

Contract Trucking Safety and Compliance

AUDIT REPORT

Report Number 23-088-R24 | February 27, 2024



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Highlights

Background

The U.S. Postal Service and its contracted trucking companies and drivers play a key role in transporting and maintaining the safety and security of the mail. The Postal Service has approximately 4,600 trucking contracts (highway contract routes and freight auction services) with associated costs of \$5.2 billion. The Postal Service's ability to effectively manage and oversee these operations, while promoting safety controls and compliance, will support contract performance and protect the safety of motorists nationwide.

What We Did

Our objective was to assess the effectiveness of contract trucking safety controls, compliance, and oversight in response to a congressional request and stakeholder concerns.

What We Found

Contract trucking safety controls and oversight were not always effective. The Postal Service did not track contractor accidents and fatalities. While contractors must provide accident data, the Postal Service did not record this information. The Postal Service plans to monitor and track this information within an existing platform, but these plans have not been implemented. Secondly, the Postal Service did not always know who was authorized to transport the mail or enforce the terms and conditions of the contracts or Ordering Agreements. This occurred because there was no requirement to report subcontractor authorization or vetting to the Postal Service; inconsistent policy requirements to provide written subcontractor approval; no authorization tracking system; and communication and prioritization issues. As a result, the Postal Service may lack visibility into the safety performance of contractors and subcontractors.

Lastly, Postal Service screening processes did not include a contract trucker's driving history. We previously reported on insufficient screenings for highway contract route drivers and found similar issues for freight auction drivers, as 241,006 trips filled through the freight auction process were completed by unvetted drivers. These issues occurred because freight auction is considered a special circumstance. Continued use of the current freight auction driver vetting processes could compromise the safety and security of mail and other motorists.

Recommendations

We recommend management finalize the method for tracking contractor accident and fatality data and policies; require subcontractor authorization and develop a reporting system; clarify policies to authorize subcontractors; implement a mechanism to track subcontractors; validate team drivers and update policies; define freight auction; and update and enforce freight auction guidance.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

February 27, 2024

MEMORANDUM FOR: PETER ROUTSOLIAS
VICE PRESIDENT, TRANSPORTATION STRATEGY

ROBERT CINTRON
VICE PRESIDENT, LOGISTICS

DANE A. COLEMAN
VICE PRESIDENT, PROCESSING & MAINTENANCE OPERATIONS

A handwritten signature in black ink, reading "Amanda H. Stafford", is positioned below the list of recipients.

FROM: Amanda H. Stafford
Deputy Assistant Inspector General (DAIG)
for Retail, Marketing & Supply Management

SUBJECT: Audit Report – Contract Trucking Safety and Compliance
(Report Number 23-088-R24)

This report presents the preliminary results of our audit of Contract Trucking Safety and Compliance.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Shirian Holland, Director, Infrastructure and Supply Management, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit Response Management

Results

Introduction/Objective

This report, Contract Trucking Safety and Compliance, (Project Number 23-088), presents the results of our audit conducted in response to a Congressional request.¹ Our objective was to assess the effectiveness of contract trucking safety controls, compliance, and oversight. See [Appendix A](#) for additional information about this audit.

Background

The U.S. Postal Service relies heavily on its contracted trucking companies and their drivers to provide safe and secure surface transportation of mail throughout the country. The Postal Service had approximately 4,600 trucking contracts with associated costs of \$5.2 billion in fiscal year (FY) 2023. The Postal Service relies on two types of trucking contracts for handling and transporting mail between Postal Service facilities:

- *Highway Contract Routes (HCR)*. These contracts provide for a contractor to carry mail between specific, designated points via a predetermined route. HCRs allow the Postal Service to set standard pricing on reoccurring routes.
- *Freight Auction*. These specialized contracts² provide the Postal Service flexibility to purchase extra capacity as needed when HCR contractors are unable to fulfill the route. The Postal Service allows suppliers to complete routes without a specified line of travel as required by HCR. Freight auction services are provided by asset-based companies (own their vehicles and perform the routes) and brokers (subcontract out the routes).

Postal Service staff throughout the organization are responsible for providing management and oversight of contractor performance, safety, data,

and compliance. Officials from the Transportation Strategy,³ Logistics,⁴ and Processing & Maintenance Operations⁵ groups help ensure contractors safely transport the mail and perform in accordance with their contracts. Specific roles and responsibilities include the following:

- The Postal Inspection Service's Security Investigations Service Center (SISC) administers the background screening and security clearance process for all HCR drivers to determine their eligibility.⁶
- Contracting officers (CO, about 37) manage highway trucking contracts and have the sole authority to award, amend, terminate, or otherwise alter the contracts.
- Administrative officials⁷ (AO, about 1,100) provide daily oversight related to services performed by the contractor and report any issues to the appropriate CO. Other AO duties include:
 - working with COs to jointly monitor several aspects of the contractor's performance to identify any contract violations,⁸ including lapses in insurance coverage,⁹ safety ratings, and operation efficiency levels.
 - obtaining, retaining, and submitting clearance documents¹⁰ to the SISC, as well as ensuring drivers have valid clearances.
- Expeditors¹¹ (about 4,300) review driver credentials as well as the receipt and dispatch of mail.

There are a variety of laws, regulations, and policies that govern key aspects of these highway contracts – both HCR and freight auction – from safety screening to evaluation and selection criteria, data collection and reporting, and oversight. The Postal Service

1 In a March 2023 letter to the OIG, Congress requested an investigation into the truck freight shipment safety practices, specifically USPS policies concerning selection, monitoring, and oversight of its truck freight shipment contractors and subcontractors.

2 This occurs via an Ordering Agreement, which is a non-binding one year contract with specific agreed upon deliverables.

3 The Transportation Strategy group oversees contracted Mail Transportation Services including supply management processes such as procurement, sourcing, contract management, and supplier relations.

4 The Logistics division is responsible for centralizing research, modeling, and analytics for surface and air to improve logistics planning and execution.

5 The Processing & Maintenance Operations division is responsible for mailing and shipping services, and processing mail to enable logistics and delivery operations.

