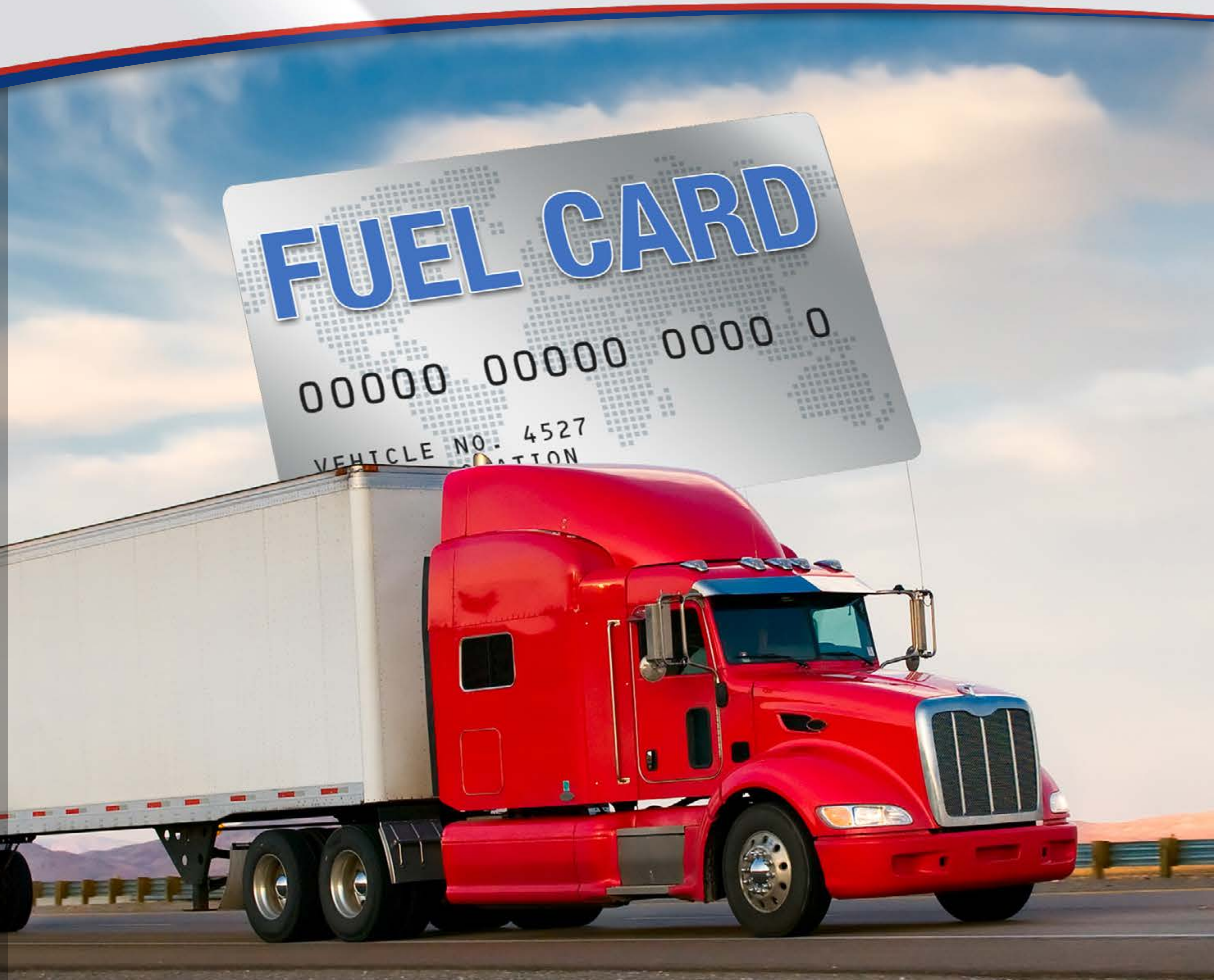
OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

Voyager Card Program – Capping Report



Management Advisory Report

Report Number
NO-MA-14-007

September 30, 2014

Highlights
Table of Contents
Findings
Recommendations
Appendices

OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

Highlights

The HCR Voyager Card Program implemented by the Postal Service in 2005 is not effective and other options should be considered.

Background

Since 2005, the U.S. Postal Service has been providing Highway Contract Route (HCR) contractors with Voyager fleet transaction cards to purchase fuel for HCRs. The Postal Service has spent $5.1 billion on fuel purchases of 1.6 billion gallons for the HCR Voyager Card Program, since its start in fiscal year (FY) 2005 through FY 2013. It is a complex program, consisting of over 400 contractors and more than 4,000 contracts using over 12,000 active Voyager cards.

