



February 14, 2006

SYLVESTER BLACK
VICE PRESIDENT, WESTERN AREA OPERATIONS

SUBJECT: Audit Report – Surface Transportation – Bulk Mail Center Highway
Transportation Routes – Western Area (Report Number NL-AR-06-001)

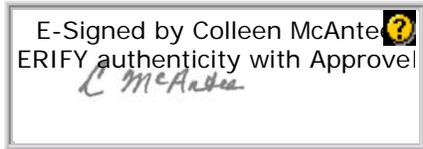
This report presents results from our Bulk Mail Center Highway Transportation Routes audit (Project Number 04YG013NL010). Our objectives were to evaluate the effectiveness of bulk mail center routes and identify opportunities for cost savings. This report responds to a request from the vice president, Network Operations Management, and focuses on routes controlled by the Western Area.

The U.S. Postal Service could save about \$2.2 million over the term of existing Western Area bulk mail highway contracts by cancelling, not renewing, or modifying 77 trips. The savings represent potential funds that could be put to better use and will be reported as such in our *Semiannual Report to Congress*. The Postal Service could eliminate or modify the trips without negatively affecting service because trip volume was low and mail could be consolidated on other trips. We recommended the vice president, Western Area Operations: (1) verify the actual cancellation, modification, or substitution of the 25 trips identified by Postal Service managers during our audit; (2) verify the actual cancellation, modification, or substitution of the 50 trips with which Postal Service officials agreed; and (3) reassess the two trips managers feel are still necessary.

Management agreed with our recommendations. They stated that all 75 trip reductions to which they had agreed, had already been made, or would be made by May 2006. They also stated they would reassess the two remaining trips. Management's comments and our evaluation of these comments are included in this report.

The U.S. Postal Service Office of Inspector General (OIG) considers recommendations 1, 2, and 3 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 follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have any questions or need additional information, please contact Joe Oliva, director, Transportation, or me at (703) 248-2300.



Colleen McAntee
Deputy Assistant Inspector General
for Core Operations

Attachments

cc: Patrick R. Donahoe
William P. Galligan
Paul E. Vogel
Anthony M. Pajunas
Steven R. Phelps

INTRODUCTION

Background

Bulk mail includes magazines, advertising, and merchandise shipped by major mailers like publishers, catalog companies, or online retail companies. It is processed by a system of 21 bulk mail centers and other facilities nationwide. The U.S. Postal Service spends more than \$500 million annually on contracts to transport bulk mail over highway networks. Contracted routes are controlled by individual Postal Service areas.

Highway transportation contractor connecting the trailer for departure from the Denver Bulk Mail Center August 29, 2005.



This report focuses on the routes controlled by the Western Area and responds to a request from the vice president, Network Operations Management.

Objectives, Scope, and Methodology

The objectives of our audit were to evaluate the effectiveness of scheduled bulk mail center highway transportation routes and identify opportunities for cost savings.

Using Postal Service computer-generated data, we identified 2,896 trips operated under 330 Western Area contracts that had at least one bulk mail center service point. In preparation for our work, we provided area officials and Postal Service managers with the list of Western Area contracts we intended to audit. During our work, we interviewed officials at headquarters and in the Western Area; reviewed relevant Postal Service policies and procedures; visited the area's five bulk mail centers; contacted the area's four auxiliary service facilities; interviewed managers and employees; and observed and

photographed operations. We consulted with financial analysts, computer analysts, and other subject matter experts; evaluated mail volume and the type of mail carried; considered service standards; and analyzed all 2,896 trips.

We conducted work associated with this report from August 2005 through February 2006, in accordance with generally accepted government auditing standards, and included such tests of internal controls as we considered necessary under the circumstances. We discussed our observations and conclusions with management officials and included their comments where appropriate.

We examined computer data in management's Transportation Contract Support System and Transportation Information Management Evaluation System. We did not audit or comprehensively validate the data; however, we noted several control weaknesses that constrained our work. For example, the Transportation Information Management Evaluation System had missing records and inaccurate trailer load volumes.

Prior Audit Coverage

Since September 2002, the U.S. Postal Service Office of Inspector General has worked with the Postal Service to reduce surface transportation. As a result, we have issued 19 audit reports that identified potential savings exceeding \$79.3 million over the life of eliminated or reduced transportation contracts. For more detailed information about these audits, see Appendix A.

