

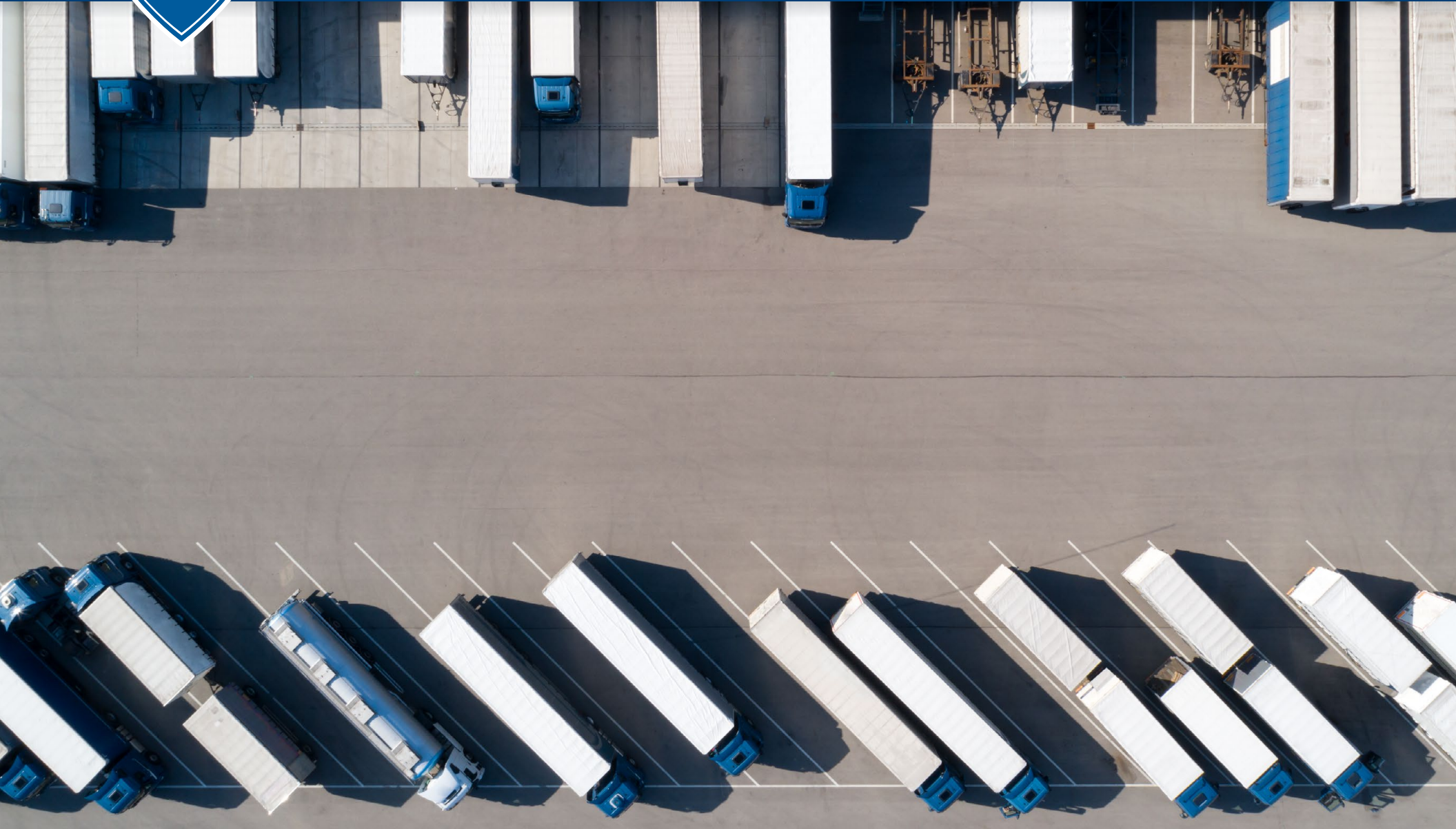


Office of Inspector General | United States Postal Service

## Audit Report

# Efficiency of Surface Transfer Centers in the Southern Region

Report Number 21-212-R22 | March 16, 2022



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# Highlights

## Background

Surface Transfer Centers (STC) are contracted mail facilities that distribute, consolidate, dispatch, and transfer all mail classes within the surface network. They also divert mail volume from air to surface transportation and serve as a concentration point for consolidating mail from under-utilized surface trips. There are 13 STCs in the U.S. Postal Service network, four of which are in the Southern Region. These facilities are an integral part of the Postal Service's plan to optimize its transportation by moving more mail on the surface network.

## What We Did

Our objective was to evaluate the efficiency and effectiveness of Postal Service Southern Region STCs. We conducted site visits and relied on Postal Service data to evaluate performance at these facilities.

## What We Found

Overall, Southern Region STCs improved their effectiveness by increasing trailer utilization over the last three years. However, we found opportunities to improve the efficiency and effectiveness of Southern Region STCs with increased Postal Service oversight of mail preparation, driver screening, and highway contract route (HCR) management.

We observed mail arriving at STCs without proper labels or placards or containing inaccurate routing information and mailers who were not separating mail by transportation mode. When placards are incorrect or missing, STC personnel create them and charge the Postal Service an additional handling cost, which it accounts for in STC contracts.

We also found that HCR drivers did not always have proper identification to verify that they completed the security screening process and STC personnel were not accurately recording driver information in Surface Visibility. This occurred because the Postal Service did not ensure that HCR drivers completed required security clearance paperwork or did not issue driver identification. Additionally, management did not ensure that STC personnel asked HCR drivers for identification or recorded it in Surface Visibility. Finally, we found that HCR trips did not always operate according to the planned transportation schedule, which could result in mail delays.

## Recommendations

We recommended management:

- Reinforce label and placard policy to ensure mail is dispatched with correct information.
- Reinforce the requirements to ensure that transportation systems are current, accurate, and complete.
- Reinforce mail separation compliance for mailers.
- Develop and implement periodic reviews to enforce security screening policy and identification badges for all HCR personnel.
- Reinforce the requirement to accurately record information in Surface Visibility and use the irregularity reporting process when HCR drivers do not have Postal Service-issued identification.

# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

March 16, 2022

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

MIKE BARBER  
VICE PRESIDENT, PROCESSING & MAINTENANCE  
OPERATIONS

A handwritten signature in black ink, reading "Melinda M. Perez", is centered below the memorandum text.

**FROM:** Melinda M. Perez  
Deputy Assistant Inspector General  
for Mission Operations

**SUBJECT:** Audit Report – Efficiency of Surface Transfer Centers in the  
Southern Region (Report Number 21-212-R22)

This report presents the results of our audit of the Efficiency of Surface Transfer Centers in the Southern Region.

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

Attachment

cc: Corporate Audit Response Management  
Postmaster General

# Results

## Introduction/Objective

This report presents the results of our self-initiated audit on the Efficiency of Surface Transfer Centers (STC) in the Southern Region (Project Number 21-212). Our objective was to evaluate the efficiency and effectiveness of the Southern Region's STCs. See [Appendix A](#) for additional information about this audit.

## Background

STCs are U.S. Postal Service facilities that distribute, consolidate, dispatch, and transfer all mail classes within the surface network. They also divert mail volume from air to surface transportation and serve as a concentration point for consolidating mail from under-utilized surface trips. Consolidating mail allows the Postal Service to increase trailer utilization and reduces the number of trips used to transport mail. STCs are an integral part of the Postal Service's plan to optimize its transportation by moving more mail on the surface network. The STC network consists of 13 contractor-operated facilities, with four facilities located in the Southern Region. Highway Contract Route (HCR) suppliers are primarily used to transport mail between STCs and other postal facilities. STCs use Postal Service systems to print labels and placards, perform scans on containers to track their movement within the network, and record transportation information.

***“The Southern Region STCs handled about 19 million containers of mail from FY 2019 through FY 2021.”***

Postal Service management oversees STCs' daily operations and manages supplier performance. Specifically, the Postal Service monitors the following key performance indicators when evaluating STCs: Trailer Utilization,<sup>1</sup> Scan Compliance,<sup>2</sup> Trips Departing On-Time,<sup>3</sup> and Transportation Cycle Time.<sup>4</sup> We used SV<sup>5</sup> scan data from

fiscal years (FY) 2019 through 2021 to review these transportation metrics at the four Southern Region STCs.

From FY 2019 through 2021, the Postal Service's STC network handled about 48 million containers of mail. The Southern Region STCs handled about 19 million (or 40 percent) of these containers (see Table 1).

**Table 1. Number of Containers Handled by STCs from FY 2019 through FY 2021**

Region	FY 2019	FY 2020	FY 2021	Total Containers	Percentage of STC Network
Southern	5,849,424	6,568,127	6,879,459	19,297,010	40%
Central	3,358,517	3,218,042	5,722,355	12,298,914	25%
Atlantic	3,544,137	3,775,773	3,773,156	11,093,066	23%
West-Pac	1,370,986	1,558,856	2,644,397	5,574,239	12%
<b>Total</b>	<b>14,123,064</b>	<b>15,120,798</b>	<b>19,019,367</b>	<b>48,263,229</b>	<b>100%</b>

Source: U.S. Postal Service Office of Inspector General (OIG) analysis of SV data.

Additionally, Southern Region STCs represent approximately 33 percent of the STC transportation network with an expansive geographical reach, connecting approximately 150 mail processing facilities (see [Figure 1](#)).

1 The percentage of space used in a trailer calculated by Surface Visibility (SV) load scans

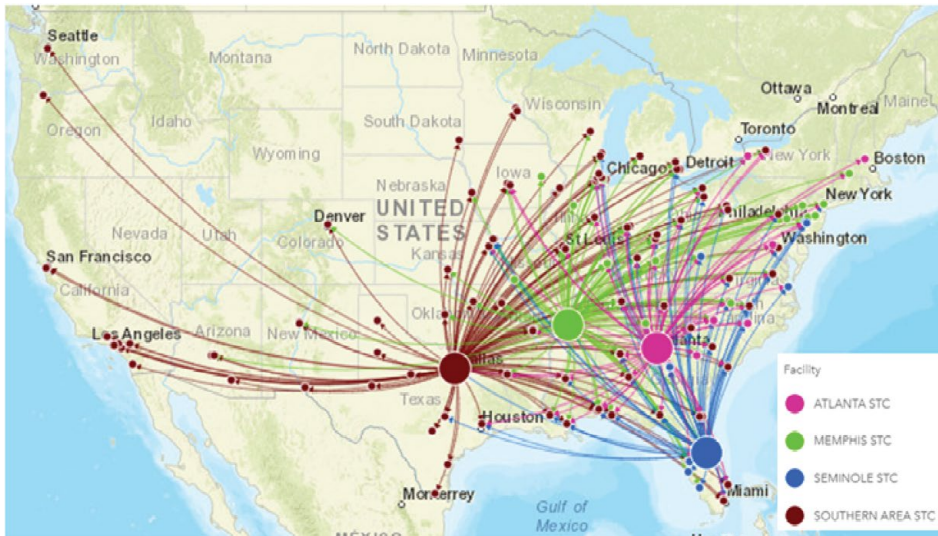
2 The Postal Service measures scan compliance by the completion of required SV scans (Load, Unload, Trailer Arrive and Trailer Depart).

3 Outbound transportation that departs at or before its scheduled departure time, excluding trips to Mail Transport Equipment Service Centers, peak season, extra, cancelled trips and air to surface diversions.

4 The amount of time between the truck arrival scan and final container unload scan.

5 Postal Service system used to track the movement of mail and transportation.

**Figure 1. Southern Region STC Transportation Network**



Source: OIG analysis of Postal Service transportation data.

