



March 23, 2007

MEGAN BRENNAN  
VICE PRESIDENT, EASTERN AREA OPERATIONS

SUBJECT: Audit Report – Surface Transportation – Processing and Distribution  
Center Transportation Routes – Eastern Area  
(Report Number NL-AR-07-002)



This report presents results from our processing and distribution center (P&DC) transportation routes audit (Project Number 06XG012NL002). Our objectives were to evaluate the effectiveness of P&DC routes and identify opportunities to save money. This report responds to a request from the Vice President, Network Operations, and focuses on routes controlled by the Eastern Area.

The U.S. Postal Service could save \$2,330,769 over the term of existing Eastern Area P&DC highway contracts by canceling, not renewing, or modifying 78 trips. These are funds 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, Eastern Area Operations verify the actual cancellation, modification, or substitution of the 46 trips identified by Postal Service managers and the 32 trips identified by the U.S. Postal Service Office of Inspector General (OIG).

Management generally agreed with our finding, recommendations and monetary impact. They stated that 66 of the 78 trip reductions or substituted reductions have been completed, and that they will provide us with documentation when the remaining 12 trip reductions have been completed. Management's comments and our evaluation of these comments are included in the report.

The OIG considers all 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 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) 248-2100.

E-Signed by Colleen McAntee   
VERIFY authenticity with ApproveIt  


Colleen A. McAntee  
Deputy Assistant Inspector General  
for Mission Operations

#### Attachments

cc: Patrick R. Donahoe  
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## INTRODUCTION

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### Background

Processing and distribution centers (P&DCs) are central facilities that receive and process mail and then distribute it to local service areas over the U.S. Postal Service's transportation network. The mail P&DCs process, including First-Class Mail® and Periodicals, is very time-sensitive. As a result, Postal Service transportation managers often must move it from origin to destination overnight and, in making transportation decisions, continually balance on-time service standards with transportation costs. There are approximately 270 P&DCs in the Postal Service network and the Postal Service spends about \$1.5 billion annually on surface transportation contracts moving mail to and from these facilities.

Dock doors at the Philadelphia P&DC, labeled with destination locations and departure times, September 20, 2006.



The Vice President, Network Operations, requested we audit the scheduled contracted transportation routes supporting P&DCs. Individual Postal Service areas control those routes. This report focuses on routes the Eastern Area controls and responds to this request.

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### Objectives, Scope, and Methodology

The objectives of our audit were to evaluate the effectiveness of the scheduled contracted transportation routes supporting P&DCs and to identify opportunities to save money.

Using Postal Service computer-generated data, we identified 9,760 trips operated under 1,050 Eastern Area

contracts that had at least one P&DC service point. We did not audit or comprehensively validate the data; however, we noted several data quality weaknesses that constrained our work. For example, some computer files had missing records and inaccurate trailer load volumes. Even though data limitations constrained our work, we were able to support our audit conclusions by applying alternate audit procedures, including source document examination, observation, physical inspection, and discussion with appropriate officials.

During our work, we audited 23 facilities, visited four facilities, interviewed officials at headquarters and in the Eastern Area, reviewed relevant Postal Service policies and procedures, interviewed managers and employees, and observed and photographed operations. We also evaluated mail volume and the type of mail carried, considered on-time service standards and area initiatives to improve service, and analyzed all 9,760 trips.

We conducted work associated with this report from August 2006 through March 2007 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 throughout our audit and included their comments where appropriate.

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**Prior Audit Coverage**

Since September 2002, the U.S. Postal Service Office of Inspector General (OIG) has worked with the Postal Service to reduce surface transportation. As a result, we have issued 30 audit reports that identified potential savings exceeding \$99.1 million over the life of eliminated or reduced transportation contracts. For more detailed information about these audits. (See Appendix A.)