AUDIT RESULTS

Contracted Bulk Mail Center Highway Trips

The Postal Service could save about \$2.2 million over the term of existing Western Area bulk mail highway contracts by canceling, not renewing, or modifying 77 trips. The Postal Service could eliminate or modify the trips without negatively affecting service because trip mail volume was low and mail could be consolidated on other trips. As indicated below, 18 percent of affected trips expire within 1 year. The other 82 percent have 1 to 3 years remaining.

PROPOSED NONRENEWALS AND CANCELLATIONS

TRIP CATEGORY	AFFECTED TRIPS	NUMBER OF TRIPS	ESTIMATED SAVINGS
Contracts expiring within 1 year	18 percent	14	\$363,670
Contracts expiring in 1-3 years	<u>82 percent</u>	<u>63</u>	<u>\$1,872,142</u>
All terminated trips	100 percent	77	\$2,235,812

Postal Service policy requires transportation managers to balance service and cost. Although managers continually strive to optimize transportation through aggressive cost cutting efforts — such as their breakthrough productivity initiative — transportation requirements are dynamic and constantly change. Consequently, the Postal Service could attain additional savings through further service reductions by not renewing unnecessary trips that are scheduled to expire within 1 year, or by canceling unnecessary trips that are currently contracted to continue for 1 to 3 years. The savings we identified included savings from nonrenewable trips, plus savings from trip cancellations net of cancellation fees totaling approximately \$193,631.

Cooperative Effort

As a result of our continuing efforts to partner with and bring value to the Postal Service, we had ongoing communication with Western Area officials throughout our audit. We provided the Western Area officials with a list of our specific trip proposals, and the officials reviewed each proposal in conjunction with their own assessment of area-wide network requirements. After the area’s review, we discussed our proposals and area operational needs with area officials and made appropriate adjustments.

As a result of our cooperative effort, the area agreed with the 75 proposals outlined in Appendices B and C, and agreed to reassess the two trips listed in Appendix D, which managers feel are still necessary.

PROPOSED CANCELLATIONS AND MODIFICATIONS			
CANCELLATION CATEGORY	NUMBER OF TRIPS	APPENDIX	ESTIMATED SAVINGS
Postal Service identified trip cancellations or modifications during the audit	25	B	\$255,340
Proposals with which area officials agreed	50	C	\$1,036,064
Proposals with which managers disagreed	<u>2</u>	D	<u>\$944,408</u>
Total	77		\$2,235,812

Recommendation	<p>We recommend the vice president, Western Area Operations:</p> <ol style="list-style-type: none"> 1. Verify the actual cancellation, modification, or substitution of the 25 trips management identified during our audit.
Management's Comments	<p>Management agreed with our recommendation. They stated they had already made three trip reductions and would make the remaining trip reductions by April 2006. Management's comments, in their entirety, are included in Appendix E of this report.</p>
Recommendation	<p>We recommend the vice president, Western Area Operations:</p> <ol style="list-style-type: none"> 2. Verify the actual cancellation, modification, or substitution of the 50 trips with which Postal Service managers agreed and provide the dates action was taken.
Management's Comments	<p>Management agreed with our recommendation and stated they would make the proposed trip reductions by May 2006.</p>

Recommendation	We recommend the vice president, Western Area Operations: 3. Reassess the two trips which Postal Service managers still feel are necessary, and cancel or modify the trips as indicated by the reassessment or document the reasons for retaining the trips.
Management's Comments	Management agreed with our recommendation. They stated that they would reassess the trips to determine if they could modify them without disrupting service.
Evaluation of Management's Comments	Management's comments are responsive to our findings and recommendations. We consider management's actions, taken or planned, sufficient to address the recommendations we made in our report.