6 Management Instruction PO-530-2009-4, dated September 2009.

7 This can be the postmaster, manager, or designated person at facility where the HCR originates.

8 The Postal Service has a five-step process to address violations with the suppliers.

9 Suppliers must maintain vehicle insurance coverage as required by federal, state, and local laws. Per the U.S. Department of Transportation, the minimum federal threshold is \$750,000. However, the CO, at their discretion, may require higher limits of insurance coverage.

10 HCR drivers' clearance packages must include the Postal Service (PS) Form 2025 Contract Personnel Questionnaire, PS Form 2181-C – Authorization and Release – Background, Investigation, Form FD 258 – Fingerprint Card, a motor vehicle record less than 30 days old, and two passport-size photos.

11 Expeditors manage transportation activities including the receipt and dispatch of mail between facilities and customers, record transportation data, and perform scans on placards and trailers.

is generally not subject to federal transportation laws.¹² However, contract trucking providers (and their subcontractors) are required to comply with all transportation, federal, and state laws, as well as Postal Service contract requirements. For example, U.S. Department of Transportation (DOT) regulations limit drivers' hours-of-service to an 11-hour maximum driver time and set the number and length of rest periods to help ensure that drivers stay awake and alert. The responsibility for enforcing these driving time limits and breaks, however, lie with the contractor as the Postal Service is not required to enforce the DOT's requirements.

“Contract trucking providers (and their subcontractors) are required to comply with all transportation, federal, and state laws, as well as Postal Service contract requirements.”

Postal Service internal contract trucking policies are generally governed by its Supplying Principles and Practices (SPs and Ps), but also include other procurement handbooks, guidance, and contracts. Together these documents set forth the criteria, terms, and conditions for various contract trucking related activities including the following:

- **Evaluating and selecting highway trucking contractors.** Describes the various consideration factors including past performance, cost, potential conflicts of interest, safety, and the contractors technical and financial capability to complete the contract.¹³ Although safety has always been a part of the evaluation process, beginning in March 2023, the Postal Service began placing a greater emphasis on the contractor's safety

record during this evaluation and selection process. COs are now encouraged to select contractors with a better safety record, even if it costs more.¹⁴

- **Use of subcontractors.** Allows HCRs and freight auction to use subcontractors. HCR contractors must obtain prior written approval during both pre-award and thereafter to employ subcontractors that will need access to the mail or Postal Service facility (for clearance and screening). Subcontracting without the prior written approval of the CO is a major irregularity for which the contractor may be terminated without notice or warning, except in an emergency.¹⁵ However, for freight auction, Postal Service policy or the Ordering Agreements do not require contractors to obtain prior authorization to use subcontractors.
- **Driver safety and screenings.** Requires HCR suppliers to submit a packet¹⁶ that contains information to screen drivers. Freight auction contractors follow an alternative process for submitting driver's information that does not include a background screening.¹⁷ Additionally, team drivers¹⁸ must be provided for trips that exceed 500 miles¹⁹ to promote safe driving practices.
- **Fatality or accident reporting.** Requires contractors to report accidents to the AO and fatalities to the Transportation CO.²⁰ Postal Service policy also requires AOs to report accident information to the Postal Inspection Service.
- **Contract termination.** States that highway trucking contracts can be revoked if the contractor fails to perform service according to the terms of the contract or if the CO determines that termination is in the best interests of the Postal Service.²¹

The Postal Service's use of contracted trucking is critical to the timely, efficient, safe, and secure transportation of millions of pieces of mail throughout

¹² Excluding non-transportation specific laws of general application, such as the Occupational Safety and Health Act of 1970, which generally applies to the Postal Service. See 29 U.S.C. § 652(5) (2012).

¹³ SPs and Ps, Section 2-26, *Develop Proposal Evaluation Strategy*, dated June 20, 2020.

¹⁴ The Postal Service determines selection based on lowest total cost of ownership, technology, innovation and efficiency, assurance of supply, and quality relative to the Postal Service's needs.

¹⁵ Handbook PO-513, *Mail Transportation Procurement Handbook*, Section 2.8.1, dated February 1990.

¹⁶ Packet consists of a 3-to-5-year driving record, two original PS Forms 2025, one original PS Form 2181-C, two original PS Forms FD 258, and two full face color photographs.

¹⁷ Management Instruction PO-530-2009-4, Section 19 – *Special Circumstances*, dated September 2009.

¹⁸ Team drivers work in tandem to complete the route while staying within drive time limitations.

¹⁹ This information is contained within the freight auction statement of work. However, HCR contracts do not contain team driver requirements, as the trips are predetermined with built in scheduled stops to Postal facilities.

²⁰ Handbook PO 515, *Highway Contractor Safety*, Section 54 (f), dated July 2010.

²¹ SPs and Ps, Clause B-12, Termination for Convenience or Default, dated June 20, 2020.

the country each day. The Postal Service’s ability to effectively manage and oversee these operations, including promoting proper usage of contract trucking safety controls and compliance with applicable laws, regulations, and policies, will help to ensure the Postal Service achieves its expected value, performance, and service from these contracts as well as protecting the safety of motorists nationwide.

Findings Summary

We found that the Postal Service’s highway trucking contract safety controls, contract compliance, and screening oversight were not always effective. First, the Postal Service did not track contractor accidents and fatalities. Second, the Postal Service did not always develop appropriate safety requirements, provide adequate oversight, or enforce the terms and conditions of the contracts or freight auction Ordering Agreements.

Lastly, the Postal Service’s screening processes did not always include a contract trucker’s driving history. These collective deficiencies hindered visibility into safety performance and could compromise the safety and security of the mail and motorists.

Finding #1: The Postal Service Does Not Track Trucking Accidents and Fatalities by Contractors

The Postal Service did not track trucking contractor accidents and fatalities and therefore, we could not determine the total number of occurrences. We analyzed incident data between October 2018 and December 2022²² tracked on the DOT’s Federal Motor Carrier Safety Administration (FMCSA) website to help assess Postal Service contract trucker safety performance. This list does not contain all contractors utilized by the Postal Service as FMCSA does not track company safety data separately.²³ However, we were able to identify at least 373 accidents resulting in 89 fatalities that were directly related to 43 on-duty contractors servicing Postal Service trucking contracts. These 43 contractors were associated with Postal Service contracts totaling about

\$1.34 billion between October 2018 and December 2022. We determined that the Postal Service had not terminated any contracts with trucking companies involved in accidents or fatalities prior to March 2023.

