



September 27, 2007

JO ANN FEINDT
VICE PRESIDENT, GREAT LAKES AREA OPERATIONS

SUBJECT: Audit Report – Postal Vehicle Service Transportation Routes – Milwaukee Processing and Distribution Center (Report Number NL-AR-07-007)

Postal Service network transportation involves contracted transportation and transportation using Postal Service vehicles and employees. Network transportation using Postal Service vehicles and employees is called Postal Vehicle Service (PVS).

This report presents the results of our audit of PVS routes controlled by the Milwaukee Processing and Distribution Center (P&DC) (Project Number 06XG019NL003). Our objectives were to evaluate the effectiveness of PVS operations and identify opportunities to save money. This report is one in a series of reports and responds to a request from the Vice President, Network Operations, to audit PVS operations nationwide.


The Milwaukee P&DC could improve PVS effectiveness and save more than \$4 million over 10 years if officials remove 11,283 excess hours from existing PVS schedules. Officials could eliminate hours without negatively affecting service because schedules contain: (1) unassigned time where drivers are not needed for a specific trip or related activity, (2) duplicate trips, and (3) trips that were unproductive because they were not full and their loads can be consolidated.

The Postal Service transportation network is dynamic and requirements constantly change. Accordingly, throughout our audit we coordinated with local transportation managers and proposed schedule realignments to them. As a result of our discussions, the officials agreed to remove 11,283 excess hours from PVS schedules. We recommended the Vice President, Great Lakes Area Operations, verify the elimination of the 11,283 hours that managers agreed to remove from trip schedules. We will report \$4,015,221 in funds put to better use in our Semiannual Report to Congress.

Management agreed with our recommendation and stated that they had already begun to implement changes based upon it. Management's comments and our evaluation of these comments are included in the report.

The U.S. Postal Service Office of Inspector General (OIG) considers the recommendation significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action is completed. This recommendation should not be closed in the follow-up tracking system until the OIG provides written confirmation the recommendation can be closed.

We appreciate the cooperation and courtesies provided by your staff during the review. 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 Approve!
Colleen McAntee

Colleen A. McAntee
Deputy Assistant Inspector General
for Mission Operations

Attachments

cc: Patrick R. Donahoe
William P. Galligan
Anthony M. Pajunas
Cynthia Mallonee
David F. Martin
Katherine Banks
Lynn Forness

INTRODUCTION

Background

U.S. Postal Service transportation includes both nationwide “network” transportation between cities and major facilities and “delivery” transportation between local post offices and neighborhood delivery or pick-up points. Network transportation using Postal Service vehicles and employees is called Postal Vehicle Service (PVS).

PVS is capital and personnel intensive. PVS capital assets include 1,900 cargo vans, 2,200 tractors, and 4,700 trailers. These vehicles are serviced and repaired at 322 Postal Service vehicle maintenance facilities (VMF) or annexes and local commercial garages nationwide.

PVS operations are normally conducted in urban and suburban areas within 50 miles of a base facility.

This PVS tractor-trailer is assigned to the Milwaukee P&DC and is hauling mail on West Silver Spring Drive in Menomonee Falls, WI on March 20, 2007.

Menomonee Falls is about 20 miles from the Milwaukee P&DC.



PVS currently involves about 10,000 employees including 8,500 uniformed drivers, 620 administrative support personnel, and 930 managers. The American Postal Workers Union (APWU) represents PVS drivers and support personnel.

PVS vehicles and personnel are typically assigned to Postal Service network facilities such as bulk mail centers (BMC) or processing and distribution centers (P&DC). These

facilities are located in or near metropolitan areas. PVS operations are normally conducted in urban and suburban areas within 50 miles of a base facility. Operations can include:

- Transportation to and from major facilities or local post offices.
- Transportation to and from major commercial business mailers.
- “Yard operations” defined as the movement of trailers and equipment in or around a facility yard.

PVS drivers log about 150 million miles every year. There are about 269 processing facilities in the Postal Service network. Only 150 conduct PVS operations. Because PVS operations are local, they are managed at the facility level under guidance and policy provided by district, area, and headquarters transportation officials.

PVS tractor-trailer leaving the Milwaukee P&DC with mail for local post offices, October 6, 2006.



The Vice President, Network Operations, requested that we audit PVS operations nationwide. Because individual facilities control PVS operations, our audit approach is also localized. This report focuses on PVS operations at the Milwaukee P&DC in the Postal Service Great Lakes Area.

**Objectives, Scope,
and Methodology**

The objectives of our audit were to evaluate the effectiveness of PVS operations and identify opportunities to save money.