Southern Region STCs varied in the type of operations performed, such as processing working containers, processing dock transfer containers, and using mechanized equipment to process mail. We conducted site observations

***“Overall, Southern Region STCs improved their effectiveness by increasing trailer utilization over the last three years.”***

between August and October 2021 at the Atlanta, Memphis, Seminole, and Southern area STCs. However, at the time of our site visit, the Atlanta STC was not fully operational<sup>6</sup> and management was diverting about 70 percent of its planned transportation to the Atlanta Network Distribution Center. As a result, we were unable to thoroughly evaluate the Atlanta STC.

In early December 2021, several STCs were in the news for their extensive backlog of tractor trailers. We plan to evaluate mailing conditions and service performance throughout the FY 2022

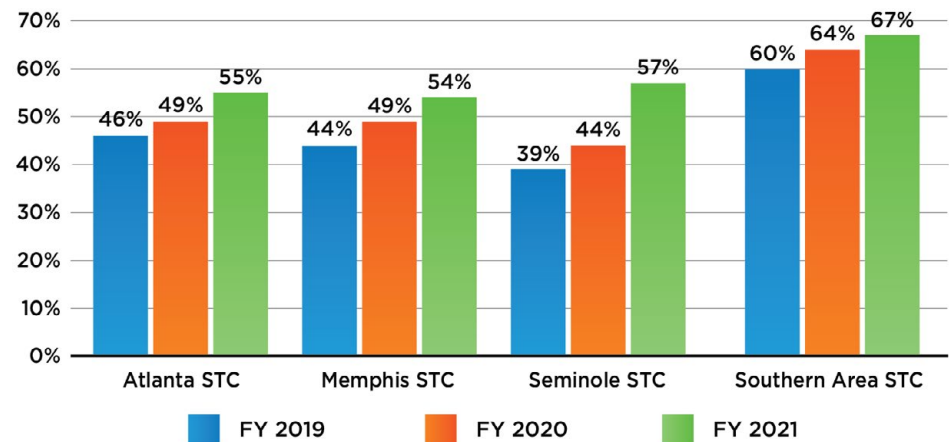
peak mailing season and issue a separate report on any challenges we identify related to STCs during the peak season.

## What We Found

Overall, Southern Region STCs improved their effectiveness by increasing trailer utilization over the last three years. However, it took longer for employees at each STC to unload trailers than it did three years ago. Scan compliance and the percentage of trips departing on-time remained largely unchanged. We did find opportunities to improve the efficiency and effectiveness of Southern Region STCs with increased Postal Service oversight of mail preparation, driver screening, and HCR management.

All of the Southern Region STCs improved trailer utilization in FY 2021. The Seminole STC showed the most improvement, increasing trailer utilization by about 13 percent (see Figure 2).

**Figure 2. Average Trailer Utilization**

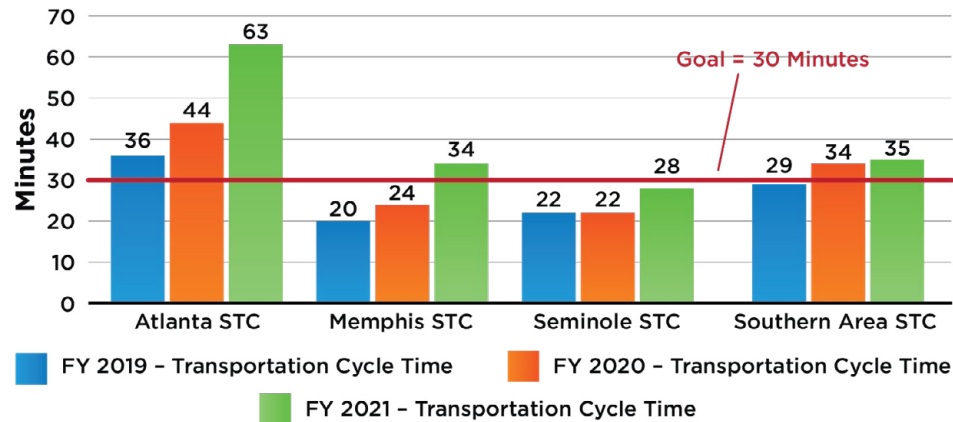


Source: OIG analysis of SV data.

Southern Region STCs were generally within five minutes of achieving the target transportation cycle time of 30 minutes for FYs 2019 through 2021, with the exception of the Atlanta STC (see Figure 3).

<sup>6</sup> The Atlanta STC began contracted operations on September 7, 2021, and at the time of our site visit, was undergoing facility construction and machine installation and was unable to process its planned volume.

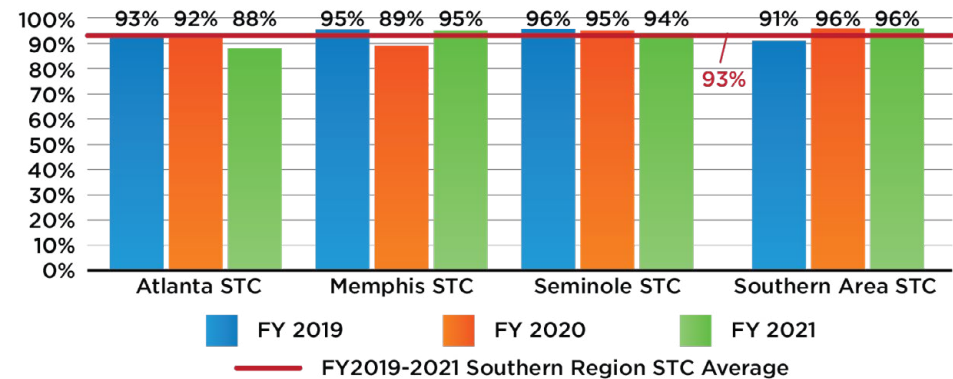
**Figure 3. Transportation Cycle Time**



Source: OIG analysis of SV data.

For FYs 2019 through 2021, Southern Region STCs achieved an average scan compliance score of 93 percent, which is below the Postal Service’s target of 95.5 percent (see Figure 4).