The Postal Service was unable to provide statistics and information on incidents (e.g., frequency, location, time, or involved parties) as it did not monitor FMCSA or have a system for recording or tracking related contractor data. However, when accidents or fatalities occur on trucking routes contracted with the Postal Service, contractors are required to report incident data to Postal Service contracting personnel. As stated earlier, Postal Service policy²⁴ also requires AOs to report accident information to the Postal Inspection Service. Despite these reporting requirements, there

is no centralized collection of information concerning these incidents. Postal Service officials acknowledged the lack of such a system, noting that tracking this data was not previously required by Postal Service policy or procedures.

The Postal Service has recently started to track this information. In March 2023, the Vice President, Transportation Strategy,

stated that all traffic accidents involving contract trucking drivers be reported directly to him and the appropriate CO. This directive; however, was not recorded in written policy. In June 2023, the Postal Service stated they have an existing platform that could be used for storing contract trucking safety data.²⁵ However, as of November 2023, the Postal Service had not created corresponding policies governing the use of this system (including related roles, responsibilities, and procedures) to record contract trucking safety data.

The Postal Service is however, taking other actions to monitor, assess, and potentially act on contractor safety data. First, it hired outside experts to review changes in the suppliers’ safety ratings, create a list of suppliers to avoid, and determine suppliers’ insurance coverage risk. Second, it is working to establish new contract trucking processes and procedures to improve the quality of contractors,

“The Postal Service’s screening processes did not always include a contract trucker’s driving history.”

²² The DOT was unable to retrieve data prior to October 2018.

²³ We used key words such as “postal service”, “USPS”, and “mail” to determine a list of contractors.

²⁴ Handbook PO 515, *Highway Contractor Safety*, Section 54 (f), dated July 2010.

²⁵ Postal Service officials stated that they would use the Human Resource’s Safety and Health Management Tool – the current internal safety data storage location – as the centralized repository for contract trucking safety data.

including the removal of contractors with a conditional safety rating.²⁶ Collectively, these actions would better inform the Postal Service when making decisions to either (a) choose a contractor based on their safety performance or (b) take appropriate termination or other corrective actions in instances of poor safety performance.

However, even with these actions, the lack of a finalized method and established policies to track and monitor contractor accident and fatality data in the existing safety database limits the Postal Service's visibility into contractor safety performance. This deficiency could allow unsafe drivers to transport mail and put other motorists at risk.

Recommendation #1

We recommend the **Vice President, Transportation Strategy**, finalize the method for tracking contractor accident and fatality data and establish corresponding written policies and procedures, including related roles and responsibilities.

Finding #2: Lack of Subcontractor and Team Driver Oversight

The Postal Service lacked requirements and clear policies or did not always enforce the terms and conditions of the contracts or freight auction Ordering Agreements to promote safe highway trucking practices. We found the following deficiencies:

- **Lack of Visibility in Subcontractor Use.** The Postal Service did not always know who was authorized to transport the mail on its behalf. Freight auction brokers were not required to obtain prior written approval or inform the Postal Service of the specific subcontractors being utilized. Instead, the Postal Service relied on the broker to complete subcontractor authorization and vet the subcontractor, but those results are not required to be reported to the Postal Service. The onus is on the broker to ensure the subcontractor is in compliance with Postal Service policies.

Specific to HCR contracts, per the procurement handbook,²⁷ contractors should specify their intent to subcontract route operations during

contract award and disclose any subsequent subcontractor additions. Further, if a contractor wants to use additional subcontractors, Postal Service policy²⁸ states this is an exceptional action and should be approved only when the contractor can offer sufficient reasons for the change. HCR contract terms and conditions also require the contractor to fully disclose subcontractor relationships as part of its proposal.²⁹

However, of the 15 COs and AOs interviewed, 14 (93 percent) did not know when HCR contractors utilized a subcontractor. Furthermore, HCR contractors must obtain prior written approval from the CO to employ subcontractors. However, six of the seven COs we interviewed were not aware of this requirement and therefore did not have the required documentation. Instead, the Postal Service relied on the HCR contractor to determine when to use a subcontractor and to ensure the subcontractor adhered to the terms and conditions including safety requirements. Using subcontractors without the prior written approval of the CO³⁰ is a major irregularity for which the contractor may be terminated without notice or warning. However, while the SPs and Ps³¹ require approval from the CO before subcontracting, it does not state that approval needs to be written.

“Using subcontractors without the prior written approval of the CO is a major irregularity for which the contractor may be terminated without notice or warning.”

We attributed these shortfalls to (a) no requirement under Postal Service policy or the non-binding Ordering Agreement for brokers to report the results of their authorization and vetting

26 Per FMCSA, conditionally rated carriers are defined as those that do not have adequate safety controls to ensure compliance with the safety fitness standard (framework used to determine a carrier's safety rating), which could result in safety violations. As of Month 2023, the Postal Service had 1,381 active contractors, of which 17 had a conditional safety rating.

27 Handbook PO-513, *Mail Transportation Procurement Handbook*, Section 2.8.1, dated February 1990.

28 Handbook PO-513, *Mail Transportation Procurement Handbook* Section 2.8.1, dated February 1990.

29 The supplier must include a detailed operations plan in its proposal. The operations plan must fully disclose subcontract relationships and the contractor's intent to subcontract route operations.

30 Handbook PO-513, *Mail Transportation Procurement Handbook* Section 2.8.1, dated February 1990.

31 SPs and Ps, Clause B-89: Subcontracting (Surface Transportation) (June 2020), dated June 20, 2020.

for subcontractor use to the Postal Service, (b) inconsistent policy requirements between the procurement handbook, HCR contract language, and the SPs and Ps to record authorization for HCR subcontractor and (c) no system to track authorization.