Our objective was to assess the HCR Voyager Card Program (summarizing our prior work in this area) and identify viable fuel management program alternatives.

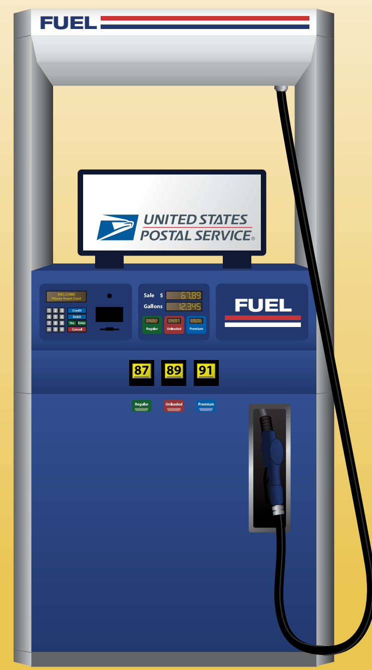
What the OIG Found

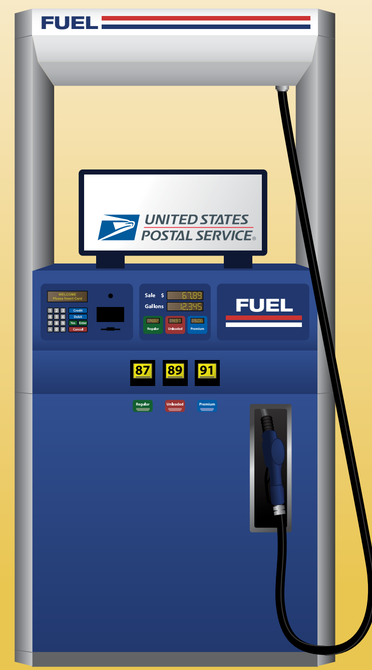
The HCR Voyager Card Program implemented by the Postal Service is not effective and other options should be considered.

Specifically, our prior work found the Postal Service did not establish adequate controls over the program and safeguard the cards against fraud, waste and abuse; establish an infrastructure to manage the program including systems and resources to monitor activities; or take advantage of technological best practices to increase miles per gallon achieved.

The Postal Service pays for all the purchased fuel under the HCR Voyager Program for its contractors' use so there is no incentive for contractors to conserve fuel.

Hover over the Voyager card to see what the industry practices and risks are.





OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

We estimate the Postal Service has incurred and will continue to incur about $10.7 million annually when compared to the fuel price-indexing program incorporating industry best practices.

We also identified inherent program weaknesses including a lack of incentives for contractors to obtain the cheapest fuel, maximize their miles per gallon efficiency, and ensure fuel purchases are for postal purposes only. Since 2011, we have reported on a pattern of diminished program controls and management recognized they were unable to enforce pooling policies. Our initial investigative work from FY 2006 to FY 2013 identified 63 cases of significant program fraud by both companies and individuals. Our investigation continues, but it has become increasingly difficult because of the weak controls, processes, and practices associated with the HCR Voyager Card Program.

Furthermore, the Postal Service has incurred more in program costs than what it expected to save. This is contrary to the Postal Service's claim that the program saves $50 million a year ($17 million from unused gallons and $33 million from discounts and rebates). Based on our prior work, beginning in FY 2011, we questioned about $489 million in expenditures associated with this program due to significant control weaknesses. Moreover, we estimate that the Postal Service has incurred and will continue to incur about $10.7 million annually in additional costs because of these control weaknesses.

The HCR Voyager Card Program is not manageable given the level of risk and the significant resources required for providing enhancements and critical oversight. Based on industry best practices, one viable alternative is a variation of a fuel price-indexing model. Indexing includes setting reasonable miles per gallon and a base price per gallon at contract inception, then automatically adjusting the price periodically. Unlike the HCR Voyager Card Program, this option requires less administrative oversight, provides increased control over contract payments (reducing the risk of fuel overpayments), incentivizes contractors to reduce their carbon footprint, and improves mileage per gallon efficiency.

Management has taken recent actions. In FY 2014, the Postal Service initiated a comprehensive study of its HCR contracting model to identify innovative cost saving strategies, which included integrating fuel types, contract types, business models, and technology platforms. This study is still ongoing and no decisions or results of this study have been announced. In addition, the Postal Service has conducted an internal review of its pooling policy and determined overages could not be collected because of their own non-compliance with the policy. Finally, the Postal Service took corrective action on employee misconduct, identified by the OIG that was associated with the administration and oversight of HCR contracts and the HCR Voyager Card Program.