## AUDIT RESULTS

### Contracted Highway Transportation Trips

The Postal Service could improve the effectiveness of scheduled surface contract routes supporting P&DCs and save \$2,330,769 million over the term of existing Eastern Area highway contracts by canceling, not renewing, or modifying 78 trips. The Postal Service could eliminate or modify the trips without negatively affecting on-time service because trip mail volume was low and mail could be consolidated on other trips. As indicated below, 23 percent of affected trips expire on June 30, 2007. The other 77 percent expire in 2008 or later and have 1 to 3 years remaining.

#### PROPOSED NONRENEWALS AND CANCELLATIONS

| TRIP CATEGORY                       | AFFECTED TRIPS    | NUMBER OF TRIPS | ESTIMATED SAVINGS |
|-------------------------------------|-------------------|-----------------|-------------------|
| Contracts expiring on June 30, 2007 | 23 percent        | 18              | \$396,328         |
| Contracts expiring in 2008 or later | <u>77 percent</u> | <u>60</u>       | <u>1,934,441</u>  |
| All terminated trips                | 100 percent       | 78              | \$2,330,769       |

Philadelphia P&DC,  
September 20, 2006.



The Postal Service transportation network is dynamic and requirements constantly change. As we discussed in the objectives, scope, and methodology section of our report Postal Service data has certain limitations. Accordingly, throughout our audit we coordinated extensively with plant and area transportation officials and proposed service reductions to them. The officials then reviewed each proposal in conjunction with their own assessment of

area wide network requirements and we discussed our proposals with them. Based on these discussions, we believe the Postal Service could attain savings through service reductions by:

- Not renewing unnecessary trips scheduled to expire on June 30, 2007.
- Canceling unnecessary trips currently contracted to expire in 2008 or later, which have 1 to 3 years remaining.

The savings we identified included savings from nonrenewable trips, plus savings from trip cancellations net of cancellation fees totaling approximately \$72,372.

**PROPOSED CANCELLATIONS AND MODIFICATIONS**

| CANCELLATION CATEGORY  | NUMBER<br>OF TRIPS | APPENDIX | ESTIMATED<br>SAVINGS |
|--|--------------------|----------|----------------------|
| Postal Service identified trip cancellations or modifications during the audit | 46                 | B        | \$986,630            |
| Proposals with which area officials agreed                                     | <u>32</u>          | C        | <u>1,344,139</u>     |
| Total  | 78                 |          | \$2,330,769          |

On February 12, 2007, we met with Eastern Area officials and discussed our report and recommendations. At that meeting, the officials agreed with our recommendations and with the 78 trip proposals in Appendices B and C.

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**Recommendations**

We recommend the Vice President, Eastern Area Operations:

1. Verify the actual cancellation, modification, or substitution of the 46 trips management identified during our audit.
2. Verify the actual cancellation, modification, or substitution of the 32 trips with which Postal Service managers agreed and provide the dates action was taken.

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|--|--|
| <b>Management's Comments</b>               | Management generally agreed with all of our recommendations. They stated they had already modified or eliminated all of the 46 trips in recommendation 1; completed 20 of the 32 trip reductions in recommendation 2; and anticipated that the 12 remaining trip reductions in recommendation 2 would be completed this month. Management's comments, in their entirety, are included in Appendix D. |
| <b>Evaluation of Management's Comments</b> | Management's comments are responsive to the finding and recommendations. Management's actions taken or planned should correct the issues identified in the finding.  |

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## 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                             |
| MTEC Network - Highway Transportation Routes New York Metro Area                   | NL-AR-05-014  | 9/28/2005                | 49   | 1,025,812                    | 17                                 | 32                                    | 0                              |
| BMC Transportation Routes - Western Area   | NL-AR-06-001  | 2/14/2006                | 77   | 2,235,812                    | 50                                 | 2                                     | 25                             |



Surface Transportation – Processing and Distribution Center  
Transportation Routes – Eastern Area