Lack of visibility into subcontractors transporting mail, could result in the risk the Postal Service contracts with subcontractors with poor safety ratings – threatening future transportation service, costs, and safety. No policies or requirements for freight auction brokers to report the results of their vetting of subcontractors put performance visibility and safety at risk as the Postal Service’s cannot clearly identify subcontractors or confirm their adherence to safety controls used on trucking routes. Inconsistent policy requirements for HCR suppliers make it difficult for Postal Service personnel to determine which guidance to employ when overseeing subcontractor use on these transportation contracts. Additionally, without a written record, it can be difficult to confirm authorization and could thus hinder the rightful termination of contractors that employ unauthorized subcontractors or subcontractors with poor safety ratings.

- *Failure to Enforce Freight Auction Team Driver Safe Driving Distance Thresholds.* We found that the Postal Service did not include team driver requirements on HCR contracts because the related routes involve frequent, scheduled stops at multiple facilities. However, the Postal Service had team driver requirements for freight auction service Ordering Agreements, but there were trips that exceeded 500 miles that were not staffed with team drivers. The statement of work states that team drivers must be provided for long distance trips – 500 miles or greater – to maintain safe driving times that allow drivers to be alert.

The deficiency occurred due to a variety of reasons including (a) a lack of communication between AOs and expeditors regarding the enforcement of team drivers, (b) some AOs

“Failing to enforce freight auction team driver requirements could put driver and motorist safety at risk.”

prioritized organizational mail service performance deadlines over team driver verification requirements, and (c) the statement of work only states team drivers must be provided for trips that exceed 500 miles. However, there is no mechanism in place to validate if an additional driver was provided. Failing to enforce freight auction team driver requirements could put driver and motorist safety at risk.

Overall, without clarifying subcontractor pre-authorization guidance, establishing requirements to track subcontractors used by contractors, and enforcing the team driver requirement, the Postal Service is at risk for safety visibility and performance issues. Specifically, these deficiencies could allow subcontractors with safety violations to transport mail.

Recommendation #2

We recommend the **Vice President, Transportation Strategy**, require freight auction brokers to report subcontractor authorization and vetting and develop a system of record to maintain the reported results.

Recommendation #3

We recommend the **Vice President, Transportation Strategy**, clarify, communicate, and enforce subcontractor authorization guidance for highway contract route contractors and terminate contractors who are non-compliant.

Recommendation #4

We recommend the **Vice President, Transportation Strategy**, in conjunction with the **Vice President, Logistics**, and the **Vice President, Processing and Maintenance Operations**, develop requirements and implement a mechanism to track highway contract route contractors and the subcontractors they utilize.

Recommendation #5

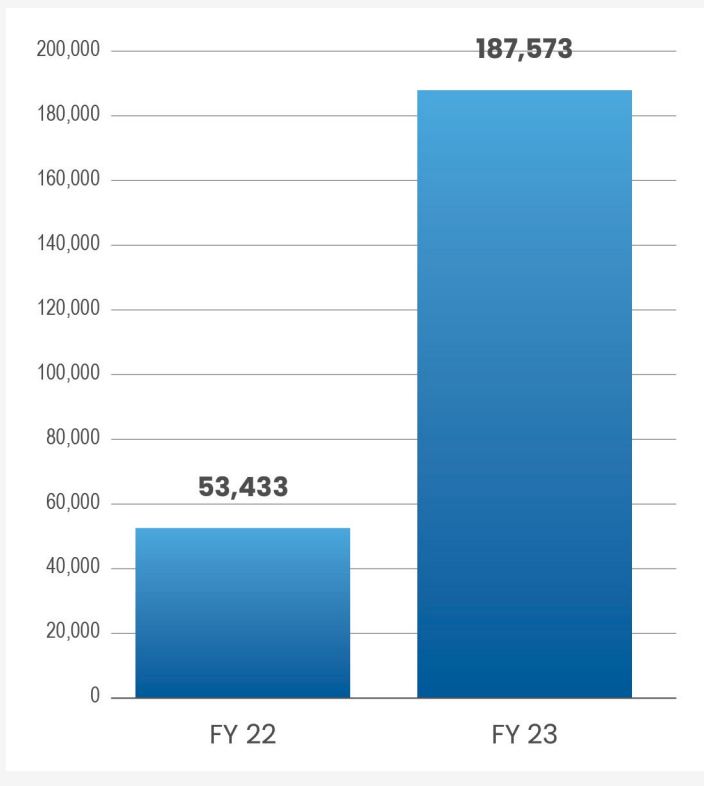
We recommend the **Vice President, Transportation Strategy**, in conjunction with the **Vice President, Logistics**, and the **Vice President, Processing and Maintenance Operations**, communicate and create a mechanism to validate the use of team drivers for trips that exceed 500 miles, update freight auction statements of work, and terminate contractors who are non-compliant.

Finding #3: Driver Screening Oversight Deficiencies

The Postal Service did not ensure all highway trucking contract drivers were vetted prior to providing access to facilities and mail. For HCR contracts, we recently reported³² the Postal Service did not always obtain security clearances for all HCR drivers, in accordance with established policy.³³ Specifically, of the 250 HCR drivers' security clearance records sampled, about 23 percent had not obtained a security clearance; 4 percent had a "pending" security clearance status; about 2 percent had an "access rescinded" status. In the previous report, we made corresponding recommendations to address the issues with HCR contract drivers.

We also found that, since the implementation of freight auction two years ago, the Postal Service significantly increased their use of freight auction trips. There has been over a 350 percent increase in the number of trips from FY 2022 to FY 2023 (see Figure 1).

Figure 1. Freight Auction Trips



Source: OIG analysis based on data from Surface Visibility.