What the OIG Recommended

We recommended management consider fuel management program options other than the HCR Voyager Card Program. We also recommended that management consider fuel management best practices as appropriate to obtain the best value for the Postal Service.

Transmittal Letter

OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

September 30, 2014

MEMORANDUM FOR: SUSAN M. BROWNELL
VICE PRESIDENT, SUPPLY MANAGEMENT

DAVID E. WILLIAMS, JR.
VICE PRESIDENT, NETWORK OPERATIONS

E-Signed by Robert Batta
VERIFY authenticity with e-Sign

FROM: Robert J. Batta
Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Management Advisory Report – Voyager Card Program – Capping Report
(Report Number NO-MA-14-007)

This management advisory report presents the results of our review of the U.S. Postal Service's Voyager Card Program – Capping Report (Project Number 14XG024NO000). The postmaster general requested this review.

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

Attachment

cc: Corporate Audit and Response Management

Highlights

Table of Contents

Findings

Recommendations

Appendices

Table of Contents

Findings

Since FY 2011, we found that the Postal Service did not establish adequate control over the HCR Voyager Card Program and safeguard the cards against fraud, waste, and abuse; establish an infrastructure to manage the program; and take advantage of technological best practices to increase miles per gallon achieved.

Introduction

This report summarizes the results of our prior review of the Highway Contract Route (HCR) Voyager Card Program and provides the Postal Service with options for a more effective fuel management program (Project Number 14XG024NO000). This report is the final in a series that responds to a request from the postmaster general to review the HCR Voyager Card Program. Our objective was to assess the HCR Voyager Card Program (summarizing our prior work in this area) and identify viable fuel management program alternatives. See Appendix A for additional information about this audit.

Since 2005, the Postal Service has been providing HCR contractors with Voyager fleet transaction cards to purchase fuel for HCRs. The Postal Service spent $5.1 billion on fuel purchases of 1.6 billion gallons for the HCR Voyager Card Program from its start in fiscal year (FY) 2005 through FY 2013. Under the HCR Voyager Card Program, contractors can obtain fuel from retail locations, preferred fuel networks, and supplier-owned bulk fuel sites. HCRs contractors travelled over 1.5 billion miles in FY 2013 and used over 231 million gallons of fuel. The Postal Service spent more than $897 million on fuel for its HCRs, which includes fuel purchases of over $663 million using HCR Voyager cards. The U.S. Postal Service Office of Inspector General (OIG) previously identified adverse findings and impacts of over $489 million related to the HCR Voyager Card Program.

Our research has shown that most other procurers of transportation services either share responsibility for fuel to incentivize economies or assign responsibility to transportation providers. They also establish a mechanism to accommodate price adjustments based on fuel price fluctuations. The Postal Service pays for all the fuel its HCR contractors use and there is no incentive for contractors to conserve fuel. This program consists of over 400 contractors and more than 4,000 contracts using over 12,000 active Voyager cards. This makes the program complex for the Postal Service and vulnerable to fraud, waste, and abuse.

Conclusion

The HCR Voyager Card Program is not effective and the Postal Service should consider other options. Specifically, the work we have done since FY 2011 found the Postal Service did not:

- Establish adequate controls over the program and safeguard the cards against fraud, waste, and abuse.
- Establish an infrastructure to manage the program including systems and resources to monitor activities.
- Take advantage of technological best practices to increase miles per gallon achieved.

Our investigative work has identified significant program fraud by both companies and individuals.

Moreover, we have identified inherent program weaknesses including a lack of incentives for contractors to obtain the cheapest fuel, maximize their miles per gallon (MPG) efficiency, and ensure fuel purchases are for Postal Service purposes only. Since 2011, we have reported on a pattern of diminished program controls and management recognized that they were unable to enforce pooling[1] policies. Our initial investigative work from FY 2006 to FY 2013 identified 63 cases of significant program fraud and unethical conduct by companies and individuals. Our investigation continues, but it is has become increasingly difficult given the lack of adequate controls, processes, and practices associated with the HCR Voyager Card Program.

The Postal Service has also incurred more in program costs than it expected to save. This is contrary to the Postal Service's claim that the program saves $50 million a year ($17 million from unused gallons and $33 million from discounts and rebates). Based on our prior work, beginning in FY 2011, we questioned about $489 million in expenditures associated with this program due to significant control weaknesses. Moreover, we estimate that the Postal Service has incurred and will continue to incur about $10.7 million annually in additional costs because of these control weaknesses.