APPENDIX A. PRIOR AUDIT COVERAGE

Report Name	Report Number	Date Final Report Issued	Number of Trips Identified for Elimination or Modification	Potential Savings Identified	Trips with which Management Agreed	Trips With Which Management Disagreed	Trips Identified by Management
Highway Network Scheduling - Pacific Area	TD-AR-02-003	9/24/2002	158	\$4,500,417	76	34	48
Highway Network Scheduling - Northeast Area	TD-AR-03-002	11/25/2002	18	776,992	10	8	0
Highway Network Scheduling - Capital Metro Area	TD-AR-03-007	3/28/2003	34	1,144,218	20	14	0
Highway Network Scheduling - New York Metro Area	TD-AR-03-008	3/31/2003	32	470,123	12	20	0
Highway Network Scheduling - Southwest Area	TD-AR-03-010	7/11/2003	249	5,989,082	148	101	0
Highway Network Scheduling - Western Area	TD-AR-03-013	9/23/2003	70	2,721,530	30	40	0
Highway Network Scheduling - Southeast Area	TD-AR-03-014	9/26/2003	101	11,352,881	23	24	54
Highway Network Scheduling - Eastern Area	TD-AR-03-015	9/30/2003	181	10,577,367	128	53	0
Highway Network Scheduling - Great Lakes Area	NL-AR-04-003	3/29/2004	72	5,352,877	48	22	2
BMC Transportation Routes - Great Lakes Area	NL-AR-04-004	9/29/2004	96	7,660,533	49	7	40
BMC Transportation Routes - Eastern Area	NL-AR-05-003	3/17/2005	35	4,791,570	29	6	0
Intermodal Rail and Highway Transportation - Pacific Area	NL-AR-05-004	3/18/2005	0	1,046,240	0	0	0
BMC Transportation Routes - Southeast Area	NL-AR-05-005	3/18/2005	52	6,563,582	52	0	0
BMC Transportation Routes - New York Metro	NL-AR-05-007	6/9/2005	16	1,499,371	16	0	0
BMC Transportation Routes - Southwest Area	NL-AR-05-008	8/3/2005	79	7,175,912	76	0	3
BMC Transportation Routes - Capital Metro Area	NL-AR-05-009	9/2/2005	10	803,060	10	0	0
Intermodal Rail and Highway Transportation Between the Pacific and Southeast Areas	NL-AR-05-011	9/19/2005	0	1,261,308	0	0	0
BMC Transportation Routes - Pacific Area	NL-AR-05-012	9/21/2005	22	3,123,562	10	2	10
BMC Transportation Routes - Northeast Area	NL-AR-05-013	9/26/2005	41	2,491,133	15	0	26
Totals	19		1,266	\$79,301,758	752	331	183

BMC – Bulk Mail Center

APPENDIX B

**TRIPS IDENTIFIED BY POSTAL SERVICE MANAGERS
 DURING AUDIT WORK**

Effective Date of Last Change	Ending Date of Contract	Highway Contract Route Number	Trip Number	Recommendation	Origin to Destination	Annual Budget Cost	Estimated Contract Cost	Indemnity Fees	Estimated Savings
10/26/2005	6/30/2007	50316	803 and 804	Eliminate Wednesday trips from 803 and Thursday trips from 804	Des Moines BMC, IA to Chicago BMC, IL, and return	\$46,213	\$73,171	\$7,702	\$65,469
7/1/2005	6/30/2009	55214	810	Eliminate AMC stop	Fargo P&DC, ND to Minneapolis/St. Paul BMC, MN	\$1,405	\$5,034	\$468	\$4,566
10/30/2004	6/30/2007	66311	803	Eliminate Thursday trips	Kansas City BMC, KS to Denver BMC, CO	\$43,797	\$69,346	\$7,300	\$62,046
10/30/2004	6/30/2007	66311	804	Eliminate Thursday trips	Denver BMC, CO to Kansas City BMC, KS	\$43,797	\$69,346	\$7,300	\$62,046
1/22/2005	6/30/2007	66313	803	Eliminate Tuesday trips	Kansas City BMC, KS to St. Louis BMC, MO	\$18,046	\$28,572	\$3,008	\$25,565*
1/22/2005	6/30/2007	66313	804	Eliminate Wednesday trips	St. Louis BMC, MO to Kansas City BMC, KS	\$18,046	\$28,572	\$3,008	\$25,565*
7/9/2005	1/21/2009	553DK	113, 114, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212	Eliminate Martin Luther King, Jr. Day, President's Day, Columbus Day, and Veterans' Day	Minneapolis MTEC, MN to St. Paul P&DC, MN, and return	\$2,461	\$7,793	\$820	\$6,973

Effective Date of Last Change	Ending Date of Contract	Highway Contract Route Number	Trip Number	Recommendation	Origin to Destination	Annual Budget Cost	Estimated Contract Cost	Indemnity Fees	Estimated Savings
7/9/2005	1/21/2009	553DK	115, 116	Eliminate Martin Luther King, Jr. Day, President's Day, Columbus Day, and Veterans' Day	Minneapolis MTEESC, MN to St. Paul P&DC, MN, and return	\$488	\$1,545	\$163	\$1,383*
7/9/2005	1/21/2009	553DK	117, 118	Eliminate New Year's, July 4, Veterans' Day, Thanksgiving, and Christmas	Minneapolis MTEESC, MN to St. Paul P&DC, MN, and return	\$610	\$1,932	\$203	\$1,728*
TOTALS			25			\$174,863	\$ 285,311	\$29,971*	\$255,340*