The Postal Service guidelines did not require vetting of drivers of the 241,006 freight auction trips in FY 2022 and FY 2023 using the comprehensive, HCR background screening process, which consists of:

- Drivers obtain a temporary badge from the AO by completing Postal Service (PS) Form 2025, one original PS Form 2181-C, two original Forms FD 258, *Fingerprint Card*, and submit two full face color photographs, and a driving record.
- The AO submits the full background screening package to the Postal Inspection Service for processing, who subsequently conducts a full background investigation.
- Drivers who clear the background investigation are issued a four-year badge.³⁴

The applicable policy³⁵ for freight auction drivers states that, as a "special circumstance" classification,³⁶ suppliers' personnel used on an emergency basis must complete a PS Form 2081, *Highway Contract Driver Assignment Notification* (see Figure 2), provide a color picture, and submit both to the AO upon arrival at a facility. The AO should then issue a temporary badge. This process allows drivers to accept and transport the mail but does not require disclosure of a drivers' history. We also found that Postal Service personnel did not always complete this alternative process, and instead allowed drivers to only present a driver's license to access the facility and transport mail.

“We also found that, since the implementation of freight auction two years ago, the Postal Service significantly increased their use of freight auction trips.”

32 Transportation Workplace Safety and Driver Security, Report number 23-055-R23, issued September 26, 2023.
33 Management Instruction PO-530-2009-4, Section 19 - *Special Circumstances*, dated September 2009.
34 PS Form 5140, Non-Postal Service Contract Employee.
35 Management Instruction PO-530-2009-4, Section 19 - *Special Circumstances*, dated September 2009.
36 A special circumstance allows supplier personnel to be used on an emergency basis for 15 days or less (e.g., snow routes).

Figure 2. Highway Contract Driver Assignment Notification Form

		<h2>Highway Contract Driver Assignment Notification</h2>		Effective Date (MM/DD/YYYY)
Driver's Name (Last, first, middle)	Driver's Social Security Number	Driver's Birthday (MM/DD/YYYY)		
Driver's Home Address (Number, street, apt. no., city, state, ZIP Code)	Driver's Phone Number	Driver's Height	Driver's Weight	
	Driver's Truck/Trailer Registration Number	Driver's License/CDL Number and State		
Contract Company's Name				
<input type="checkbox"/> Emergency Assignment (Not to exceed 60 days)				
Driver's Name (Please print.)	Contract Number	Administrative Official's Name (Please print.)		
Driver's Signature		Authorized Signature		
<p>Privacy Act Statement: Your information will be used to determine contract vehicle operator suitability for assignments requiring access to mail and to provide local Post Office managers, supervisors, and transportation managers with information to assign routes and vehicles, and to adjust workload, schedules, and type of equipment operated. Collection is authorized by 39 U.S.C. 401, 403, 404, and 1206. Supplying the information is voluntary, but if not provided, you will not be able to receive assignments requiring access to mail or for routes, vehicles, and equipment. We do not disclose your information to third parties without your consent, except to act on your behalf or request, or as legally required. This includes the following limited circumstances: incident to legal proceedings involving the Postal Service; for law enforcement purposes; to a congressional office on your behalf; to agents or contractors when necessary to fulfill a business function; to a U.S. Postal Service auditor; to labor organizations as required by applicable law; to government agencies in connection with decisions as necessary; to the Equal Employment Opportunity Commission (EEOC) when requested in connection with the investigation of a formal complaint; and to the Merit Systems Protection Board or Office of Special Counsel for the purpose of litigation. For more information on our privacy policies, visit www.usps.com/privacypolicy.</p>				
PS Form 2081, March 2022				

Source: U.S. Postal Service Blue Pages.

This occurred because the Postal Service initially used the freight auction process to staff routes on an emergency basis and accordingly did not require the comprehensive background screening, which could take up to two weeks or longer. However, the dramatic increase in the use of freight auction processes to staff routes is resulting in an increased risk associated with the drivers allowed to transport mail. Additionally, it is unclear if the situations actually constitute an emergency, since they are being applied so broadly and the criteria and process the Postal Service used for determination of emergency basis are not defined. Furthermore, although freight auction guidance is found within the Ordering Agreement, it has not been updated to reflect policies specific to freight auction processes.

As a result, the Postal Service allowed freight auction drivers to transport mail without being vetted. Postal Service processes do not provide any information about driving history records and allow drivers without any background screening access to the mail. As the volume of routes selected via the

freight auction process continues to rise, using a weak screening process could lead to unqualified drivers transporting mail, compromising security of mail and safety of motorists.

Recommendation #6

We recommend the **Vice President, Transportation Strategy**, define freight auction applicability to Management Instruction PO-530-2009-4, Section 19 - Special Circumstances.

Recommendation #7

We recommend the **Vice President, Transportation Strategy**, update and enforce freight auction guidance and include at minimum a process to verify driver history.

Looking Forward

In its Delivering for America plan, the Postal Service describes how it will build upon existing safety programs and empower employees to identify, record, and report safety concerns with the goal

of reducing accidents. With over 1.6 billion annual surface mail transportation miles and a goal to preserve the safety of the mail and public's trust, the Postal Service continues to explore opportunities to improve safety through its contract trucking safety policies and practices. The Postal Service recently announced its plans to implement stricter requirements as discussed in the report. For example, the Postal Service introduced new ways to verify if contractors meet safety standards through external monitoring services. As the Postal Service makes additional safety control enhancements, the OIG will continue to examine any concerns related to highway contract trucking.

“The Postal Service introduced new ways to verify if contractors meet safety standards through external monitoring services.”

used in normal business practices of larger shippers. The broker supplier has the responsibility of recordkeeping and maintaining subcontractor records, so the Postal Service stated it sees no benefit in maintaining duplicative records.

Regarding recommendation 3, management stated that since 2019, the Postal Service business practices changed, and it has used more freight brokers and emphasized the expansion of

the HCR supplier base. Therefore, they will revise or discontinue the use of contract Clause B-89, Subcontracting, as it applies to subcontractor authorization guidance for HCR contractors. The target implementation date is July 31, 2024.

Regarding recommendation 4, management stated that with the changes to their business practices, they will revise or discontinue the use of contract Clause B-89, Subcontracting, and will not develop requirements and a mechanism to track HCR contractors and their subcontractors.