The HCR Voyager Card Program is not manageable given the level of risk and the significant resources needed to provide enhancements and critical oversight. Based on industry best practices, one viable alternative is a variation of a fuel price-indexing model. Indexing includes setting reasonable MPG and base price per gallon at contract inception and automatically adjusting the fuel price periodically. Compared with the HCR Voyager Card Program, this option requires less administrative oversight, provides increased control over contract payments (reducing the risk of fuel overpayments), incentivizes contractors to reduce fuel use, and improves MPG efficiency.

The Postal Service has taken three significant actions to address issues related to the program. In FY 2014, it initiated a comprehensive study of HCR contracting to identify opportunities for innovative cost-saving strategies, which included integrating fuel types, contract types, business models, and technology platforms. This study is ongoing; no results have been announced and it has not yet led to any decisions. In addition, the Postal Service has conducted an internal review of its pooling policy and determined it could not collect overages because of its own non-compliance with the policy. Finally, the Postal Service took corrective action on OIG-identified employee misconduct associated with administering and overseeing HCR contracts and the HCR Voyager Card Program.

1 Pooling is the process that allows contractors with multiple contracts that use the same vehicles to use the collective contract fuel allocation as the basis against which the collective gallon usage is measured.

HCR Voyager Card Program Concerns

The HCR Voyager Card Program was not effective because the Postal Service did not:

- Conduct a comprehensive cost-benefit analysis before implementing the program. Rather, it elected to shift its administrative responsibilities and risks by making HCR contractors accountable for all unauthorized charges. Also, to justify the program, the Postal Service routinely overstated its benefits and ignored its risks;
- Establish adequate controls over the program, including personal identification number (PIN) management,[2] pooling,[3] and reconciliation;[4]
- Establish an adequate infrastructure to manage the program, such as systems that provide accurate and timely information and sufficient resources to monitor activities;
- Ensure the cognizant program official provided adequate supervision and oversight over this complex program; and
- Commit sufficient resources to manage the program.

Further, the fuel management policy for the HCR Voyager Card Program is ineffective and complicated. Specifically, the annual Fuel Management Program (FMP) policy has been relaxed through various changes designed to ease contractors' administrative burdens. As a result, there are conflicting versions of the FMP. This places the Postal Service and contractors at risk since one contractor could have up to four different FMP policy documents for its HCRs depending on where the contracts are in the 4-year contract cycle. For example, the Postal Service has changed the pooling policy in the FMP over the years, weakening the pooling requirements. This practice makes supplier accountability difficult and increases the Postal Service's risk of incurring losses from fraud or inefficient fuel management.

The Postal Service has also incurred more in program costs than it expected to save. This is contrary to the Postal Service's claim that the program saves $50 million a year ($17 million from unused gallons and $33 million from discounts and rebates). Based on our prior work, beginning in FY 2011, we questioned about $489 million in expenditures associated with this program due to significant control weaknesses. Moreover, we estimate that the Postal Service has incurred and will continue to incur about $10.7 million annually in additional costs because of these control weaknesses.

---

2 At the time of fueling, the contractor should enter a PIN number for the respective contract to use the Voyager card. Therefore, any vehicle that has been identified by the contractor can use fuel from any route the contractor operates. Effective PIN management ensures proper allocation and tracking of fuel gallons purchased to the correct contracted routes.

3 The process that allows contractors with multiple contracts that use the same vehicles to use the collective contract fuel allocation as the basis against which the collective gallon usage is measured. Under pooling guidelines, contractors with multiple contracts may request written approval from the Postal Service to pool contractual allotted gallons against actual gallons purchased for the purpose of performing annual reconciliations and determining excess gallons and payments. Pooling is part of the overall reconciliation process.

4 The reconciliation process takes place after pooling and involves the determination of whether the "net" pool gallons are in excess of the allowed pool gallons. When net pool gallons are excessive, the Postal Service is required to document use and initiate action to recover costs associated with the excess gallons.

Fuel Management Options

Our benchmarking and best practices research indicated that organizations typically choose among some variation or combination of the following fuel procurement methods for their contracted fleets, depending on operational parameters and other considerations such as route and fleet type. We summarize the advantages and disadvantages of three basic fuel program options (see Table 1). See Appendix B for additional information about fuel management program options.