NL-AR-07-002

| 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 |
|--|---------------|--------------------------|--|------------------------------|------------------------------------|---------------------------------------|--------------------------------|
| Intermodal Rail and Highway Transportation Between the Western and Great Lakes Areas | NL-AR-06-002  | 3/10/2006                | 2  | 1,942,841                    | 2                                  | 0                                     | 0                              |
| MTESC Network - Highway Transportation Routes San Francisco                          | NL-AR-06-003  | 3/28/2006                | 77   | 1,091,640                    | 31                                 | 25                                    | 21                             |
| BMC Transportation Routes - Summary Report   | NL-AR-06-004  | 3/28/2006                | 0  | 0                            | 0                                  | 0                                     | 0                              |
| MTESC Network - Highway Transportation Routes Memphis                                | NL-AR-06-005  | 3/28/2006                | 25   | 699,397                      | 0                                  | 25                                    | 0                              |
| P&DC Transportation Routes - Great Lakes Area  | NL-AR-06-008  | 7/25/2006                | 107  | 5,289,849                    | 73                                 | 14                                    | 20                             |
| MTESC Network - Highway Transportation Routes Atlanta                                | NL-AR-06-009  | 8/18/2006                | 90   | 801,097                      | 43                                 | 0                                     | 47                             |
| MTESC Network - Highway Transportation Routes Greensboro                             | NL-AR-06-010  | 9/18/2006                | 73   | 1,607,510                    | 41                                 | 11                                    | 21                             |
| P&DC Transportation Routes - Pacific Area  | NL-AR-06-011  | 9/21/2006                | 84   | 3,650,035                    | 42                                 | 12                                    | 30                             |
| MTESC Network - Highway Transportation Routes Dallas                                 | NL-AR-06-012  | 9/28/2006                | 66   | 1,476,981                    | 63                                 | 0                                     | 3                              |
| <b>Totals</b>  | <b>30</b>     |                          | <b>1,916</b>   | <b>\$99,122,732</b>          | <b>1,114</b>                       | <b>452</b>                            | <b>350</b>                     |

BMC – Bulk Mail Center

MTESC – Mail Transport Equipment Service Center

P&DC – Processing and Distribution 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 |
|-------------------------------|-------------------------|-------------------------------|-------------|---------------------------------------|--|--------------------|-------------------------|----------------|-------------------|
| 9/1/2006                      | 6/30/2010               | 15990                         | n/a         | Negotiated service on entire contract | Johnstown, PA P&DF, to Pittsburgh, PA BMC and return                 | \$15,111           | \$50,370                | \$0            | \$50,370          |
| 10/1/2006                     | 6/30/2009               | 19731                         | n/a         | Negotiated service on entire contract | Delaware P&DC to Winterthur (Contract Station), DE and return        | 78,125             | 182,291                 | 0              | 182,291           |
| 10/14/2006                    | 6/30/2007               | 24765                         | n/a         | Negotiated service on entire contract | Bluefield, WV to Kroger Station, WV and return                       | 19,119             | 76,474                  | 0              | 76,474            |
| 9/30/2006                     | 6/30/2008               | 45312                         | 1 - 4       | Termination of contract               | Springfield, OH to Cincinnati, OH BMC and return                     | 61,577             | 82,103                  | 0              | 82,103            |
| 6/1/2006                      | 6/30/2007               | 191FD                         | n/a         | Negotiated service on entire contract | Philadelphia, PA P&DC to Northern, MA HASP and return                | 10,724             | 42,898                  | 1,787          | 41,110*           |
| 4/16/2005                     | 6/30/2006               | 192U0                         | 1 - 8       | Eliminate contract                    | Philadelphia, PA BMC to West Chester, PA, Downingtown, PA and return | 50,261             | 201,044                 | 0              | 201,044           |
| 6/1/2006                      | 6/30/2007               | 250M8                         | n/a         | Negotiated service on entire contract | Charleston, WV P&DC to Charleston, WV PO and return                  | 5,745              | 22,979                  | 0              | 22,979            |
| 7/28/2006                     | 6/30/2009               | 440L2                         | 1 - 2       | Canceled service                      | Cleveland, OH P&DC to Great Lakes Data, OH and return                | 45,000             | 105,000                 | 0              | 105,000           |

Surface Transportation – Processing and Distribution Center  
Transportation Routes – Eastern Area