Regarding recommendation 5, management stated that the supplier is required to conduct its operations under the contract in full compliance with all local, state, and federal regulations as identified in contract Clause B-6, Safety Requirements, including Hours-of-Service regulations. Management also stated that the Freight Auction 500-mile team requirement is needed to align with Hours-of-Service regulations and does not pose any safety concerns. Additionally, some HCR carriers use relay points instead of using team drivers. Management deems such requirements acceptable as long as suppliers meet scheduled transit time requirements.

Regarding recommendation 6, management stated the applicability of Freight Auction is not solely limited to section 19 Special Circumstances of Management Instruction PO-530-2009-4. Freight auction is used not only as a replacement for service when the primary carrier is unavailable, but also used on contracts that require flexibility or seasonal service. Management further stated freight auction is a common, industry best practice and is an integral part of the normal, day-to-day USPS procurement solution.

Management's Comments

Management agreed with findings 1 and 2 and disagreed with finding 3. They agreed with recommendations 1 and 3 and disagreed with recommendations 2, 4, 5, 6, and 7.

Regarding finding 3, management stated they have a process to properly vet HCR drivers and will continue to train personnel on the HCR screening process. Additionally, management stated freight auction is exclusively used in emergency situations and allows the Postal Service to adjust to current business conditions. Lastly, management stated the related screening process is primarily focused on the driver's criminal record and is not an evaluation of the driver's safety record or competence, as they generally rely on the suppliers and subcontractors to hire safe and qualified drivers.

Regarding recommendation 1, management stated that Transportation Strategy currently has a process and method for tracking contractor and fatality information; however, the actual tracking of accidents and fatalities began in October 2023. The VP Transportation Strategy will issue written instructions regarding policy and procedure, and roles and responsibilities to the respective personnel. The target implementation date is July 31, 2024.

Regarding recommendation 2, management stated they will limit or discontinue the usage of contract Clause B-89, Subcontracting. Since 2020, the Postal Service has increased its usage of freight brokers, and the clause is not practical as it is not

Regarding recommendation 7, management stated freight auction policy and guidance is reflected in formal documents such as the Ordering Agreement and contract. Additionally, Management Instruction PO-530-2009-4 outlines the screening of highway transportation contractors, suppliers, and their personnel for eligibility determination to access the U.S. Mail and mail processing facilities. Management also noted that U.S. tax laws require brokers to maintain subcontractor records for several years; therefore, maintaining duplicative records regarding individual drivers would not be of benefit to the Postal Service and will create legal risks.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to recommendations 1 and 3 and non-responsive to recommendations 2 and 4 through 7. We will pursue recommendations 2, and 4 through 7 through the audit resolution process.

Regarding management's disagreement with finding 3, although the process used by management to vet freight auctions drivers allows for drivers to provide a valid CDL and completed form allowing them to legally handle U.S. mail, this process is not always followed. Additionally, management stated that the screening process is primarily focused on the driver's criminal record (or lack thereof); however, Management Instruction PO-530-2009-4 has requirements relating to a review of the driver's driving record, which is also not being followed.

Regarding management's disagreement with recommendation 2, we acknowledge management's statement that using Clause B-89, Subcontracting is not a common business practice for large shippers. However, there is a lack of subcontractor visibility by freight auction brokers. While the onus is on the supplier to ensure they are adhering to Postal Service policies, without a system of record, it will be difficult to confirm subcontractor authorization and can put the Postal Service at risk for safety visibility and performance issues.

Regarding management's disagreement with recommendation 4, while we understand that the Postal Service changed its business practices, management's response did not address the recommendation. Without establishing requirements to track subcontractors used by contractors, the

Postal Service is at risk for safety visibility and performance issues.

Regarding management's disagreement with recommendation 5, we agree that it is the supplier's responsibility for their drivers to adhere to all regulations as stated in Clause B-6, Safety Requirements. However, the freight auction statement of work specifically states that team drivers must be provided for all trips that exceed 500 miles. The Postal Service stated that this requirement aligned with the Hours-of-Service regulation and was not associated with any safety concerns. However, without validating the use of team drivers, the Postal Service will not have assurance that suppliers are adhering to these requirements, which could put motorist safety at risk due to driver fatigue.

Regarding management's disagreement with recommendation 6, the OIG acknowledges that freight auction may not solely be limited to section 19, Special Circumstances. However, the current freight auction utilization parameters are limited to section 19, sub-section 191 – *Highway Contract Transportation Employees Used During Emergencies*; and neither the Ordering Agreement nor recent guidance contained additional language that define freight auction's usage. Additionally, with the dramatic increase in freight auction usage, it is unclear what constitutes a special circumstance or an emergency basis, since the Postal Service is broadly applying the criteria, and the process for determination of emergency basis is not defined.

Regarding management's disagreement with recommendation 7, management stated that freight auction guidance is formally reflected in the Ordering Agreement and contract documents. However, the Ordering Agreement erroneously contains HCR screening procedures for highway transportation contractors and suppliers, which the Postal Service does not apply to freight auction driver screening and that do not reflect a process to verify driver history.

The Postal Service has recently made significant changes in how it transports mail, relying more on freight auction suppliers. Freight auction allows the Postal Service flexibility to make transportation network changes on the fly and adjust to current business conditions. Postal Service management appear to be adopting private sector practices, which relies solely upon the brokers and suppliers to manage their subcontracting relationships. However, this approach results in risks such as a lack of visibility

into subcontractor use and potentially unqualified drivers transporting mail, compromising the security of mail and the safety of motorists. We will continue to explore how the Postal Service can mitigate these risks during the audit resolution process. Fostering transparency and implementing mitigating controls can ensure the Postal Service is taking the appropriate measures with those who have the responsibility of transporting the mail.

All recommendations require OIG concurrence before closure. Consequently, 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.

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Appendix A: Additional Information

Our audit scope included highway trucking contract data from October 2018 to December 2022.

To accomplish our objective, we:

- Researched, reviewed, and analyzed safety accident data information for contracted HCR contractors from the FMCSA database.
- Researched, reviewed, and analyzed HCR contract information from the Transportation Contract Support System.
- Reviewed Postal Service handbooks, the SPs and Ps, as well as other supplemental guidance.
- Reviewed the FMCSA website for Motor Carrier Safety and Performance Data for Freight Auction.
- Conducted interviews with Transportation Strategy management, COs, AOs, and Postal Inspection Service personnel.
- Performed site visits with AOs and expeditors at judgmentally selected Postal processing facilities.
- Requested highway trucking contractor accident reports from 43 state police and/or highway patrol authorities.
- Received accident reports from 17 states and reviewed to determine the number of accidents and fatalities associated with highway trucking contractors while on duty for the Postal Service and whether the contractor was at fault.