Table 1. Fuel Program Options – Advantages and Disadvantages

Type of Fuel Program	Advantages	Disadvantages
Bulk Fuel Purchasing	• Lowest cost possible versus retail • Fuel cards track use	• Regulations, environmental risks • Limited accessibility • Requires space for tanks/traffic
Fuel Price Indexing	• Price and quantity are negotiated upfront • Less management oversight required • Leverages supplier core competencies • Incentivizes energy conservation and a reduced carbon footprint	• Less data/visibility • Pay for unused gallons • Lose control of rebates and discounts • Requires establishment of an MPG standard
Fuel Cards	• Data ownership/visibility • Control over rebates/discounts	• Needs significantly more oversight, including monthly reconciliations • Does not incentivize energy conservation or use of alternative fuels • Higher risk of fraud and abuse • Requires establishment of an MPG standard • Fuel purchases can exceed annual authorized gallons and excess expenses are typically not recovered until reconciliations are performed after the fuel year

Source: OIG based on analysis and contracted expert research.

Our research further concluded that best-in-class organizations optimize these programs by using robust internal controls and technology. In this way organizations are able to track, monitor, and measure fuel use with the goal of identifying instances of fraud or opportunities to increase fuel efficiency and reduce fuel costs. Best-in-class organizations customize their fuel management programs to align with organizational goals, industry standards, operational considerations, and workforce makeup, among other key considerations. Further, leading organizations have implemented technologies, strict processes, and multi-layered human capital structures to effectively manage their fuel procurement programs and control fuel-related costs.

Fuel Price Indexing Model

Based on our review of industry best practices, the Postal Service should consider a variation of the fuel price-indexing model, which would require less oversight and reduce risks. However, this type of program would require best-in-class contracting practices, including:

- Ensuring the MPG, best fuel price-per-gallon and total miles for each contract are properly established at contract negotiation and verifying up-front fuel costs and adjusting costs for future price increases if differences exist between the authorized and paid price per gallon.
- Requiring large contractors with fuel cards and fuel-tracking technologies and processes to share transaction reports and data with customers so they can verify up-front costs and make adjustments as necessary.
- Working with contractors to share discounts and rebates they receive on fuel, which will incentivize suppliers to monitor the fuel gallons used and the price paid for fuel.
- Incentivizing contractors to reduce MPG and their carbon footprint.

The Postal Service would automatically adjust the price-per-gallon based on a fuel price index and automatically pay contractors each month for fuel, based on the authorized gallons established at contract inception, accounting for any adjustments due to added services.

The indexing model would give the Postal Service increased transparency over individual contract fuel costs, allow it to avoid fuel overpayments, and reduce the administrative burden of paying for fuel above annual authorized gallons and the risk of not collecting overpayments at the end of each fuel year (pay and chase).

While the fuel price-indexing program has several advantages and is superior to the HCR Voyager Card Program, there are associated risks such as having less control over transaction data, paying for unused gallons, having less control over rebates and discounts, and requiring the establishment of MPG standards.

Management Actions

Management initiated three primary actions related to the HCR Voyager Card Program: a comprehensive study of the HCR transportation model and transportation procurement best practices; an internal review of pooling practices; and corrective actions relating to OIG-identified employee misconduct associated with the administration and oversight of HCR contracts and the HCR Voyager Card Program. Specifically:

- In FY 2014, the Postal Service initiated a comprehensive study of its HCR contracting model to identify opportunities for innovative cost-saving strategies, which included integrating fuel types, contract types, business models, and technology platforms. This study is ongoing; no results have been announced and it has not yet led to any decisions.

- In late FY 2013, the Postal Service acknowledged that aggregate pooling did not comply with FMP policy and determined overages could not be collected. In early FY 2014, the Postal Service conducted a comprehensive review of its pooling policy and practices and found it had not complied with the established pooling policies. Further, it determined that retroactive application and enforcement of its pooling policy would pose significant financial risks.

- Based on OIG work, Postal Service management took corrective disciplinary action against Postal Service officials and staff for misconduct associated with their administration and oversight of HCR contracts and the HCR Voyager Card Program. Management proposed and implemented oral reprimands, letters of warning, and position downgrades. Several managers and staff members elected to retire or transfer to other departments because of the disciplinary actions (see Appendix A for details).

Recommendations

We recommend management consider alternatives to the HCR Voyager Card Program and consider fuel management best practices to obtain the best value for the Postal Service.

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

1. Consider alternatives to the Highway Contract Route Voyager Card Program.

2. Consider fuel management best practices as appropriate to obtain the best value for the U.S. Postal Service.

Management's Comments

Management generally agreed with the findings, recommendations, and monetary impacts. Below is a summary of management's responses to our recommendations.

In response to recommendation 1, management agreed to consider alternatives to the HCR Voyager Card Program and is evaluating some options. Management plans to implement the recommendation by March 31, 2015.

In response to recommendation 2, management agreed to consider fuel management best practices for best value. Management plans to implement the recommendation by March 31, 2015.