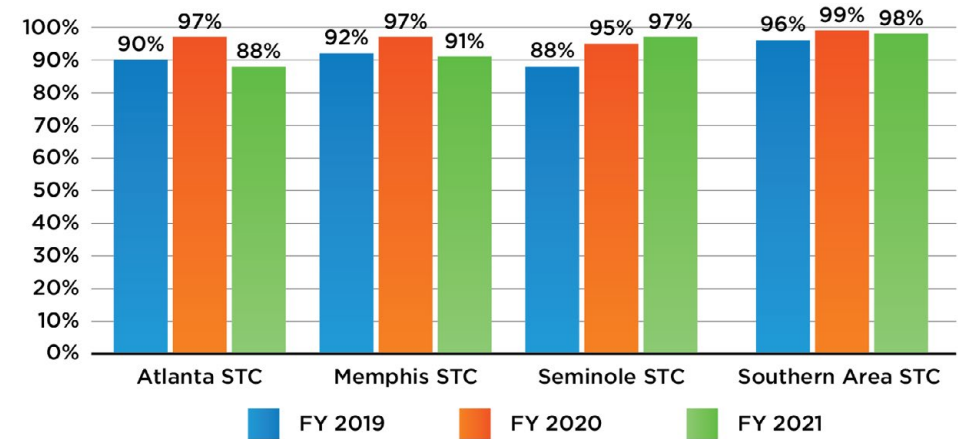
**Figure 4. SV Scan Compliance**



Source: OIG analysis of SV data.

The Seminole STC improved its trips on time performance for FY 2021 and the Southern Area STC achieved 98 percent of its trips on time. However, the Atlanta and Memphis STCs trips on time performance decreased in FY 2021 (see Figure 5).

**Figure 5. Trips on Time**



Source: OIG analysis of SV data.

Because the Postal Service will be implementing several changes to the STC network in FY 2022, we did not make recommendations related to scan compliance, transportation cycle time, and trips departing on time. However, we encourage the Postal Service to continue monitoring these performance indicators and take action as appropriate. We plan to conduct future audit work on the STC network to evaluate and monitor these performance indicators.

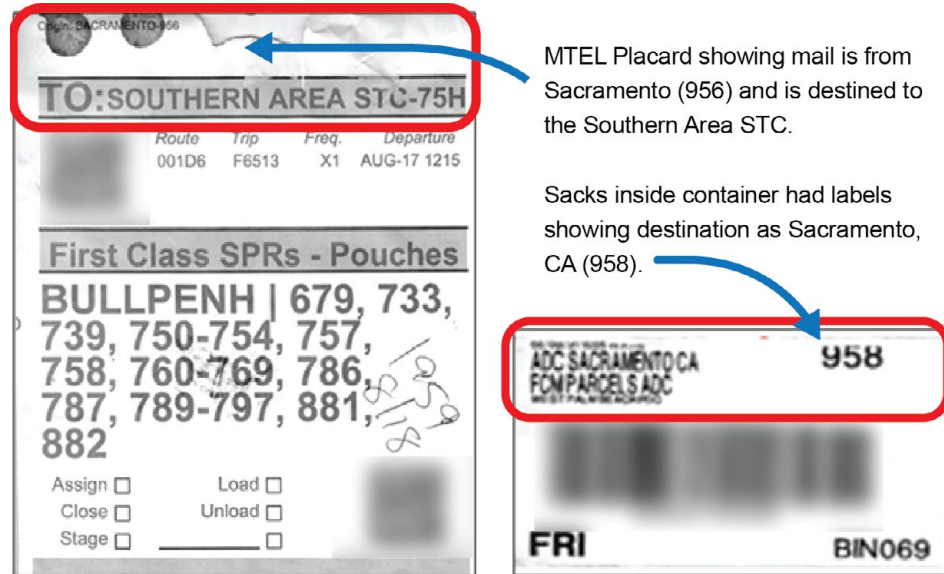
**Finding #1: Mail Preparation**

During our site observations, we found mail arriving at the STCs without proper labels or Mail Transport Equipment Labeler (MTEL) placards, including mail containing inaccurate transportation routing information and mailers who were not separating mail by transportation mode.

## Improper Labels and MTEL Placards

We observed mail with incorrect labels arriving at each STC. For example, placards on containers correctly destined for the Southern Area STC had labels incorrectly indicating the mail was for Sacramento (see Figure 6). In order to be processed at the STC, the incorrect labels for Sacramento had to be removed from the mail. STC personnel had to look at the mail to determine the correct destinating facility — for example the North Texas Processing and Distribution Center (P&DC) — and create new labels.

**Figure 6. First-Class Parcels with Incorrect Labels**

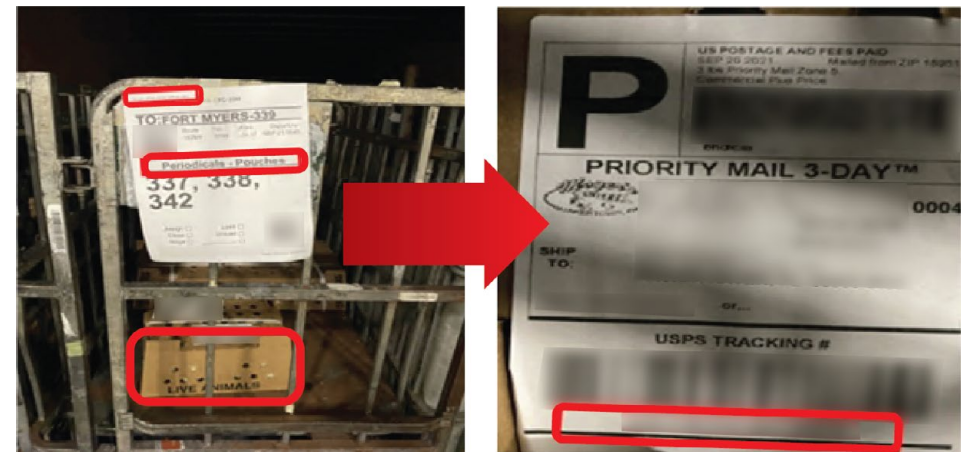


Source: OIG observation and documentation provided by the Southern Area STC on August 19, 2021.