AMC – Airport Mail Center
 BMC – Bulk Mail Center
 P&DC – Processing and Distribution Center
 MTEESC – Mail Transportation Equipment Service Center

* Minor rounding difference

APPENDIX C

**TRIPS IDENTIFIED DURING AUDIT WORK WITH WHICH
 POSTAL SERVICE MANAGERS AGREED**

Effective Date of Last Change	Ending Date of Contract	Highway Contract Route Number	Trip Number	Recommendation	Origin to Destination	Annual Budget Cost	Estimated Contract Cost	Indemnity Fees	Estimated Savings
9/10/2005	6/30/2009	50311	805	Eliminate Memorial Day and July 4	Des Moines BMC, IA to Kansas City BMC, KS	\$558	\$1,998	\$186	\$1,812
9/10/2005	6/30/2009	50311	806	Eliminate Memorial Day and July 4	Kansas City BMC, KS to Des Moines BMC, IA	\$558	\$1,998	\$186	\$1,812
9/10/2005	6/30/2009	50320	801	Eliminate Memorial Day	Des Moines BMC, IA to Jacksonville BMC, FL	\$1,614	\$5,785	\$538	\$5,247
9/10/2005	6/30/2009	50320	802	Eliminate Memorial Day	Jacksonville BMC, FL to Des Moines BMC, IA	\$1,614	\$5,785	\$538	\$5,247
8/6/2005	6/30/2007	50323	1	Eliminate Monday trips	Des Moines BMC, IA to Pittsburgh BMC, PA	\$39,210	\$62,082	\$0	\$62,082
8/6/2005	6/30/2007	50323	2	Eliminate Monday trips	Pittsburgh BMC, PA to Des Moines BMC, IA	\$39,210	\$62,082	\$0	\$62,082
8/6/2005	6/30/2007	50324	801	Eliminate Christmas and New Year's	Des Moines BMC, IA to Philadelphia BMC, PA	\$2,053	\$3,250	\$0	\$3,250
8/6/2005	6/30/2007	50324	802	Eliminate Christmas and New Year's	Philadelphia BMC, PA to Des Moines BMC, IA	\$2,053	\$3,250	\$0	\$3,250
1/22/2005	6/30/2006	57014	1	Eliminate Memorial Day and Columbus Day	Sioux Falls P&DC, SD to Rapid City P&DF, SD	\$903	\$3,610	\$0	\$3,610

Surface Transportation – Bulk Mail Center Highway
Transportation Routes – Western Area

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Effective Date of Last Change	Ending Date of Contract	Highway Contract Route Number	Trip Number	Recommendation	Origin to Destination	Annual Budget Cost	Estimated Contract Cost	Indemnity Fees	Estimated Savings
1/22/2005	6/30/2006	57014	2	Eliminate Memorial Day and Columbus Day	Rapid City P&DF, SD to Sioux Falls P&DC, SD	\$903	\$3,610	\$0	\$3,610
11/27/2004	6/30/2006	57017	9	Eliminate holiday trips and day after holiday trips	Sioux Falls P&DC, SD to Huron, SD	\$3,664	\$14,655	\$0	\$14,655
11/27/2004	6/30/2006	57017	10	Eliminate holiday trips and day after holiday trips	Huron, SD to Sioux Falls P&DC, SD	\$3,664	\$14,655	\$0	\$14,655
4/16/2005	6/30/2006	57043	1	Eliminate Martin Luther King, Jr. Day, President's Day, Columbus Day, and Veterans' Day	Sioux Falls P&DC, SD to Madison, SD	\$166	\$664	\$0	\$664
4/16/2005	6/30/2006	57043	2	Eliminate Martin Luther King, Jr. Day, President's Day, Columbus Day, and Veterans' Day	Madison, SD to Sioux Falls P&DC, SD	\$166	\$664	\$0	\$664
4/16/2005	6/30/2006	57043	3	Eliminate Martin Luther King, Jr. Day, President's Day, Columbus Day, and Veterans' Day	Sioux Falls P&DC, SD to Oldham, SD	\$271	\$1,083	\$0	\$1,083
4/16/2005	6/30/2006	57043	4	Eliminate Martin Luther King, Jr. Day, President's Day, Columbus Day, and Veterans' Day	Oldham, SD to Sioux Falls P&DC, SD	\$320	\$1,282	\$0	\$1,282
1/22/2005	6/30/2007	58016	1	Eliminate days after holiday trips	Fargo P&DC, ND to Sioux Falls P&DC, SD	\$3,400	\$5,383	\$567	\$4,816
1/22/2005	6/30/2007	58016	2	Eliminate days after holiday trips	Sioux Falls P&DC, SD to Fargo P&DC, ND	\$3,442	\$5,449	\$574	\$4,876*
12/25/2004	6/30/2007	58021	1	Eliminate holiday trips	Fargo P&DC, ND to Bismarck P&DF, ND	\$2,165	\$3,428	\$361	\$3,067