See Appendix C for management's comments, in their entirety.

Evaluation of Management's Comments

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

The OIG considers the recommendations significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendices

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

Appendix A: Additional Information

Background

Under the U.S. General Services Administration's (GSA) SmartPay®2 Card Program federal agencies enter into agreements with approved financial institutions to obtain purchase, travel, and fleet transaction cards. The Postal Service has been using fleet transaction cards from U.S. Bank Voyager Fleet Systems, Inc. to purchase fuel for its owned vehicle fleet since the year 2000. This is known as the HCR Voyager Card Program.

In 2005, the Postal Service expanded its HCR Voyager Card Program under the federal government's SmartPay2 Card Program to include HCR contractors, known as the HCR Voyager Card Program. The Postal Service's primary mode of transportation in its operations is contracted highway transportation; referred to as HCRs. Fuel management is a major component of the Postal Service's transportation network.

The Postal Service presently uses several practices to acquire fuel with HCR suppliers:

- The HCR Voyager Card Program, which uses fuel cards issued under the GSA's SmartPay 2 Program. This program is used for about 21 percent of all HCRs and accounts for about 74 percent of HCR fuel expenditures. The HCR Voyager Card Program enables contractors to purchase fuel directly from retail locations and some bulk fuel sites. The Postal Service makes payments directly to U.S. Bank's Voyager Fleet Services Program for contractor fuel charges. The Postal Service intended to better manage the fuel component of HCRs by issuing Voyager cards and only paying for fuel that is used, obtaining more accurate fuel acquisition and consumption data, and reducing fuel costs by leveraging volume purchasing.

- The Bulk Fuel Program provides fuel from storage tanks owned and operated by the largest highway contractors. Under this arrangement, HCR contractors that have bulk fuel storage tanks can receive fuel from fuel sources designated by the Postal Service. The HCR contractors pay the fuel providers directly and the Postal Service compensates them for only the fuel they use for their Postal Service contracts.

- The Fuel Price Indexing Program (Indexing), which 79 percent of HCRs use but which accounts for only 26 percent of HCR fuel expenditures. This method is usually used for smaller routes, box delivery routes, and HCRs that cannot administer the HCR Voyager Card Program. The Postal Service pays a set monthly fuel amount based on the annual authorized fuel gallons for routes that use Indexing. Additionally, the amount reimbursed per gallon is indexed to published regional prices and adjusted when prices fluctuate by $.05 or more.

Over the past 2 years, the Postal Service has tried to reduce the number of HCR suppliers on the HCR Voyager Card Program and move them to automated indexing. However, even with the shift of hundreds of contractors and thousands of contracts from the HCR Voyager Card Program to indexing, over 400 suppliers and more than 4,000 contracts are still using over 12,000 active Voyager cards.

HCR contractors are authorized an annual fuel allowance limit for fulfilling Postal Service HCR contracts. They should not use fuel transaction cards to purchase fuel in excess of the allowed quantities or to purchase unauthorized grades of fuel. The HCR Voyager Card Program reimburses only for fuel gallons actually purchased (up to the contract limit) and stipulates that fuel allotments are for use in the performance of Postal Service contracts only. The main control the Postal Service has used in the HCR Voyager Card Program is the end-of-the-year reconciliation of authorized gallons to paid gallons.

Objective, Scope, and Methodology

This report is the final in a series on the HCR Voyager Card Program and summarizes the results of our prior work. Our objective was to assess the HCR Voyager Card Program and identify alternatives to it. To address our objective, we identified leading fuel management options for contracted highway transportation. Specifically, we:

- Conducted secondary research on fuel management programs for contracted transportation among transportation organizations to determine the best companies to study and identified about 20 that are noted for excellence in transportation.
- Identified six companies with best-in-class fuel management programs for contracted transportation for an in-depth study based on comparable contracted transportation fleets, alternative fuel purchasing solutions, and cost-saving strategies.
- Conducted multiple interviews with subject matter experts at leading organizations that have direct insight into the successful execution of fuel procurement practices at their organizations, with a focus on contracted transportation.
- Analyzed interview findings from all six companies to identify best practices from this research and prepared a final report.
- Interviewed and followed up with headquarters staff and managers regarding the fuel management program.
- Obtained and summarized documentation for the fuel management program and HCR Voyager Card Program savings, reconciliation, policies, and planning documents. This included Supply Chain Management (SCM) savings procedures and figures for the HCR Voyager Card Program.
- Compared the existing automated fuel indexing pricing to the current monthly benchmark the Postal Service uses. We also compared those benchmarks to the current HCR Voyager Card Program's data. To better understand the implication of expanding this program augmented with industry best practices, we compared the current indexing program to the HCR Voyager Card Program. We started by comparing fuel data for both programs by contract, month, and state. We looked at only diesel and removed water and box routes. Then we compared indexed prices on Voyager gallons to Voyager prices. We considered the impact of best practices and the costs and benefits identified throughout prior reports and investigations.
- Interviewed external stakeholders to obtain their views on fuel management program options.

