Table of Contents

Highlights

Background

The Transportation Cost System (TRACS) is a statistical sampling and data collection system the U.S. Postal Service uses to estimate transportation costs and distribute those costs to mail categories, set prices, create new products and services, and provide operational information to management. There are two types of TRACS tests: Air and Surface. The Postal Service uses TRACS – Surface to estimate and distribute transportation costs for highway, railroad, and water transportation accounts.
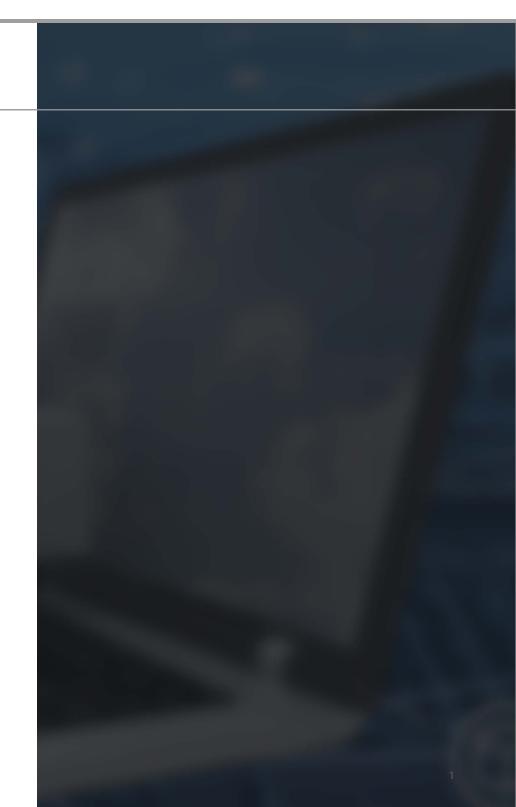
What We Did

Our objective was to assess select processes related to TRACS – Surface highway testing data.

Findings

Based on our work and 14 site visits, we determined that technicians followed policies and procedures, which helps ensure reliable and accurate TRACS – Surface highway testing data for cost distribution.

Recommendations

We did not make any recommendations in this report.

Transmittal Letter

OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

June 30, 2022

MEMORANDUM FOR: SHARON D. OWENS
VICE PRESIDENT, PRICING AND COSTING

FROM: Alan MacMullin
Deputy Assistant Inspector General for Finance and Pricing

SUBJECT: Audit Report – Transportation Cost System – Surface
Highway (Report Number 22-021-R22)

This report presents the results of our audit of the U.S. Postal Service's Transportation Cost System – Surface Highway.

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

Attachment

cc: Postmaster General
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of the U.S. Postal Service's Transportation Cost System (TRACS) – Surface highway tests (Project Number 22-021). Our objective was to assess the reliability of the select processes related to TRACS – Surface highway testing data. See Appendix A for additional information about this audit.

Background

TRACS is a statistical sampling and data collection system that the Postal Service uses to estimate transportation costs and distribute those costs to mail categories, set prices, create new products and services, and provide operational information to management. There are two types of TRACS tests: Air and Surface. The Postal Service uses TRACS – Surface testing to estimate and distribute transportation costs for highway, railroad, and water transportation accounts; and estimate the capacity incurred by specific mail types transported by highway in tractor trailers, vans, trucks, and automobiles. Data collection technicians[1] collect TRACS – Surface highway testing data through sampling of vehicles (for example, recording contents or arrival times) that carry mail from one facility to another.

In fiscal years (FY) 2020 and 2021, the Postal Service reviewed about 11,000 TRACS – Surface highway samples each year at a variety of Postal Service facilities.[2] In FY 2021, the Postal Service used TRACS – Surface data to distribute highway costs within two cost segments.[3] The General Ledger allocated about $5.4 billion in highway costs within Cost Segment 14 – Transportation. In addition, the ledger allocated about $913 million in Vehicle Service Drivers (VSD)[4] route costs within Cost Segment 8 – Vehicle Service Drivers. Once allocated to these cost segments based on the General Ledger Account Number, attributable costs[5] were distributed to mail products and services using TRACS data. Collecting accurate TRACS – Surface highway testing data is important for supporting accurate cost distribution.

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1 An employee who gathers and records data from mail samples and other valid sources.
2 These include Network Distribution Centers (NDC), Surface Transfer Centers (STC), Sectional Center Facilities (SCF), Air Mail Facilities/Centers (AMF/AMC), Processing and Distribution Centers (P&DC), and Community Postal Offices (CPO).
3 A cost segment generally corresponds to a major division of the postal system of accounts.
4 Vehicle Service Drivers' routes are operated by Postal Service employees and used for short distances in metropolitan areas.
5 Attributable costs are made up of the total volume variable and fixed product specific costs to products and services.