Surface Transportation – Bulk Mail Center Highway
Transportation Routes – Western Area

NL-AR-06-001

Effective Date of Last Change	Ending Date of Contract	Highway Contract Route Number	Trip Number	Recommendation	Origin to Destination	Annual Budget Cost	Estimated Contract Cost	Indemnity Fees	Estimated Savings
12/25/2004	6/30/2007	58021	2	Eliminate holiday trips	Bismarck P&DF, ND to Fargo P&DC, ND	\$2,165	\$3,428	\$361	\$3,067
1/22/2005	6/30/2007	66315	801	Eliminate Sunday trips	Kansas City BMC, KS to Detroit BMC, MI	\$45,558	\$72,133	\$7,593	\$64,540
1/22/2005	6/30/2007	66315	802	Eliminate Sunday trips	Detroit BMC, MI to Kansas City BMC, KS	\$44,360	\$70,237	\$7,393	\$62,844
9/10/2005	6/30/2007	66316	807	Eliminate Martin Luther King, Jr. Day, Columbus Day, and Veterans' Day	Kansas City BMC, KS to Dallas, BMC, TX	\$2,440	\$3,863	\$0	\$3,863
9/10/2005	6/30/2007	66316	808	Eliminate Martin Luther King, Jr. Day, Columbus Day, and Veterans Day	Dallas, BMC, TX to Kansas City BMC, KS	\$2,330	\$3,689	\$0	\$3,689
9/10/2005	6/30/2007	66316	801	Eliminate Christmas	Kansas City BMC, KS to Dallas, BMC, TX	\$777	\$1,230	\$0	\$1,230
9/10/2005	6/30/2007	66316	802	Eliminate Christmas	Dallas, BMC, TX to Kansas City BMC, KS	\$824	\$1,305	\$0	\$1,305
3/19/2005	6/30/2008	66391	805	Eliminate trip	Hays, KS to Kansas City BMC, KS	\$19,162	\$49,501	\$6,387	\$43,114
3/19/2005	6/30/2008	66391	806	Eliminate trip	Kansas City BMC, KS to Hays, KS	\$19,162	\$49,501	\$6,387	\$43,114
1/22/2005	6/30/2008	80097	807	Eliminate trip	Denver BMC, CO to Boulder Valmont Station, CO	\$14,867	\$38,407	\$4,956	\$33,451
1/22/2005	6/30/2008	80097	808	Eliminate trip	Boulder Valmont Station, CO to Denver BMC, CO	\$14,867	\$38,407	\$4,956	\$33,451
1/22/2005	6/30/2006	80215	849	Eliminate Sunday trips	Denver BMC, CO to Provo East Bay, UT	\$30,190	\$120,760	\$0	\$120,760

Surface Transportation – Bulk Mail Center Highway
Transportation Routes – Western Area