In prior reports, we tested the reliability of the Fuel Asset Management System (FAMS), Transportation Contract Support System (TCSS), and Enterprise Data Warehouse data. We found that the data were sufficiently reliable for the purposes of those audits.

For this advisory, we relied on prior testing and supplemented our assessment of the reliability of TCSS and FAMS data by testing column totals with other data summaries to ensure the data captured was complete and reasonable. We calculated diesel fuel costs using nationally published average retail prices from the U.S. Energy Information Administration.

We conducted this review from March 2014 through September 2014, in accordance with the Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation.* We discussed our observations and conclusions with management on September 3, 2014, and included their comments where appropriate.

Prior Audit Coverage

The OIG issued five reports addressing the HCR Voyager Card Program. The reports covered establishing MPG and weak controls over the HCR fuel card, including changes to the policy documents and identification of overages. In our prior work, we reported monetary impacts of about $489 million due to control weaknesses in the program.

Report Title	Report Number	Final Report Date	Monetary Impact (in millions)
Voyager Card Program for Highway Contract Routes – Pooling Policy Concerns and Related Overpayments	NO-MA-14-006	9/29/2014	$85
Report Results: We found the Postal Service has not effectively implemented and managed fuel pooling for HCR contractors under the HCR Voyager Card Program. It has mistakenly allowed all HCR contractors with multiple HCRs to pool their authorized fuel gallons (called aggregate pooling) regardless of location or whether the same vehicles are used on multiple routes.			
Highway Contract Routes – Miles per Gallon Assessment	NO-AR-14-008	5/27/2014	$286.7
Report Results: We found the Postal Service's average MPG for HCRs was below industry averages. Most HCR contracts included MPG allowances that were below industry averages by vehicle type. Further, the Postal Service could increase MPG for HCRs by adopting best practices in line with industry leaders. Management agreed with our findings and recommendations, but did not agree with our monetary impact calculations.			
Voyager Card Program for Highway Contract Routes – Unidentified and Unrecovered Fuel Overpayments	NO-MA-14-001	10/30/2013	$9.9
Report Results: We found that fuel overpayments to HCR contractors were not properly identified and recovered by the Postal Service for fuel year 2009-2010. Management agreed with our findings and recommendations, but did not agree with the associated monetary impact.			
High-Risk Voyager Policy and Procedure Changes for Highway Contract Routes	NO-MA-13-003	3/22/2013	None
Report Results: We identified recent and proposed policy changes that could result in increased risk of fraud, waste, and abuse. Specifically, these changes include: 1) The 2012 change that allowed the expansion of pooling of gallons across the contractors' HCRs without regard to postal operational needs or benefit to the Postal Service. 2) The 2013 proposed policy change that allows fuel usage for non-postal services. Management generally agreed with our findings and recommendations.			

Prior Investigative Activity

The OIG has completed 63 investigations related to the HCR Voyager Card Program over the last 9 years. Additionally, the Special Inquiries Division (SID) investigated allegations of misconduct among employees in the Postal Service's Transportation Portfolio, which is a part of Supply Management. The SID investigations produced nine Reports of Investigation (ROI) that were forwarded to Postal Service management for appropriate action. Resulting proposed and imposed discipline included an oral reprimand, letters of warning, and downgrades for:

- Unethical conduct for disclosing non-public information.
- Lack of candor with regard to the investigation of an HCR contractor.
- Repeated use of poor judgment related to ensuring the Category Management Center adhered to FMP policy, FMP policy development/review, and contract administration of HCR contractors.
- Violation of contracting policies and ethics rules in connection with a contract involving a former Postal Service employee.
- Failure to act promptly with regard to OIG reports of fraud regarding HCR contractors.