Finding Summary

Based on our work and 14 site visits, we determined that technicians followed policies and procedures which helps ensure reliable and accurate TRACS – Surface highway testing data for cost distribution.

Finding #1: Testing Policies and Procedures

Based on our observations at 14 sites, we determined that technicians generally followed testing policies and procedures and correctly captured and recorded mail characteristics. Specifically, at the 14 sites technicians:

- Recorded the percentage of mail that was unloaded and remained on a truck.
- Captured the floor space percentage of an empty truck.
- Located a replacement vehicle.
- Recorded tests when no mail was unloaded at the test facility.
- Documented the trucks' arrival time at the facility.
- Captured and recorded mail type, weight, and occupied space in a container.

When technicians perform their jobs correctly and collect adequate mail characteristics, it helps ensure accurate sampling data. Management then uses the data to distribute costs to mail products and services.

We were able to execute 14 site visits but had to adjust two of our originally planned selections because of untimely updates to facility information in the testing database. One of the selected facilities was listed in the testing database as open, but was permanently closed, and the other was listed with an incorrect name. Postal Service management stated that they have begun evaluating how to ensure timely updates are made to the testing database.

Based on the results of our audit, we are not making any recommendations.

Management's Comments

Management agreed with finding one, explaining that technicians followed policies and procedures, which helps ensure reliable and accurate TRACS-Surface highway testing data for cost distribution.

See Appendix B for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the finding in the report.

Appendices

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

Appendix A: Additional Information

Scope and Methodology

The scope of our audit was the TRACS – Surface highway testing process, including TRACS – Surface highway sample data for FYs 2017 through 2021. To accomplish our objective, we:

- Reviewed Postal Regulatory Commission (PRC) documents related to TRACS – Surface highway testing methodologies.

- Interviewed Postal Service Cost Systems and Analysis and Statistical Programs personnel to gain an understanding of the TRACS – Surface highway testing methodology and procedures.

- Conducted 14 site visits in the Atlantic (5), Southern (4), WestPac (3), and Central (2) delivery areas to determine whether technicians correctly capture and record mail characteristics in the Computerized On-Site Data Entry System[6] (CODES) and follow TRACS – Surface highway testing processes and procedures.

- Analyzed TRACS – Surface highway data sets to determine whether mileage and utilization percentage were calculated accurately and mail characteristics were complete and reliable to report to the PRC.

- Evaluated the impact of the Postal Service's "Delivering for America" strategic plan on TRACS – Surface highway testing.

- Reviewed Postal Service policies and reference guides related to TRACS – Surface highway to gain an understanding of required testing procedures and methodologies.

We conducted this performance audit from December 2021 through June 2022 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective. We discussed our observations and conclusions with management on June 21, 2022, and included their comments where appropriate.

We assessed the reliability of rescheduled and cancelled test data within TRACS – Surface highway sample data sets by performing logical tests of completeness, reasonableness, accuracy, and validity on key fields. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date
In-Office Cost System Sampling Processes	Evaluate IOCS sampling processes to identify opportunities for improved efficiencies.	19-032-R20	5/22/2020
Transportation Cost System-Air	Assess the accuracy and reliability of TRACS-Air sampling data.	CP-AR-17-009	8/29/2017

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6 A computer architecture structured around the functions of a physical work site, which serves as the central gathering place of collected data from technicians.

Appendix B: Management's Comments

SHARON OWENS
VICE PRESIDENT, PRICING AND COSTING

UNITED STATES
POSTAL SERVICE

June 27, 2022

JOHN CIHOTA
DIRECOR, AUDIT SERVICES

SUBJECT: Management Response: Transportation Cost System – Surface Highway
(Project Number 22-021-DRAFT)

Thank you for providing the Postal Service with an opportunity to review and comment on the findings contained in the draft audit report,
U.S. Postal Service's Transportation Cost System – Surface Highway.

Management agrees with Finding #1 Testing Policies and Procedures.
Namely, management agrees that technicians followed policies and procedures which helps ensure reliable and accurate TRACS – Surface highway testing data for cost distribution. There were no recommendations made.

E-SIGNED by Sharon.D Owens
on 2022-06-27 15:05:22 CDT

_____
Sharon D. Owens
Vice President, Pricing and Costing

cc: Manager, Corporate Audit Response Management

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