NL-AR-07-002

| 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 |
|-------------------------------|-------------------------|-------------------------------|-------------|---------------------------------------|---|--------------------|-------------------------|----------------|-------------------|
| 8/27/2006                     | 6/30/2009               | 453BD                         | 1 - 20      | Termination of contract               | Dayton, OH THS to Dayton, OH P&DC and Dayton, OH AMF and return | 73,450             | 171,383                 | 0              | 171,383           |
| 7/1/2006                      | 6/30/2010               | 453L4                         | n/a         | Negotiated service on entire contract | Dayton, OH P&DC to Eldorado, OH and return                      | 16,163             | 53,875                  | 0              | 53,875            |
|                               |                         | <b>Totals</b>                 | <b>46</b>   |                                       |   | <b>\$375,274*</b>  | <b>\$988,418*</b>       | <b>\$1,787</b> | <b>\$986,630*</b> |

P&DC – Processing and Distribution Center  
P&DF – Processing and Distribution Facility  
BMC – Bulk Mail Center  
HASP – Hub and Spoke Program  
PO – Post Office  
AMF – Air Mail Facility  
THS – Terminal Handling Service

\* 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 |
|-------------------------------|-------------------------|-------------------------------|-------------|----------------|---|--------------------|-------------------------|----------------|-------------------|
| 7/1/2006                      | 6/30/2008               | 18636                         | 25          | Eliminate trip | Kingston Branch, PA to Dallas, PA                     | \$6,480            | \$8,641                 | \$0            | \$8,641           |
| 7/1/2006                      | 6/30/2008               | 18636                         | 26          | Eliminate trip | Dallas, PA to Wilkes-Barre, PA P&DF                   | 8,486              | 11,315                  | 0              | 11,315            |
| 7/1/2006                      | 6/30/2010               | 19439                         | 1           | Eliminate trip | Southeastern, PA P&DC to King of Prussia (Retail), PA | 963                | 3,210                   | 321            | 2,889             |
| 7/1/2006                      | 6/30/2010               | 19439                         | 2           | Eliminate trip | King of Prussia (Retail), PA to Southeastern, PA P&DC | 1,047              | 3,489                   | 349            | 3,140             |
| 7/1/2006                      | 6/30/2010               | 19439                         | 3           | Eliminate trip | Southeastern, PA P&DC to King of Prussia (Retail), PA | 5,666              | 18,886                  | 1,889          | 16,998*           |
| 7/1/2006                      | 6/30/2010               | 19439                         | 4           | Eliminate trip | King of Prussia (Retail), PA to Southeastern, PA P&DC | 6,147              | 20,490                  | 2,049          | 18,441            |
| 7/1/2006                      | 6/30/2010               | 19439                         | 5           | Eliminate trip | Southeastern, PA P&DC to King of Prussia (Retail), PA | 5,655              | 18,851                  | 1,885          | 16,966            |
| 7/1/2006                      | 6/30/2010               | 19439                         | 6           | Eliminate trip | King of Prussia (Retail), PA to Southeastern, PA P&DC | 6,147              | 20,490                  | 2,049          | 18,441            |
| 1/1/2006                      | 6/30/2009               | 19448                         | 25          | Eliminate trip | Southeastern, PA P&DC to Paoli, PA                    | 821                | 1,917                   | 274            | 1,643             |
| 1/1/2006                      | 6/30/2009               | 19448                         | 26          | Eliminate trip | Paoli, PA to Southeastern, PA P&DC                    | 804                | 1,877                   | 268            | 1,609             |

Surface Transportation – Processing and Distribution Center  
Highway Transportation Routes – Eastern Area