We also observed containers arriving without placards and containing mixed mail types and destinations at the Seminole STC. Containers received without placards are brought to Postal Service STC management for further sorting and assignment to the correct destination facility. Additionally, Postal Service facilities sent mail not planned for the surface network to STCs. For example, at the Seminole STC we observed mail arriving with incorrect placards indicating

periodicals for the surface network; however, it contained live animals which should have been transported on the air network (see Figure 7).

**Figure 7. Incorrect MTEL Placard**



Source: OIG observations at the Seminole STC on September 22, 2021.

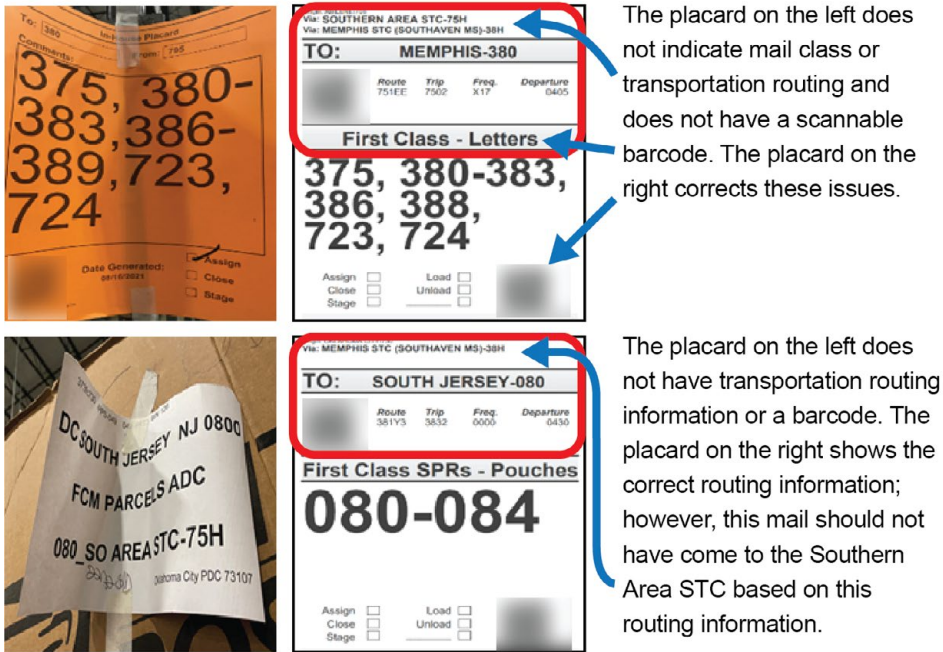
We also found that the Transportation Optimization Planning and Scheduling system contained missing or inaccurate transportation routing information at the Southern Area, Memphis, and Seminole STCs. The originating mail processing facilities were unable to create system-generated MTEL placards due to missing information in the system. For example, mail arrived without the proper transportation routing information and system-generated placards at the Southern Area STC. This occurred because the surface planning specialist<sup>7</sup> did not put required transportation routing information into the system. During our audit, we notified the specialist, who subsequently input the required routing information into the system, allowing the facility to print the proper placards with scannable barcodes (see Figure 8).

***“Postal Service facilities sent mail not planned for the surface network to the STCs.”***

<sup>7</sup> Postal Service management designee responsible for maintaining systems for proper identification, labeling, routing, and visibility of mail.



**Figure 8. MTEL Placards with Missing Routing Information**



Source: OIG observations at the Southern Area STC on August 18, 2021.

Mail arrived at STCs from originating mail processing facilities with improper labels or MTEL placards. This occurred because employees were not following the MTEL policy on the proper use of labeling and placards to ensure mail is dispatched with the correct routing information. Mail processing and logistics employees are required to dispatch mail with placards that identify mail container contents and accurate transportation routing information.

### No Separation of Mail

During our observations at the Southern Area STC, we found that mailers were not separating mail by air and surface transportation modes. Specifically, mailers were mixing air and surface mail in the same container, requiring additional processing. Southern Area STC employees separated the mail and assigned it to the air network using Postal Service systems.

These issues occurred because mailers were not abiding by their Customer Supplier Agreements (CSA). A CSA defines how mailers should separate mail by class, shape, and transportation mode and label it before providing it to the Postal Service. STC managers should ensure mailers are following their CSAs.

When STCs assign mail to the air network or create required labels and placards for containers that don't have them, the result is additional costs to the Postal Service for processing this mail. The Postal Service accounts for this cost in the STC contracts. However, it can avoid the budgeted amount if management ensures that mail arriving at the STCs has the proper labels and placards and is for surface transportation. Furthermore, extra processing time may negatively impact service performance.

*“During our observations at the Southern Area STC, we found that mailers were not separating mail by air and surface transportation modes.”*

#### Recommendation #1

We recommend the **Vice President, Processing and Maintenance Operations**, in coordination with the **Vice President, Logistics**, reinforce the Mail Transport Equipment Labeler policy to ensure mail is dispatched with correct routing information.

#### Recommendation #2

We recommend the **Vice President, Logistics**, reinforce the requirements to ensure that transportation routing information is current, accurate, and complete, in transportation systems.

#### Recommendation #3

We recommend the **Vice President, Logistics**, reinforce the responsibility of Surface Transfer Center Coordinators to notify management responsible for Customer Supplier Agreements when mailers do not comply with their agreed upon mail separations.