We conducted this performance audit from March 2023 through February 2024 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.

In planning and conducting the audit, we obtained an understanding of the internal control structure within the Transportation Strategy and Logistics portfolios to help determine the nature, timing, and extent of

our audit procedures. We reviewed the management controls for overseeing the program and mitigating associated risks. Additionally, we assessed the internal control components and underlying principles, and we determined that the following five components were significant to our audit objective:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

We developed audit work to ensure that we assessed these controls. Based on the work performed, we identified significant internal control deficiencies related to safety controls, contract compliance, and oversight. Our recommendations, if implemented, should correct the weaknesses we identified.

We assessed the reliability of the data by obtaining and reviewing contractor safety data from DOT's FMCSA website. We then compared the contractor's name and DOT number from FMCSA to those on the Postal Service's Transportation Contract Support System. We also reviewed accident reports from state police and/or highway patrol authorities to determine if the contractor was on duty for the Postal Service and at fault. We determined the data was sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Highway Contract Route Contracting Practices and Conflicts of Interest</i>	To determine if the U.S. Postal Service's Highway Contract Route (HCR) contracting practices, including avoidance of conflicts of interest, are in compliance with Postal Service policies and procedures and in line with industry practices.	NL-AR-18-001	October 10, 2017	\$34.7 Million
<i>Oversight of Highway Contract Route - Insurance</i>	To determine whether U.S. Postal Service Contracting Officers (COs) are properly managing Highway Contract Route (HCR) contracts - specifically liability insurance requirements - in accordance with policies and procedures.	SM-AR-19-002	March 22, 2019	\$613.6 Million
<i>Transportation Workplace Safety and Driver Security</i>	To assess the safety and security of the U.S. Postal Service's surface transportation network.	23-055-R23	September 26, 2023	N/A

Appendix B: Management's Comments

February 16, 2024

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Contract Trucking Safety and Compliance (Report Number 23-088-DRAFT)

Thank you for providing the Postal Service an opportunity to review and comment on the findings contained in the draft audit report, *Contract Trucking Safety and Compliance*.

OIG Finding #1: The Postal Service Does Not Track Trucking Accidents and Fatalities by Contractors

MANAGEMENT RESPONSE

Management **agrees** with OIG Finding #1 in that processes were not in place in 2018. In 2020 a new PMG was hired. He quickly identified gaps within the USPS and began working on solutions. One of the areas was to streamline the procurement activity around transportation. He developed the Transportation Strategy team and brought in outside experts to improve the overall management of transportation contracting and supplier relationships. During this period Covid-19 was greatly impacting the nation. Transportation was hit particularly hard with many trucking firms shutting down or decreasing their overall capacity. The USPS had to adapt to a more flexible carrier solution to ensure mail delivery was not interrupted.

The Postal Service began tracking Highway Contract Route fatality accidents in March 2023 and provided copies of the tracking to OIG. Also in March 2023, the Postal Service changed the accident reporting required in all HCR contracts. The new accident reporting procedure required notice be given to multiple departments including the VP Transportation Strategy within 24 hours of occurrence – failure to do so could result in adverse action against the contract.

In September 2023, the Postal Service expanded functionality regarding safety by creating a new HCR safety team. Once again USPS brought in experts from the industry to help address any shortfalls and immediately improve on them. Transportation Strategy also began to track all accidents in addition to the previous tracking of fatalities. This new team is using advanced 3rd party software to help measure and manage suppliers' overall safety performance as well as identify new potential suppliers who are focused on safety and have more advanced technological systems which will help USPS improve their overall network performance.

Management determined that since March 2023, USPS suppliers were involved in 34 fatal accidents that resulted in 41 fatalities. Of the total fatal accidents, suppliers were only at fault in 2, or 6%, of the accidents. Additionally, based on DOT data concerning fatalities per 100 million miles driven, we are reporting at 1.49, while the industry average is 1.98.

OIG Finding #2: Lack of Subcontractor and Team Driver Oversight

MANAGEMENT RESPONSE

Management **agrees** with OIG Finding #2 only as it relates to dedicated HCR contracts and standard contract clause B-89 Subcontracting. USPS intentionally awarded Freight Auction business to freight brokers with the understanding that they would subcontract to their carrier base. No additional approval is required, so Clause B-89 should not be used in those contracts. USPS must be able to evolve with the rest of the transportation industry and rely on responsible brokers and suppliers to manage their subcontracting relationships. The Freight Auction team driver requirement is focused on expediting transit times to meet USPS schedule requirements. All carriers are to follow local, state and federal rules as it relates to hours-of-service requirements and team drivers. We have not observed a significant correlation between the use of Freight Auction and an increased risk of accidents or fatalities.

OIG Finding #3: Driver Screening Oversight Deficiencies

MANAGEMENT RESPONSE

Management **disagrees** with the Finding #3 Driver Screening Oversight Deficiencies. We have a process today to properly vet HCR drivers. USPS management will continue to train our personnel on the HCR screening process. USPIS Management Instruction PO530-2009-4 allows for "Special Circumstances" screening of highway contract route drivers. Form 2081 Highway Contract Driver Assignment Notification was updated in March 2022; the form revisions support current usage of Freight Auction. The form 2081 allows drivers to provide a valid CDL and completed form allowing them to legally handle US Mail. Freight Auction is used exclusively in emergency situations. Freight auction allows USPS the flexibility to make transportation network changes on the fly and adjust to current business conditions.

The Driver Screening process, it should also be noted, is primarily focused on the driver's criminal record (or lack thereof). It is not an evaluation of the driver's safety record or competence. We generally rely on suppliers and their subcontractors to hire safe and qualified drivers, since they are primarily liable for the conduct of those drivers and any accidents caused by their drivers.