NL-AR-07-002

| 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 |
|-------------------------------|-------------------------|-------------------------------|-------------|---|---|--------------------|-------------------------|----------------|-------------------|
| 1/1/2006                      | 6/30/2009               | 19448                         | 27          | Eliminate trip                            | Southeastern, PA P&DC to Malvern, PA          | 1,112              | 2,595                   | 371            | 2,225*            |
| 1/1/2006                      | 6/30/2009               | 19448                         | 28          | Eliminate trip                            | Malvern, PA to Southeastern, PA P&DC          | 1,112              | 2,595                   | 371            | 2,225*            |
| 7/1/2006                      | 6/30/2010               | 19492                         | 805         | Eliminate trip                            | Southeastern, PA P&DC to Philadelphia, PA BMC | 19,925             | 66,416                  | 6,642          | 59,775*           |
| 7/1/2006                      | 6/30/2010               | 19492                         | 806         | Eliminate trip                            | Philadelphia, PA BMC to Southeastern, PA P&DC | 19,925             | 66,416                  | 6,642          | 59,775*           |
| 7/1/2006                      | 6/30/2010               | 19718                         | 1           | Eliminate trip                            | Delaware P&DC to Philadelphia, PA P&DC        | 24,239             | 80,797                  | 0              | 80,797            |
| 7/1/2006                      | 6/30/2010               | 19718                         | 2           | Eliminate trip                            | Philadelphia, PA P&DC to Delaware P&DC        | 24,239             | 80,797                  | 0              | 80,797            |
| 7/1/2006                      | 6/30/2010               | 43037                         | 4           | Eliminate trip on all days except Mondays | Washington, OH to Columbus, OH P&DC           | 18,562             | 61,872                  | 6,187          | 55,685            |
| 7/1/2006                      | 6/30/2010               | 43037                         | 7           | Eliminate trip on all days except Mondays | Columbus, OH P&DC to Washington, OH           | 14,512             | 48,373                  | 4,837          | 43,536            |
| 1/2/2006                      | 6/30/2008               | 44028                         | 15          | Eliminate trip                            | Cleveland, OH P&DC to Akron, OH P&DC          | 18,858             | 25,144                  | 1,756          | 23,388            |
| 1/2/2006                      | 6/30/2008               | 44028                         | 16          | Eliminate trip                            | Akron, OH P&DC to Cleveland, OH P&DC          | 18,858             | 25,144                  | 1,756          | 23,388            |
| 5/17/2005                     | 6/30/2008               | 44813                         | 1           | Eliminate trip on Saturdays               | Mansfield, OH to Cleveland, OH P&DC           | 5,829              | 7,772                   | 971            | 6,800*            |
| 5/17/2005                     | 6/30/2008               | 44813                         | 2           | Eliminate trip on Saturdays               | Cleveland, OH P&DC to Mansfield, OH           | 5,829              | 7,772                   | 971            | 6,800*            |
| 3/18/2006                     | 6/30/2007               | 45034                         | 5           | Eliminate trip on Sundays                 | Cincinnati, OH P&DC (Bldg B) to Feesburg, OH  | 4,670              | 18,682                  | 0              | 18,682            |
| 3/18/2006                     | 6/30/2007               | 45034                         | 8           | Eliminate trip on Sundays                 | Feesburg, OH to Cincinnati, OH P&DC (Bldg B)  | 4,273              | 17,092                  | 0              | 17,092            |

Surface Transportation – Processing and Distribution Center  
Highway Transportation Routes – Eastern Area

