
_____ Street Time (Minutes)    _____ Office Time (Minutes)			Supplier's Signature: _____			

**D. Line of Travel for Extension Only (Modified PS Form 5408)**

Line	Enter ONLY the Additional Lines of Travel Associated with This Extension	Miles	Line	Enter ONLY the Additional Lines of Travel Associated with This Extension	Miles


**E. Official Making Survey**

1. Name	2. Title
3. Facility	4. Telephone Number (include area code)

**F. Requested and Approval Signatures**

1. Administrative Official Approval	2. Request Date
3. District Approval (I certify that the above service is approved and supporting documents are on file.)	4. Effective Date
5. Other Approval	6. Effective Date

# Appendix C: Postal Service Form 5407, Highway Contract Route


**Highway Contract Route**  
 SURVEY    SERVICE CHANGE

1. Survey Date \_\_\_\_\_

**A. General Information**

2. Route No.	3. Trip(s)	4. Origin	5. Destination	6. Schedule Mileage	
					a. Outbound   b. Inbound
7. Supplier Name			8. Supplier Telephone Number (include area code)		9. Road Condition (Miles)
10. Supplier Address (No., street, etc./apt./P.O. box no., city, state, ZIP+ 4®)			11. Driver's Name		<input type="checkbox"/> Improved <input type="checkbox"/> Unimproved <input type="checkbox"/> All Weather

**B. Vehicle Information**

1. Year	2. Make	3. Type		4. No. Axes		
5. Appearance (Check one) <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor	6. Cargo Size and Space			7. Load Restraints (Check one) <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Add		
	L	H	W			
		<input type="checkbox"/> Adequate <input type="checkbox"/> Too Small <input type="checkbox"/> Too Big		8. Emergency Equipment		
				a. Fire Extinguisher <input type="checkbox"/> Yes <input type="checkbox"/> No	b. Warning Device <input type="checkbox"/> Yes <input type="checkbox"/> No	
				c. Spare Fuses <input type="checkbox"/> Yes <input type="checkbox"/> No	d. Tire Chains <input type="checkbox"/> Yes <input type="checkbox"/> No	
9. Terminal Time (Minutes) (Survey Day)	a. Loading at Origin		b. Unloading at Destination		c. Loading at Destination	
					d. Unloading at Origin	
10. Unscheduled Stops (No. and Minutes)	a. Fuel		b. Toll		c. Weight Check	
	(1) No.	(2) Minutes	(1) No.	(2) Minutes	(1) No.	(2) Minutes
11. Maximum Pieces Normally Carried	a. PCHS/Sacks		b. NMO		c. Containers	
					(1) No.	(2) Type
						<input type="checkbox"/> Large Tray Cart <input type="checkbox"/> All Purpose <input type="checkbox"/> Small Tray Cart <input type="checkbox"/> Bulk Mail <input type="checkbox"/> Large Hamper <input type="checkbox"/> Palletainer <input type="checkbox"/> Small Hamper <input type="checkbox"/> Nestline Tray Cart
12. Maximum Cargo Space Used on Heaviest Day	13. In addition to mail, trip regularly carries					

**C. Route Information**

Summary	a. Official	b. Actual	c. Difference + or -	d. Recommendation		
				(1) Satisfactory	(2) Unsatisfactory	(3) Specify Change
1. Terminal Time						
2. Vehicle						
3. Box Delivery						
4. Collection						
5. Mileage						

**D. Proposed Action**

1. Action Proposed (Cost):

<input type="checkbox"/> New Route	<input type="checkbox"/> Extension	<input type="checkbox"/> Curtailment	<input type="checkbox"/> Restatement
<input type="checkbox"/> Frequency Change	<input type="checkbox"/> Fewer Trip	<input type="checkbox"/> More Trips	<input type="checkbox"/> Discontinuance
<input type="checkbox"/> Larger Vehicles	<input type="checkbox"/> Smaller Vehicles	<input type="checkbox"/> Schedule Change	<input type="checkbox"/> Other (Describe):

2. Reason:  Personal Initiative    Congressional    Customer Petition    Other (Describe):

3. Other Media or Postal Units Affected (Give name of unit and how affected):

<input type="checkbox"/> Postal Facility	<input type="checkbox"/> Highway Contract Route	<input type="checkbox"/> Other (Describe):
<input type="checkbox"/> Contract Delivery Route	<input type="checkbox"/> Rural Delivery Route	

**E. Reaction to Proposed Changes**

1. Supplier <input type="checkbox"/> Agreeable <input type="checkbox"/> Opposed	2. Number of Postmasters		3. Number of Customers	
	a. Favor	b. Oppose	a. Favor	b. Oppose

PS Form 5407, February 2009 (Page 1 of 2) PSN 7530-02-000-9464



## Appendix D: Management's Comments



March 6, 2017

LORI LAU DILLARD

SUBJECT: Highway Contract Route Survey Compliance - Southern Transportation Category Management Team (Report Number NL-AR-17-DRAFT)

Thank you for providing the United States Postal Service with an opportunity to review and comment on the draft audit report, Highway Contract Route Survey Compliance - Southern Transportation Category Management Team. Management is generally in agreement with the findings and recommendation included in the draft report and agrees in principle with the identified monetary impact. We also wish to note that, as defined, unsupported questioned costs do not necessarily connote any real damages to the Postal Service.

The Postal Service, in its management response to the Highway Contract Route Survey Compliance - Eastern Transportation Category Management Team audit report, advised that the Highway Contract Route survey process was outdated and that the Postal Service would sunset the existing survey process. Management is accordingly in the midst of reevaluating our processes for Highway Contract Route renewals.

Management's response to the recommendations included in the draft report may be found below.

We recommend the vice president, Supply Management, in coordination with the vice president, Network Operations, and the vice president, Delivery Operations:

Recommendation 1: Ensure the completion of highway contract route (HCR) surveys for all HCR contract renewals until management institutes a new HCR survey process.

Management Response to Recommendation 1: Management agrees with this recommendation. The Vice President, Network Operations, issued a notice to Area Vice Presidents on December 14, 2016, directing that field sites administer the surveys in accordance with the existing Management Instruction. Supply Management has also provided a communication to its Surface Transportation personnel instituting an interim process to ensure that no HCR contract is renewed without a completed HCR survey. This process shall be in place until such time as the existing Management Instruction is obsolete. In addition, management has reiterated the requirement to document the contract file with the completed survey.

Target Implementation Date: Completed. We request closeout of this recommendation upon issuance of the final report.

Responsible Official: Manager, Surface Transportation Category Management Center.

*Susan M. Brownell*

Susan M. Brownell  
Vice President  
Supply Management



Robert Cintron  
Vice President  
Network Operations



Kevin L. McAdams  
Vice President  
Delivery Operations

cc: Manager, Corporate Audit Response Management



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