## Finding #2: Highway Contract Route Driver Screening

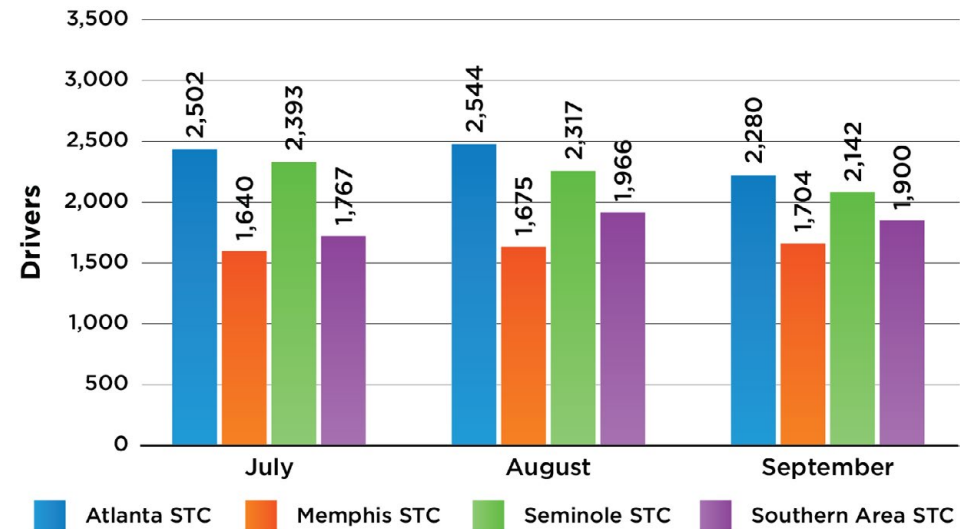
We found that HCR drivers did not always have proper identification verifying that they completed required security screening. During our site visits, we reviewed 141 outbound trips and observed 45 instances (32 percent) of drivers departing STCs without the required identification.

Postal Service policy requires that HCR personnel be screened to determine their eligibility as drivers. Administrative Officials (AO) are responsible for obtaining screening information from HCR suppliers for all personnel who transport mail for the Postal Service. They are also responsible for issuing temporary badges to HCR personnel until the Postal Service Inspection Service approves issuance of a permanent badge. HCR drivers must always visibly display identification badges while on Postal Service property. The Postal Service is not consistently performing periodic reviews to ensure that AOs are following and enforcing security screening policy and issuing identification badges for all HCR personnel.

*“Postal Service management did not ensure that STC personnel were asking HCR drivers for identification or recording it in SV.”*

Furthermore, STC personnel were not accurately recording driver information in SV. Specifically, of the 42,002 outbound trips from Southern Region STCs from July to September 2021, 24,830 (or 59 percent) were recorded in SV with incomplete or missing driver information (see Figure 9).

Figure 9. Drivers with Missing or Incomplete Information in SV



Source: OIG analysis of SV data.

This occurred because AOs did not follow safety and security protocols to ensure HCR drivers completed the required paperwork to obtain security clearances or did not issue the driver identification upon completing the security clearance process. Additionally, Postal Service management did not ensure that STC personnel were asking HCR drivers for identification or recording it in SV.

Insufficient controls over the contractor badge program and failure to record accurate driver identification in SV increases risks to the Postal Service and its brand and could impact the safety and security of employees, customers, the mail, and its assets.

### Recommendation #4

We recommend the **Vice President, Logistics**, develop and implement periodic reviews to ensure Administrative Officials follow and enforce the security screening policy and issuance of identification badges for all Highway Contract Route personnel.

### Recommendation #5

We recommend the **Vice President, Logistics**, reiterate through formal communication to Surface Transfer Center personnel the requirement for accurately recording driver information in Surface Visibility and using the irregularity reporting process to notify Administrative Officials when Highway Contract Route drivers do not have Postal Service-issued identification or badges.

### Finding #3: Highway Contract Route Management

We found that HCR trips did not always operate according to the planned transportation schedule or were omitted<sup>8</sup> by the supplier. During FYs 2019 through 2021, 187,366 (or 16.2 percent) of the 1,153,378 scheduled STC trips in the Southern Region did not operate on schedule due to contractor-related delays (see Table 2).

**Table 2. Total Contractor Delays by Southern Region STCs**

STC Reviewed	FY 2019	FY 2020	FY 2021	Total
Atlanta STC	12,181	11,743	21,704	45,628
Memphis STC	15,805	12,382	16,176	44,363
Seminole STC	19,052	23,594	16,300	58,946
Southern Area STC	11,201	10,212	17,016	38,429
<b>Total</b>	<b>58,239</b>	<b>57,931</b>	<b>71,196</b>	<b>187,366</b>

Source: OIG analysis of SV transportation data.

Additionally, from FYs 2019 through 2021, 22,883 (or 2 percent) of trips at Southern Region STCs were omitted by the HCR supplier. In FY 2021, the number of omitted trips increased significantly (see Table 3).

**Table 3. Total Omitted Trips at Southern Region STCs**

STC Reviewed	FY 2019	FY 2020	FY 2021	Total
Atlanta STC	986	710	3,811	5,507
Memphis STC	611	469	5,446	6,526
Seminole STC	2,689	2,467	975	6,131
Southern Area STC	544	340	3,835	4,719
<b>Total</b>	<b>4,830</b>	<b>3,986</b>	<b>14,067</b>	<b>22,883</b>

Source: OIG analysis of SV transportation data.

HCR drivers are expected to operate according to the scheduled arrival and departure times in the contract. When drivers do not operate on time or omit service, it could result in mail delays and the Postal Service may have to find alternate transportation. Further, we surveyed<sup>9</sup> Transportation Managers in the STC network to determine the reasons that transportation delays were occurring. Transportation managers responded that late trips, driver availability, and omitted service were the leading contributors to STC transportation delays.

Further, when an HCR trip runs late or is omitted due to a contractor failure, the AO is notified that a trip irregularity has occurred; however, we found that AOs were not consistently reviewing the irregularities. Specifically, between September 21 and November 19, 2021, there were 15,265 HCR late trip and omitted service irregularities, and AOs still had not addressed 9,158 (or 60 percent) of them as of November 20, 2021.