NL-AR-07-002

| 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   |
|-------------------------------|-------------------------|-------------------------------|-------------|---|---|--------------------|-------------------------|-----------------|---------------------|
| 3/18/2006                     | 6/30/2007               | 45050                         | 3           | Eliminate trip                            | Cincinnati, OH P&DC, (Bldg B) to Harrison, OH | 2,368              | 9,474                   | 0               | 9,474               |
| 3/18/2006                     | 6/30/2007               | 45050                         | 4           | Eliminate trip                            | Harrison, OH to Cincinnati, OH P&DC, (Bldg B) | 2,368              | 9,474                   | 0               | 9,474               |
| 10/1/2005                     | 6/30/2008               | 152Y1                         | 1503        | Eliminate trip, Thursdays through Sundays | Pittsburgh, PA L&DC to Philadelphia, PA P&DC  | 92,989             | 123,985                 | 15,498          | 108,487             |
| 10/1/2005                     | 6/30/2008               | 152Y1                         | 1504        | Eliminate trip, Thursdays through Sundays | Philadelphia, PA P&DC to Pittsburgh, PA L&DC  | 92,989             | 123,985                 | 15,498          | 108,487             |
| 6/1/2006                      | 6/30/2008               | 190L3                         | 601         | Eliminate trip                            | Philadelphia, PA L&DC to Charlotte, NC P&DC   | 194,449            | 259,266                 | 0               | 259,266             |
| 6/1/2006                      | 6/30/2008               | 190L3                         | 602         | Eliminate trip                            | Charlotte, NC P&DC to Philadelphia, PA L&DC,  | 194,413            | 259,217                 | 0               | 259,217             |
| 7/1/2006                      | 6/30/2010               | 442M6                         | 11          | Eliminate trip                            | Akron, OH P&DC to Kent, OH                    | 1,303              | 4,345                   | 0               | 4,345               |
| 7/1/2006                      | 6/30/2010               | 442M6                         | 12          | Eliminate trip                            | Kent, OH to Akron, OH P&DC                    | 1,303              | 4,345                   | 0               | 4,345               |
|                               |                         | <b>Totals</b>                 | <b>32</b>   |   |   | <b>\$806,344*</b>  | <b>\$1,414,723*</b>     | <b>\$70,584</b> | <b>\$1,344,139*</b> |

P&DC – Processing and Distribution Center  
P&DF – Processing and Distribution Facility  
BMC – Bulk Mail Center  
L&DC – Logistics and Distribution Center

\* Minor rounding difference

## APPENDIX D. MANAGEMENT'S COMMENTS

VICE PRESIDENT, AREA OPERATIONS  
EASTERN AREA



March 15, 2007

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**SUBJECT:** Draft Audit Report – Surface Transportation – Processing and Distribution Center  
Transportation Routes – Eastern Area (Report Number NL-AR-07-DRAFT)

The Eastern Area has reviewed the subject Draft Audit Report (Project Number 06XG012NL002) and is in general agreement with the findings and recommendations. The Eastern Area eliminated or substituted eliminations for 66 of the 78 trips identified in Appendix B and C of the report. The Eastern Area recognizes that there is a philosophical difference in the methodology for the calculation of actual and potential savings between the parties. Therefore the Eastern Area can also generally agree that the application of the OIG methodology for calculating savings could yield a potential cost avoidance of \$2,330,769.

Recommendation 1:

Verify the actual cancellation, modification, or substitution of the 46 trips with which management identified during our audit.

Response

As of this date all of the 46 trips of which management had identified have been implemented and completed. The result of the modification or elimination of these trips was an actual reduction in the annual rate of the contracts of \$369,272. (Ref; Attachment A)

Recommendation 2:

Verify the actual cancellation, modification, or substitution of the 32 trips with which Postal Service managers agreed and provide the date action was taken.

Response

As of this date 20 of the 32 trip proposals have been completed. The 12 remaining trip proposal encompassing three highway contract routes, HCR19439, HCR19448 and HCR44813 have been submitted to the Eastern Area DN and are scheduled for completion March 31, 2007. The result of the modification or elimination of the 20 trips was an actual reduction in the annual rate of the contracts of \$696,508. (Ref; Attachment B)

Once the remaining 12 trip modifications have been completed we will submit the updated attachment B.

If you have any questions or require further information contact Jim Hallstein, Transportation Budget & Financial Analyst at 412-494-2621.