NL-AR-06-001

Effective Date of Last Change	Ending Date of Contract	Highway Contract Route Number	Trip Number	Recommendation	Origin to Destination	Annual Budget Cost	Estimated Contract Cost	Indemnity Fees	Estimated Savings
1/22/2005	6/30/2006	80215	850	Eliminate Sunday trips	Provo East Bay, UT to Denver BMC, CO	\$32,255	\$129,018	\$0	\$129,018
12/25/2004	6/30/2007	84123	3	Eliminate Saturday trips	Salt Lake City ASF, UT to Ogden, UT	\$3,947	\$6,250	\$658	\$5,592
12/25/2004	6/30/2007	84123	4	Eliminate Saturday trips	Ogden, UT to Salt Lake City ASF, UT	\$3,927	\$6,217	\$654	\$5,563
1/22/2005	6/30/2007	84132	23	Eliminate trip	Salt Lake City ASF, UT to West Jordan, UT	\$3,389	\$5,366	\$565	\$4,801
1/22/2005	6/30/2007	84132	24	Eliminate trip	West Jordan, UT to Salt Lake City ASF, UT	\$1,768	\$2,800	\$295	\$2,505
12/25/2004	6/30/2007	84140	7	Eliminate Saturday trips	Salt Lake City ASF, UT to Layton, UT	\$3,269	\$5,175	\$545	\$4,630
12/25/2004	6/30/2007	84140	8	Eliminate Saturday trips	Layton, UT to Salt Lake City ASF, UT	\$3,247	\$5,141	\$541	\$4,599*
1/22/2005	6/30/2007	98195	805	Eliminate Monday trips, Christmas, and July 4	Seattle BMC, WA to Everett P&DF, WA	\$4,197	\$6,646	\$700	\$5,946
1/22/2005	6/30/2007	98195	806	Eliminate Monday trips, Christmas, and July 4	Everett P&DF, WA to Seattle BMC, WA	\$4,197	\$6,646	\$700	\$5,946
12/25/2004	6/30/2006	552Y2	801	Eliminate Christmas	Minneapolis/St. Paul BMC, MN to Washington BMC, MD	\$1,309	\$5,235	\$0	\$5,235
12/25/2004	6/30/2006	552Y2	802	Eliminate Christmas	Washington BMC, MD to Minneapolis/St. Paul BMC, MN	\$1,309	\$5,235	\$0	\$5,235
1/22/2005	6/30/2006	570BA	305	Eliminate trip	Sioux Falls P&DC, SD to Meadows Postal Store, SD	\$8,102	\$32,409	\$0	\$32,409
1/22/2005	6/30/2006	570BA	306	Eliminate trip	Meadows Postal Store, SD to Sioux Falls P&DC, SD	\$7,697	\$30,789	\$0	\$30,789

Surface Transportation – Bulk Mail Center Highway
 Transportation Routes – Western Area

NL-AR-06-001

Effective Date of Last Change	Ending Date of Contract	Highway Contract Route Number	Trip Number	Recommendation	Origin to Destination	Annual Budget Cost	Estimated Contract Cost	Indemnity Fees	Estimated Savings
12/25/2004	6/30/2007	663U1	801	Eliminate Sunday trips and Christmas	Kansas City BMC, KS to Greensboro BMC, NC	\$55,024	\$87,121	\$9,171	\$77,951*
12/25/2004	6/30/2007	663U1	802	Eliminate Sunday trips and Christmas	Greensboro BMC, NC to Kansas City BMC, KS	\$55,024	\$87,121	\$9,171	\$77,951*
12/25/2004	6/30/2007	841AA	1	Eliminate trip	Salt Lake City ASF, UT to Millcreek Branch, UT	\$8,452	\$13,383	\$1,409	\$11,974
12/25/2004	6/30/2007	841AA	2	Eliminate trip	Millcreek Branch, UT to Salt Lake City ASF, UT	\$8,452	\$13,383	\$1,409	\$11,974
9/3/2005	9/30/2008	981U0	821	Eliminate Christmas Eve	Seattle BMC, WA to Lewiston ID	\$309	\$875	\$0	\$875
9/3/2005	9/30/2008	981U0	822	Eliminate Christmas Eve	Lewiston ID to Seattle BMC, WA	\$309	\$875	\$0	\$875
	TOTALS		50			\$508,816*	\$1,102,862*	\$66,798*	\$1,036,064*

BMC – Bulk Mail Center
 P&DC – Processing and Distribution Center
 ASF – Auxiliary Service Facility
 P&DF – Processing and Distribution Facility

* Minor rounding difference

APPENDIX D

**TRIPS IDENTIFIED DURING AUDIT WORK WITH WHICH
 POSTAL SERVICE MANAGERS DISAGREED**

Effective Date of Last Change	Ending Date of Contract	Highway Contract Route Number	Trip Number	Recommendation	Origin to Destination	Annual Budget Cost	Estimated Contract Cost	Indemnity Fees	Estimated Savings
7/1/2005	6/30/2009	55214	809	Eliminate Trip	Minneapolis/St. Paul BMC, MN to Fargo P&DC, ND	\$135,678	\$486,181	\$45,226	\$440,955
7/1/2005	6/30/2009	55214	808	Eliminate Trip	Fargo P&DC, ND to Minneapolis/St. Paul BMC, MN	\$154,908	\$555,089	\$51,636	\$503,453
	TOTALS		2			\$ 290,587*	\$ 1,041,270	\$ 96,862	\$ 944,408

BMC – Bulk Mail Center
 P&DC – Processing and Distribution Center

* Minor rounding difference

APPENDIX E. MANAGEMENT'S COMMENTS

Sylvestre BLACK
Vice President, Western Area Operations



January 13, 2006

COLLEEN McANTEE
DEPUTY ASSISTANT INSPECTOR GENERAL
FOR CORE OPERATIONS

SUBJECT: Bulk Mail Center Highway Transportation Routes – Western Area
(Report Number NL-AR-06-DRAFT)

This response is provided in reply to your January 4, 2006, draft audit report.