In a recent audit report,<sup>10</sup> we recommended that the Postal Service develop procedures to monitor AOs duties and assign management oversight of AOs to a responsible official, specifically one who can address HCR irregularities. As of February 2022, the Postal Service had implemented this recommendation,

<sup>8</sup> Omitted service occurs when the supplier/driver bypasses a facility, the supplier/driver departs origin but does not arrive at destination, the supplier does not schedule a driver for a trip, or a supplier does not perform a scheduled trip.

<sup>9</sup> We surveyed 315 plant and Transportation managers and received 113 responses. Of the 113 respondents, 36 were Transportation managers serviced by the STC network.

<sup>10</sup> *Trips Operating More than Four Hours Late* (Report Number 21-116-R22, dated November 5, 2021).

which can help the Postal Service improve its oversight of HCR irregularities. Therefore, we did not make any additional recommendations regarding the issue in this report.

## Management's Comments

Management generally agreed with the findings and agreed with recommendations 1, 2, and 4; but disagreed with recommendations 3 and 5. See [Appendix B](#) for management's comments in their entirety.

Regarding recommendation 1, management stated that they will distribute a national stand-up talk to address MTEL placarding requirements for all mail traveling through the postal network. The target implementation date is April 11, 2022.

Regarding recommendation 2, management stated that they will distribute a national stand-up talk to address requirements for building transportation routings into postal systems. The target implementation date is April 11, 2022.

Regarding recommendation 3, management stated that mailers may prepare their mail in accordance with either their CSA or as defined in the Domestic Mail Manual. Management further stated that there is no action required of an STC regarding a CSA, as the STC is a transfer hub where the requirement is to move volume timely. Management added that if an STC does not service specific destinations it will route the mail to a local plant for final processing and if an entire trailer load of mailer volume arrives incorrectly to an STC, the STC would notify others in the management chain to work with the mailer directly.

Regarding recommendation 4, management stated that they will create a standard work instruction for security screening. The target implementation date is April 25, 2022.

Regarding recommendation 5, management stated that their proposed response to recommendation 4 would address this concern.

## Evaluation of Management's Comments

The OIG considers management's comments responsive to recommendations 1, 2, and 4 and corrective actions should resolve the issues. We consider management's comments nonresponsive to recommendations 3 and 5.

Regarding recommendation 3, management's comments regarding mail preparation policies are accurate; however, their statement regarding routing mail to a local plant for final processing if the STC does not process it does not represent what we observed during fieldwork. Specifically, any air volume erroneously received at the Southern Area STC was reprocessed there and the Postal Service incurred additional charges for this volume. Had this volume been properly prepared or sent to the correct facility the Postal Service would not have incurred these additional costs or risked impacts on service. We view the disagreement with recommendation 3 as unresolved and will work with management to identify a solution through the audit resolution process.

Regarding recommendation 5, management stated that the standard work instruction referenced in recommendation 4 would address this recommendation. However, management has not identified whether or not the standard work instruction will include the accurate recording of information in SV or include the use of the irregularity reporting process. If these items are included, the standard work instruction could address recommendation 5. We view the disagreement with recommendation 5 as unresolved and will work with management to identify a solution through the audit resolution process.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

# Appendices

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# Appendix A: Additional Information

## Scope and Methodology

The scope of this audit was a review of the Postal Service's Southern Region STCs. We conducted site visits to observe transportation and processing operations at the Southern Area, Memphis, Atlanta, and Seminole STCs in the Southern Region. We also reviewed scanning data in SV for the four STCs from FYs 2019 through 2021.

To accomplish our objective and determine the efficiency of the Southern Region STC network, we:

- Analyzed transportation data, including trailer utilization, trips on time, and omitted or canceled trips.
- Reviewed trip irregularities.
- Reviewed compliance with contract objectives, including SV scanning, container cycle time, and recording driver information.
- Conducted site observations at all four Southern Region STCs, including observations of mail preparation, placards, and transportation routings.
- Conducted a nationwide survey of 315 plant and Transportation managers regarding STC service and performance. We received 80 complete responses

(25 percent), of which, 36 were from Transportation managers affiliated with the STC network.

Additionally, we interviewed Postal Service headquarters management and gathered information regarding the following:

- STC initiatives, including Ready Now > Future Ready and 10-year plan strategies.
- Budget planning, expense tracking, performance monitoring, and management oversight policies.
- Postal Service analysis of select STCs and its methodology for estimating planned volume.

Our review included all STCs in the Southern Region. We selected the Southern Region based on an analysis of STC transportation performance for total trips operated and vehicle utilization for the 12-week period of April 17 to July 9, 2021. Specifically, the Southern Region accounted for the highest percentage (about 33 percent) of nationwide STC trips — almost double the amount of total extra trips (about 2,123) than the next highest region — and had an average vehicle utilization of about 48 percent (see [Table 4](#)).

**Table 4. STC Transportation Performance (for April 17 to July 9, 2021)**

Region	Site	Total Trips for Selection Period	% To Total STC Trips	Total Extra Trips	Extra Trip %	Average Load %
Southern	Southern Area STC	28,029	11%	1,091	4%	51%
Southern	Memphis STC	21,217	8%	155	1%	42%
Southern	Atlanta STC	20,204	8%	740	3%	45%
Southern	Seminole STC	14,358	6%	137	1%	54%
<b>Southern Region Total</b>		<b>83,808</b>	<b>33%</b>	<b>2123</b>	<b>2%</b>	<b>48%</b>
Atlantic	Springfield NDC	31,507	12%	98	0%	33%
Atlantic	Capital Metro STC	20,812	8%	408	1%	44%
Atlantic	Northern NJ STC	19,948	8%	357	1%	44%
<b>Atlantic Region Total</b>		<b>72,267</b>	<b>28%</b>	<b>863</b>	<b>1%</b>	<b>40%</b>
Central	Chicago STC	29,889	12%	176	1%	49%
Central	Indianapolis STC	24,509	10%	147	0%	53%
Central	Kansas City STC	7,602	3%	24	0%	52%
<b>Central Region Total</b>		<b>62,000</b>	<b>24%</b>	<b>347</b>	<b>0%</b>	<b>51%</b>
West-Pac	S California STC	25,755	10%	887	3%	44%
West-Pac	Salt Lake City STC	8,017	3%	126	1%	60%
West-Pac	N California STC	5,781	2%	66	1%	58%
<b>Western-Pacific Region Total</b>		<b>39,553</b>	<b>15%</b>	<b>1079</b>	<b>2%</b>	<b>54%</b>
<b>STC Network Total:</b>		<b>257,628</b>	<b>100%</b>	<b>4412</b>	<b>1%</b>	<b>48%</b>

Source: SV and OIG analysis.