*for: Megan J. Brennan*  
Megan J. Brennan

Attachments

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FAX: 412-494-2582

MANAGEMENT'S ATTACHMENT A

| HCRID        | ORIGIN<br>TERMINUS       | DESTINATING<br>TERMINUS         | BEGIN<br>DATE | END<br>DATE | SEG | FINANCE<br>NO | BDG<br>ACC<br>NO | DIFFERENCE                      |                                 |                             |                                 |                     |
|--------------|--------------------------|---------------------------------|---------------|-------------|-----|---------------|------------------|---------------------------------|---------------------------------|-----------------------------|---------------------------------|---------------------|
|              |                          |                                 |               |             |     |               |                  | CHANGE<br>TO<br>ANNUAL<br>HOURS | CHANGE<br>TO<br>ANNUAL<br>MILES | CHANGE TO<br>ANNUAL<br>RATE | CHANGE<br>TO<br>ANNUAL<br>UNITS | ACTUAL<br>INDEMNITY |
| 15990        | JOHNSTOWN<br>P&DF, PA    | PITTSBURGH BMC,<br>PA           | 1-Jul-06      | 30-Jun-10   | 1   | 41-6607       | 53127            | (511)                           | (10,473.8)                      | (\$15,111.12)               | (10,473.8)                      | \$0.00              |
| 191FD        | PHILADELPHIA<br>P&DC, PA | NORTHERN HASP,<br>MA            | 15-Nov-03     | 30-Jun-07   | 1   | 67-0194       | 53618            | (361)                           | (4,883.3)                       | (\$10,724.39)               | (4,883.3)                       | \$1,787.40          |
| 19731        | DELAWARE<br>P&DC, DE     | YORKLYN, DE                     | 1-Jul-05      | 30-Jun-09   | 1   | 09-6821       | 53601            | (2,226)                         | (31,627.9)                      | (\$78,124.73)               | (31,627.9)                      | \$0.00              |
| 24765        | BLUEFIELD, WV            | PRINCETON, WV                   | 1-Jul-03      | 30-Jun-07   | 1   | 55-1456       | 53601            | (848)                           | (7,495.5)                       | (\$13,115.69)               | (7,495.5)                       | \$0.00              |
| 250M8        | CHARLESTON<br>P&DC, WV   | CHARLESTON -<br>STATE HOUSE, WV | 1-Nov-03      | 30-Jun-07   | 1   | 55-1459       | 53605            | (436)                           | (3,095.8)                       | (\$5,744.70)                | (3,095.8)                       | \$0.00              |
| 440L2        | CLEVELAND<br>P&DC, OH    | GREAT LAKES<br>DATA, OH         | 1-Jul-05      | 28-Jul-06   | 1   | 38-1670       | 53601            | (898)                           | (23,710.6)                      | (\$45,000.00)               | (23,710.6)                      | \$0.00              |
| 45312        | SPRINGFIELD, OH          | CINCINNATI BMC<br>OH            | 1-Jul-04      | 30-Sep-06   | 1   | 38-2094       | 53127            | (2,270)                         | (59,017.1)                      | (\$61,577.34)               | (59,017.1)                      | \$9,500.00          |
| 453BD        | DAYTON THS, OH           | DAYTON THS, OH                  | 1-Jul-06      | 27-Aug-06   | 1   | 38-2096       | 53601            | (613)                           | (11,700.0)                      | (\$20,250.00)               | (450.0)                         | \$0.00              |
| 453BD        | DAYTON THS, OH           | DAYTON THS, OH                  | 1-Jul-06      | 27-Aug-06   | 2   | 38-2096       | 53601            | (1,692)                         | (2,800.0)                       | (\$53,200.00)               | (1,400.0)                       | \$0.00              |
| 453L4        | DAYTON P&DC,<br>OH       | ELDORADO, OH                    | 1-Jul-06      | 30-Jun-10   | 1   | 38-2094       | 53601            | (376)                           | (16,558.8)                      | (\$16,162.57)               | (16,558.8)                      | \$0.00              |
| 192U0        | PHILADELPHIA<br>BMC, PA  | DOWNINGTOWN, PA                 | 19-Oct-02     | 30-Jun-06   | 1   | 41-1627       | 53127            | (1,437)                         | (38,793.9)                      | (\$50,261.00)               | (38,793.9)                      | \$0.00              |
| <b>Total</b> |                          |                                 |               |             |     |               |                  | <b>(11,668)</b>                 | <b>(210,156.7)</b>              | <b>(\$369,271.54)</b>       | <b>(197,506.7)</b>              | <b>\$11,287.40</b>  |