Western Area management agrees with recommendations on Appendix B and Appendix C, and plans to comply as outlined in Attachment A.

However, management disagrees with the elimination of trips 808 and 809 on HCR 55214 (Appendix D), but will reassess to determine if the trips can be modified without disruption/degradation of service.

The projected savings will be \$1.3 million instead of \$2.2 million, by not eliminating trips 808 and 809 on HCR 55214.


Sylvester Black

Attachment

SB:DAD:LK:cd

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ATTACHMENT A

<u>HCR</u>	<u>Trip</u>	<u>Recommendation</u>	<u>Agree/Disagree</u>
50316	803/804	Eliminate Wednesday trip from 803 and Thursday trip from 804	Agree

Specific course of action: Submit Service Change Request
 Submit/Completion Date: Implemented 10/26/2005
 Responsible:

55214	810	Eliminate AMC stop	Agree
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Specific course of action: Submit Service Change Request
 Submit/Completion Date: Implemented 7/19/2005
 Responsible:

66311	803	Eliminate Thursday trips	Agree
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Specific course of action: Submit Service Change Request
 Submit/Completion Date: Submit 4/21/2006
 Responsible: Kansas City BMC TANS Manager

66311	804	Eliminate Thursday trips	Agree
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Specific course of action: Submit Service Change Request
 Submit/Completion Date: Submit 4/21/2006
 Responsible: Kansas City BMC TANS Manager

66313	803	Eliminate Tuesday trips	Agree
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Specific course of action: Submit Service Change Request
 Submit/Completion Date: Submit 4/21/2006
 Responsible: Kansas City BMC TANS Manager

66313	804	Eliminate Wednesday trips	Agree
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Specific course of action: Submit Service Change Request
 Submit/Completion Date: Submit 4/21/2006
 Responsible: Kansas City BMC TANS Manager

<u>HCR</u>	<u>Trip</u>	<u>Recommendation</u>	<u>Agree/Disagree</u>
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553DK	113-114 201-212 201-213	Eliminate Martin Luther King Day, Presidents Day, Columbus Day and Veterans Day	Agree
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Specific course of action: Submit Service Change Request
 Submit/Completion Date: Submit 4/21/2006
 Responsible: Northland TANS Manager (Minneapolis)

553DK	115-116	Eliminate Martin Luther King Day, Presidents Day, Columbus Day and Veterans Day	Agree
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Specific course of action: Submit Service Change Request
 Submit/completion Date: Submit 4/21/2006
 Responsible: Northland TANS Manager (Minneapolis)

553DK	117-118	Eliminate New Years Day, July 4 th , Veterans' Day, Thanksgivings Day and Christmas Day	Agree
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Specific course of action: Submit Service Change Request
 Submit/completion Date: Submit 4/21/2006
 Responsible: Northland TANS Manager (Minneapolis)

50311	805/806	Eliminate Memorial Day and July 4 th	Agree
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Specific course of action: Submit Service Change Request
 Submit/completion Date: Submit 4/21/2006
 Responsible: Des Moines BMC TANS Manager

50320	801/802	Eliminate Memorial Day	Agree
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Specific course of action: Submit Service Change Request
 Submit/completion Date: Submit 5/19/2006
 Responsible: Des Moines BMC TANS Manager

<u>HCR</u>	<u>Trip</u>	<u>Recommendation</u>	<u>Agree/Disagree</u>
50323	1/2	Eliminate Monday trips	Agree
Specific course of action: Submit Service Change Request Submit/completion Date: Submit 5/19/2006 Responsible: Des Moines BMC TANS Manager			
50324	801/802	Eliminate Christmas Day and New Years Day	Agree
Specific course of action: Submit Service Change Request Submit/completion Date: Submit 5/19/2006 Responsible: Des Moines BMC TANS Manager			
57014	1/2	Eliminate Memorial Day and Columbus Day	Agree
Specific course of action: Submit Service Change Request Submit/completion Date: Submit 4/21/2006 Responsible: Sioux Falls P&DC Networks Specialist			
57017	9/10	Eliminate holiday trips and day after holiday trips	Agree
Specific course of action: Submit Service Change Request Submit/completion Date: Submit 4/21/2006 Responsible: Sioux Falls P&DC Networks Specialist			
57043	1-4	Eliminate Martin Luther King Day, Presidents Day, Columbus Day and Veterans Day	Agree
Specific course of action: Submit Service Change Request Submit/completion Date: Submit 4/21/2006 Responsible: Sioux Falls P&DC Networks Specialist			
58016	1/2	Eliminate days after holiday trips	Agree
Specific course of action: Submit Service Change Request Submit/completion Date: Implemented 1/07/2006 Responsible:			