Appendix B:
Fuel Options Best Practices

Overview of Common Fuel Purchasing and Management Methods and Tools

	Fuel Management Methods and Tools	Description	Usage Overview
Purchasing Methods	**Fuel Cards**	• Fuel cards allow companies to measure and manage fuel consumption and simultaneously eliminate administrative burdens • "Closed loop" fuel cards act as both a payment method to contractors and a tracking system to issuers – Restricted to specific purchase, predominantly fuel • "Open loop" fuel cards allow fleet managers to maximize issuer rebates by consolidating multiple spend types onto a single card – Used to purchase fuel, maintenance, parts and services, and crew travel to capitalize on discounted prices	• Fuel cards reduce companies' administrative burden and allow drivers to refuel at various locations (depending on type of fuel card) • Fuel cards capitalize on discounted pricing and rebates, especially "open loop" fuel cards • Provide organizations with data, allowing them to analyze and optimize fuel management program – Level 1 Data – provides purchases, merchant name, and total purchase amount data – Level 2 Data – provides more detail about transactions including merchant type, fuel grade, sales tax, etc. – Level 3 Data – provides more detailed transaction activity on who purchased what, when, and how
	Fuel Price Indexing	• Fleet drivers receive payments for authorized gallons, regardless of whether gallons are purchased or not – Organizations such as Company B and Company D constantly adjust fuel payments based on fluctuations in the price per gallon • Fuel price indexing is a predictive fuel-cost measurement approach based on the Department of Energy or other organizations' fuel indices – Used during contract negotiations to predict costs based on vehicle MPG, total distance traveled, and fuel price	• Fuel price indexing eliminates a lot of the administrative burdens and potential risk of fraudulent activity associated with other fuel procurement methods • Organizations are able to pay contracted drivers to get from point A to point B for an agreed upon amount of money, which includes fuel • Contracted fleet drivers are set on a specific route to accurately predict the necessary fuel payments, eliminating the need for invoices and reimbursement payments for unpredicted fuel usage
	Bulk Purchasing	• Organizations with set fueling centers, such as in-house distribution centers, purchase fuel in bulk to capitalize on discounted prices • Bulk purchasing allows organizations to consolidate fuel purchases, use direct billing, capitalize on reverse auction fuel purchases, lock in fuel prices, and/or award the lowest bidder to reduce fuel consumption costs	• Bulk purchasing allows organizations to reduce fuel costs on the front end, reducing the threat of fraud associated with drivers independently fueling • Organizations with set fueling centers, such as city municipal fleets, often capitalize on purchasing fuel in bulk to limit initial fuel costs

Appendix C: Management's Comments

SUSAN M. BROWNELL
VICE PRESIDENT, SUPPLY MANAGEMENT

UNITED STATES POSTAL SERVICE

September 25, 2014

LORI LAU DILLARD

SUBJECT: Management Response - Voyager Card Program – Capping Report (Report Number NO-MA-14-DRAFT)

Thank you for providing the Postal Service with the opportunity to review and comment on the recommendations contained in Draft Management Alert – Voyager Card Program – Capping Report (Report Number NO-MA-14-DRAFT). Management is in general agreement with the findings, recommendations, and the monetary impact associated with the draft report and will address each separately below.

In January 2012, the Postal Service implemented a process where we periodically review suppliers actual gallons used and compare it to the allocated gallons. If suppliers exceed or are close to exceeding their allocated gallons, then they are notified and cards are potentially deactivated. In November 2013, the Postal Service modified all highway contract route contracts to include a single fuel management policy that was based upon Fiscal Year 2011 pooling requirements and negotiated new pooling agreements. This fuel management policy will be used for the 2013/2014 and subsequent reconciliations.

Recommendation 1: Consider alternatives to the Highway Contract Route Voyager Card Program.

Management Response/Action Plan: Management agrees to consider and is in the process of evaluating alternatives to the Highway Contract Route Voyager Card Program.

Target Completion Date: March 2015

Responsible Official: Manager, Transportation Portfolio

Recommendation 2: Consider fuel management best practices as appropriate to obtain the best value for the Postal Service.

Management Response/Action Plan: Management agrees to consider and is in the process of evaluating fuel management best practices as appropriate to obtain the best value.

Target Completion Date: March 2015

Responsible Official: Manager, Transportation Portfolio

This report and management's response do not contain information that may be exempt from disclosure under the Freedom of Information Act. If you have any questions about this report, please contact Susan Witt at (202) 268-4833.

Susan M. Brownell

cc: Corporate Audit and Response Management

475 L'ENFANT PLAZA SW
WASHINGTON, DC 20260-6200
202-268-4040
FAX: 202-268-2755
WWW.USPS.COM

OFFICE OF
INSPECTOR
GENERAL
UNITED STATES POSTAL SERVICE

Contact us via our Hotline and FOIA forms, follow us on social networks, or call our Hotline at 1-888-877-7644 to report fraud, waste or abuse. Stay informed.

1735 North Lynn Street
Arlington, VA 22209-2020
(703) 248-2100