Additionally, the Southern Area STC in Dallas, TX, is the largest of the 13 STCs and has the greatest surface reach in the STC network, providing service to 104 postal facilities. The Memphis STC, also in the Southern Area, is the third largest facility in the network, providing service to 86 postal facilities. The Atlanta and Seminole STCs are similar in size to most of the other STCs in the network.

We conducted this performance audit from August 2021 through March 2022, 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 16, 2022 and included their comments where appropriate.

We assessed the reliability of the Enterprise Data Warehouse, SV, Informed Visibility, the Transportation Optimization Planning and Scheduling system, the Transportation Contract Support System, and Surface Transportation Automated Forms by interviewing agency officials knowledgeable about the data and reviewing related documentation. We determined that the data was sufficiently reliable for the purposes of this report.

## Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Trips Operating More Than Four Hours Late</i>	Assess the effectiveness of the Postal Service's management of HCRs and Postal Vehicle Service (PVS) trips operating more than four hours after the scheduled arrival time.	21-116-R22	11/8/2021	\$16.5



# Appendix B: Management's Comments



March 7, 2022

JOHN CIHOTA  
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Efficiency of Surface Transfer Center in the Southern Region (Report Number 21-212-DRAFT)

Thank you for providing the Postal Service with an opportunity to review and comment on the findings and recommendations contained in the draft audit report, *Efficiency of Surface Transfer Center (STC) in the Southern Region*.

Management partially agrees with Finding #1: Mail Preparation.

Management partially agrees with Finding #2: Highway Contract Route Driver Screening.

Management agrees with Finding #3: Highway Contract Route Management.

Following are our comments for each of the five recommendations.

Recommendation [1]:

We recommend the **Vice President, Processing and Maintenance Operations**, in coordination with the **Vice President, Logistics**, reinforce the Mail Transport Equipment Labeler (MTEL) policy to ensure mail is dispatched with correct routing information.

Management Response/Action Plan:

Management **agrees** with this recommendation. Management will distribute Stand-up Talk Nationally to address MTEL Placarding requirements for all mail traveling through Postal Network.

Target Implementation Date: 04/11/2022

Responsible Official:

Vice President, Logistics

Recommendation [2]:

We recommend the **Vice President, Logistics**, reinforce the requirements to ensure that transportation routing information is current, accurate, and complete, in transportation systems.

Management Response/Action Plan:

Management **agrees** with this recommendation.  
Management will distribute Stand-up Talk Nationally to address requirements when building transportation routings in Postal Systems.

Target Implementation Date: 04/11/2022

Responsible Official:

Vice President, Logistics

Recommendation [3]:

We recommend the **Vice President, Logistics**, reinforce the responsibility of Surface Transfer Center Coordinators to notify management responsible for Customer Supplier Agreements when mailers do not comply with their agreed upon mail separations.

Management Response/Action Plan:

Management **disagrees** with this recommendation.  
Mailers are required to either prepare the mailings per a Customer Service Agreement (CSA) or requirements of the Domestic Mail Manual (DMM) 705.8.10. Mail arrives STC. Pallet is either cross-docked or worked through sortation equipment. Placard is scanned through Surface Visibility (SV) without any type of notification to personnel if sorts, destinations, and/or separations are properly followed from CSA or DMM. Working volume runs down belt where if STC services destination, mail routes to destinating container, if STC does not service destination, mail will route to local plant for final processing. No action required of an STC regarding a CSA. STC is a transfer Hub where requirements are to move volume timely through facility. In the event a mailer missorts or misroutes volume, Processing and Distribution centers have ability to scan pallet or tray barcodes in SV under Mailer Irregularities which is then reflected in the Mailer Scorecard. Errors are only reported as warnings on Mailer Scorecard. In the event an entire trailer load of mailer volume arrives incorrectly to an STC, the STC notifies the Director of STC Operations who relays information to Director of Policy and Procedures. Director of Policy and Procedures would notify mailer directly.

Target Implementation Date:

N/A

Responsible Official:

N/A

Recommendation [4]:

We recommend the **Vice President, Logistics**, develop and implement periodic reviews to ensure Administrative Officials follow and enforce the security screening policy and issuance of identification badges for all Highway Contract Route personnel.

Management Response/Action Plan:

Management **agrees** with this recommendation.  
Create Standard Work for Security Screening

Target Implementation Date: 04/25/2022

Responsible Official:

Vice President, Logistics

Recommendation [5]:

We recommend the Vice President, Logistics, reiterate through formal communication to Surface Transfer Center personnel the requirement for accurately recording driver information in Surface Visibility and using the irregularity reporting process to notify Administrative Officials when Highway Contract Route drivers do not have Postal Service-issued identification or badges.

Management Response/Action Plan:

Management **disagrees** with this recommendation.  
Standard work referenced above addressed this concern.


Target Implementation Date:

N/A

Responsible Official:

N/A

\_\_\_\_\_  
Robert Cintron  
Vice President, Logistics

  
\_\_\_\_\_  
504 Mike L. Barber  
Vice President, Processing &  
Maintenance Operations

cc: *Manager, Corporate Audit Response Management*

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