<u>HCR</u>	<u>Trip</u>	<u>Recommendation</u>	<u>Agree/Disagree</u>
58021	1/2	Eliminate holiday trips	Agree
Specific course of action: Submit Service Change Request Submit/completion Date: Implemented 1/7/2006 Responsible:			
66315	801/802	Eliminate Sunday trips	Agree
Specific course of action: Submit Service Change Request Submit/completion Date: Submit 5/19/2006 Responsible: Kansas City BMC TANS Manager			
66316	807/808	Eliminate Martin Luther King Day Columbus day and Veterans day	Agree
Specific course of action: Submit Service Change Request Submit/completion Date: Submit 5/19/2006 Responsible: Kansas City BMC TANS Manager			
66316	801/802	Eliminate Christmas Day	Agree
Specific course of action: Submit Service Change Request Submit/completion Date: Submit 5/19/2006 Responsible: Kansas City BMC TANS Manager			
66391	805/806	Eliminate trip	Agree
Specific course of action: Submit Service Change Request Submit/completion Date: Submit 4/21/2006 Responsible: Kansas City BMC TANS Manager			
80097	807/808	Eliminate trip	Agree
Specific course of action: Submit Service Change Request Submit/completion Date: Submit 4/21/2006 Responsible: Denver BMC TANS Manager			
80215	849/850	Eliminate Sunday trips	Agree
Specific course of action: Submit Service Change Request Submit/completion Date: Submit 4/21/2006 Responsible: Denver BMC TANS Manager			

<u>HCR</u>	<u>Trip</u>	<u>Recommendation</u>	<u>Agree/Disagree</u>
84123	3/4	Eliminate Saturday trips	Agree
Specific course of action: Submit Service Change Request Submit/completion Date: Submit 4/21/2006 Responsible: Salt Lake City TANS Manager			
84132	23/24	Eliminate trip	Agree
Specific course of action: Submit Service Change Request Submit/completion Date: Submit 4/21/2006 Responsible: Salt Lake City TANS Manager			
84140	7/8	Eliminate Saturday trips	Agree
Specific course of action: Submit Service Change Request Submit/completion Date: Submit 4/21/2006 Responsible: Salt Lake City TANS Manager			
98195	805/806	Eliminate Monday trips, Christmas Day and July 4 th	Agree
Specific course of action: Submit Service Change Request Submit/completion Date: Implemented 10/29/2005 Responsible:			
552Y2	801/802	Eliminate Christmas Day	Agree
Specific course of action: Submit Service Change Request Submit/completion Date: Submit 5/19/2006 Responsible: St. Paul BMC TANS Manager			
570BA	305/306	Eliminate trip	Agree
Specific course of action: Submit Service Change Request Submit/completion Date: Submit 4/21/2006 Responsible: Sioux Falls P&DC Networks Specialist			

<u>HCR</u>	<u>Trip</u>	<u>Recommendation</u>	<u>Agree/Disagree</u>
663U1	801/802	Eliminate Sunday trips and Christmas Day	Agree

Specific course of action: Submit Service Change Request
 Submit/completion Date: Submit 5/19/2006
 Responsible: Kansas City BMC TANS Manager

841AA	1/2	Eliminate trip	Agree
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Specific course of action: Submit Service Change Request
 Submit/completion Date: Submit 4/21/2006
 Responsible: Salt Lake City TANS Manager

981U0	821/822	Eliminate Christmas Eve trip	Agree
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Specific course of action: Submit Service Change Request
 Submit/completion Date: Implemented 10/15/2005
 Responsible:

55214	808/809	Eliminate trip	Disagree
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Specific course of action: Management disagrees with this proposal because these two trips are the most utilized trips on HCR 55214. Fargo is able to dispatch time sensitive Registered mail to Detroit Lakes and BMC mail on trip 808, freeing up much needed dock space for the DOV mail departing between 2315 and 2345. Management will reevaluate this proposal using TIMES data and the needs of the Fargo P&DC for moving Standard mail and Registered mail within the cluster.
 Submit/completion Date: Submit 2/21/2006
 Responsible: Manager, In-Plant Support, Fargo P&DC, ND.