Following are our comments on each of the seven recommendations.

Recommendation 1: We recommend the Vice President, Transportation Strategy, finalize the method for tracking contractor accident and fatality data and establish corresponding written policies and procedures, including related roles and responsibilities.

Management Response/Action Plan:

Management **agrees** with this recommendation. Transportation Strategy has the process and method for tracking contractor accident and fatality tracking in place; the actual tracking of accidents and fatalities began in October 2023. VP Transportation Strategy will issue written instruction regarding policy and procedure, roles and responsibility.

Target Implementation Date: 07/01/2024

Responsible Official: Director, HCR Transportation Safety and Compliance

Recommendation 2: We recommend the Vice President, Transportation Strategy, require freight auction brokers to report subcontractor authorization and vetting and develop a system of record to maintain the reported results.

Management Response/Action Plan:

Management **disagrees** with this recommendation. Transportation Strategy management will limit or discontinue usage of standard contract Clause B-89 Subcontracting. Postal Service business practices changed in response to the Covid-19 outbreak and the nation-wide shortage of truck drivers. Since 2020 – Postal has used more freight brokers and has emphasized the expansion of the HCR supplier base. The clause is not practical and is not done in normal business practices of large shippers. The broker supplier is responsible for record keeping and maintains the record of the subcontract. Postal's maintaining duplicative records would be of no tangible benefit.

Target Implementation Date: N/A

Responsible Official: N/A

Recommendation 3: We recommend the Vice President, Transportation Strategy, clarify, communicate, and enforce subcontractor authorization guidance for highway contract route contractors and terminate contractors who are non-compliant.

Management Response/Action Plan:

Management **agrees** with this recommendation. Transportation Strategy management will revise or discontinue usage of standard contract Clause B89 Subcontracting. Postal Service business practices changed in 2019 in response to the Covid-19 outbreak and the nation-wide shortage of truck drivers. Since 2019 – Postal has used more freight brokers and has emphasized the expansion of the HCR supplier base.

Target Implementation Date: 07/01/2024

Responsible Official: Director, Surface Transportation

Recommendation 4: We recommend the Vice President, Transportation Strategy, in conjunction with the Vice President, Logistics, and the Vice President, Processing and Maintenance Operations, develop requirements and implement a mechanism to track highway contract route contractors and the subcontractors they utilize.

Management Response/Action Plan:

Management **disagrees** with this recommendation. Transportation Strategy management will revise or discontinue usage of standard contract Clause B-89 Subcontracting. Postal Service business practices changed in 2020 in response to the Covid-19 outbreak and the nation-wide shortage of truck drivers. Since then– Postal has used more freight brokers and has emphasized the expansion of the HCR supplier base.

Target Implementation Date: N/A

Responsible Official: N/A

Recommendation 5: We recommend the Vice President, Transportation Strategy, in conjunction with the Vice President, Logistics, and the Vice President, Processing and Maintenance Operations, communicate and create a mechanism to validate the use of team drivers for trips that exceed 500 miles, update freight auction statements of work, and terminate contractors who are non-compliant.

Management Response/Action Plan:

Management **disagrees** with this recommendation. Standard contract clause B.6 Safety Requirements mandates that the supplier conduct its operations under the contract in full compliance with all local, state and federal regulations. This clause requires the supplier to adhere to Department of Transportation rules and operate within the parameters of the Hours-of-Service regulation while fulfilling the USPS mandated schedule. Additionally, the Freight Auction 500-mile rule is aligned with the Department of Transportation Hours-of-Service Regulation. Freight Auction contracts make it the responsibility of the broker supplier to ensure federal regulations and obligations are met.

The Freight Auction 500-mile team requirement is needed to align transit times with Hours-of-Service regulations and is not associated with any safety concerns. All carriers and brokers understand the hours-of-service rules and are obligated to follow them. Additionally, some HCR carriers choose to use relay points instead of using team drivers. This is acceptable as long as they meet scheduled transit time requirements.

Target Implementation Date: N/A

Responsible Official: N/A

Recommendation 6: We recommend the Vice President, Transportation Strategy, define freight auction applicability to Management Instruction PO-530-2009-4, Section 19 – Special Circumstances.

Management Response/Action Plan:

Management **disagrees** with this recommendation. Freight Auction applicability to Management Instruction PO-530-2009-4 is not limited solely to section 19 Special Circumstances. Freight Auction is an Ordering Agreement process used not only as a replacement for service when the primary carrier is not available, but also freight auction is used on contracts that require flexibility or seasonal service requirements.

Freight auction is a common, industry standard best practice and is an integral part of the normal day to day USPS procurement solution. Management Instruction PO530-2009-4 gives standard procedure for screening highway transportation contractors and suppliers and their personnel to determine their eligibility to access the US Mail and mail processing facilities. Freight Auction service operates within the parameters of this Management Instruction and will continue to be an integral part of the USPS solution.

Target Implementation Date: N/A

Responsible Official: N/A

Recommendation 7: We recommend the Vice President, Transportation Strategy, update and enforce freight auction guidance and include at minimum a process to verify driver history.

Management Response/Action Plan:

Management **disagrees** with this recommendation. Foremost Freight Auction policy and guidance is formally reflected in the ordering agreement and contract documents. Management Instruction PO530-2009-4 gives standard procedure for screening highway transportation contractors and their personnel to determine their eligibility to access the US Mail and mail processing facilities. Freight Auction service operates within the parameters of this Management Instruction. Tax laws in the US generally require a broker to maintain subcontractor records for several years from the date of tax return filing. Postal's maintaining duplicative records would be of no tangible benefit. Compiling records regarding individual drivers who are not USPS employees, also creates legal risks that are likely to outweigh any benefit.

Target Implementation Date: N/A

Responsible Official: N/A

E-SIGNED by PETER ROUTSOLIAS
on 2024-02-16 14:46:55 EST

Peter Routsolias
Vice President, Transportation Strategy

cc: Chief Logistics Officer and Executive Vice President
Corporate Audit and Response Management

OFFICE OF INSPECTOR GENERAL

UNITED STATES



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