Surface Transportation – Processing and Distribution Center  
Highway Transportation Routes – Eastern Area

NL-AR-07-002

MANAGEMENT'S ATTACHMENT B

| HCRID        | ORIGIN TERMINUS              | DESTINATING TERMINUS  | BEGIN DATE | END DATE  | SEG | FINANCE NO | BDG ACC NO | DIFFERENCE             |                        |                       |                        |                   |
|--------------|------------------------------|-----------------------|------------|-----------|-----|------------|------------|------------------------|------------------------|-----------------------|------------------------|-------------------|
|              |                              |                       |            |           |     |            |            | CHANGE TO ANNUAL HOURS | CHANGE TO ANNUAL MILES | CHANGE TO ANNUAL RATE | CHANGE TO ANNUAL UNITS | ACTUAL INDEMNITY  |
| 152Y1        | PITTSBURGH L&DC, PA          | PHILADELPHIA L&DC, NJ | 19-Apr-05  | 30-Jun-08 | 2   | 67-0194    | 53131      | (3,722)                | (166,698.0)            | (\$125,057.96)        | (166,698.0)            | \$0.00            |
| 18636        | WILKES-BARRE P&DF, PA        | PITTSTON, PA          | 1-Jul-04   | 30-Jun-08 | 1   | 41-9261    | 53601      | (205)                  | (1,307.6)              | (\$5,487.12)          | (1,307.6)              | \$0.00            |
| 190EU        | PHILADELPHIA P&DC, PA        | CHARLOTTE P&DC, NC    | 1-Jul-06   | 27-Oct-06 | 1   | 67-0194    | 53621      | 0                      | 0.0                    | (\$445,135.38)        | 0.0                    | \$0.00            |
| 19492        | SOUTHEASTERN P&DC, PA        | PHILADELPHIA BMC, PA  | 1-Jul-06   | 30-Jun-10 | 1   | 41-6545    | 53127      | (766)                  | (15,583.0)             | (\$35,755.82)         | (15,583.0)             | \$0.00            |
| 19718        | DELAWARE P&DC, DE            | PHILADELPHIA P&DC, PA | 1-Jul-06   | 30-Jun-10 | 1   | 09-6821    | 53614      | (1,488)                | (19,038.4)             | (\$40,949.91)         | (19,038.4)             | \$0.00            |
| 44028        | CLEVELAND P&DC, OH           | CANTON P&DC, OH       | 1-Jul-04   | 30-Jun-08 | 1   | 38-1670    | 53614      | (673)                  | (23,167.2)             | (\$21,072.73)         | (23,167.2)             | \$3,512.12        |
| 442M6        | AKRON P&DC, OH               | RAVENNA, OH           | 30-Sep-06  | 30-Jun-10 | 1   | 38-0085    | 53601      | (56)                   | (2,372.9)              | (\$1,738.48)          | (2,372.9)              | \$0.00            |
| 45034        | CINCINNATI P&DC (BLDG B), OH | DECATUR, OH           | 1-Jul-03   | 30-Jun-07 | 1   | 38-1605    | 53601      | (50)                   | (3,382.4)              | (\$1,603.73)          | (3,382.4)              | \$0.00            |
| 45050        | CINCINNATI P&DC (BLDG B), OH | HARRISON, OH          | 1-Jul-03   | 30-Jun-07 | 1   | 38-1605    | 53601      | (55)                   | (1,366.6)              | (\$1,523.24)          | (1,366.6)              | \$0.00            |
| 43037        | COLUMBUS P&DC, OH            | WASHINGTON CH, OH     | 1-Jul-06   | 30-Jun-10 | 1   | 38-1793    | 53601      | (852)                  | (31,905.0)             | (\$18,183.66)         | (31,905.0)             | \$0.00            |
| <b>Total</b> |                              |                       |            |           |     |            |            | <b>(7,867)</b>         | <b>(264,821.1)</b>     | <b>(\$696,508.03)</b> | <b>(264,821.1)</b>     | <b>\$3,512.12</b> |