Using Postal Service computer-generated data and other records, we examined all 97 Milwaukee P&DC driver schedules and identified 151,578 workhours associated with those schedules. We also evaluated load volume. We did not audit or comprehensively validate the data; however, we noted several control weaknesses that constrained our work. For example, some computer records had missing data and inaccurate load volumes. Even though data limitations and other restrictions constrained our work, we were able to compensate by applying alternate audit procedures, including source document examination, observation, physical inspection, and discussions with appropriate officials.

PVS includes yard operations, network transportation between cities or major Postal Service facilities, and customer service for major commercial business mailers.

The tractor in the picture is called a “spotter” and is used for “yard” operations to move trailers in and around a facility yard. The Postal Service owns 382 spotters.

**Milwaukee P&DC,
Milwaukee, WI,
March 20, 2007.**



During our work, we visited the Milwaukee P&DC, other regional facilities, and local post offices. We reviewed relevant Postal Service policies and procedures, interviewed managers and employees, and observed and photographed operations. We evaluated the type of mail carried, considered on-time service standards, and visited major commercial business mailers. We examined the cost

of PVS operations, including the cost of PVS personnel and fuel. We identified PVS trip duplications and analyzed potential trip consolidations. We also discussed our observations and conclusions with senior management officials throughout our audit, considered their perspective, and included their comments where appropriate.

PVS provides direct service to major Postal Service customers.

Here a PVS tractor-trailer is making a mail pick-up at a major customer in Milwaukee, March 20, 2007.



We conducted work associated with this performance audit report from October 2006 through September 2007 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform audit work to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objectives.

Prior Audit Coverage

Our report titled *Postal Vehicle Service Transportation Routes – Memphis Processing and Distribution Center* (Report Number NL-AR-07-003, dated March 30, 2007) concluded the Memphis P&DC could improve PVS effectiveness and save more than \$7.3 million over 10 years if officials remove 18,874 excess hours from existing PVS schedules. The report also concluded officials could eliminate hours without negatively affecting service because schedules contain: (1) unassigned time where drivers were not needed for a specific trip or related activity, (2) duplicate trips, and (3) trips that were unproductive

because they were not full and their loads could be consolidated. Officials agreed to remove 13,963 excess hours from PVS schedules; however, they considered 4,911 hours we recommended for reduction as still needed to meet on-time performance standards.

We recommended the Vice President, Southeast Area Operations: (1) verify elimination of the 13,963 hours that Postal Service managers agreed to remove from trip schedules and (2) reassess the 4,911 hours which managers felt were still necessary. Management agreed with our recommendations.

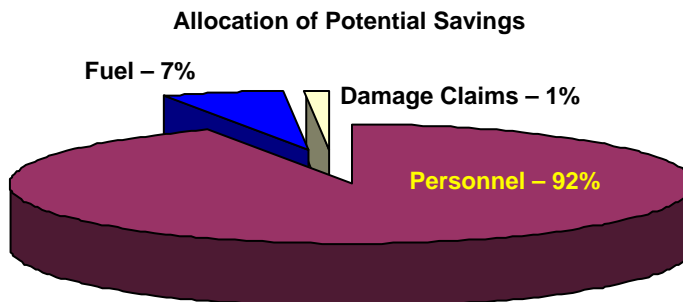
AUDIT RESULTS

Postal Vehicle Service Excess Hours

Our examination of annual PVS workhours identified 11,283 unnecessary hours. The Milwaukee P&DC could improve PVS effectiveness and save more than \$4 million over 10 years if officials remove the unnecessary hours from existing PVS schedules. Officials could eliminate the hours without negatively affecting service because schedules contain:

- Unassigned time where drivers are not needed for a specific trip or related activity.
- Duplicate trips.
- Unproductive trips where the loads are not full or could be consolidated.

Most potential savings (92 percent) would be achieved through personnel workhour reductions. However, the Postal Service would also realize a reduction in fuel costs and damage claims, as indicated below. For more detailed information, see the appendix.



Cost Category	Percentage	Potential Savings
Personnel	92	\$3,681,302
Fuel	7	299,671
Damage Claims	<u>1</u>	<u>34,248</u>
Total	100	\$4,015,221

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 with local transportation

managers and proposed schedule realignments to them. The managers then reviewed each proposal in conjunction with their own assessment of operational requirements and we discussed any differences. As a result of our discussions, officials agreed to remove 11,283 excess hours from PVS schedules.

PVS capital assets include 1,900 cargo vans, 2,200 tractors, and 4,700 trailers.

Here a cargo van arrives at the Milwaukee P&DC on October 6, 2006.



Implementation and Audit Exit Conference

On September 6, 2007, we met with Great Lakes Area transportation officials. The officials agreed with our report and recommendation and explained they had already begun to implement our recommendation.

Recommendation

We recommend the Vice President, Great Lakes Area Operations:

1. Verify elimination of the 11,283 hours that management agreed to remove from trip schedules

Management's Comments

Management agreed with our finding and recommendation. They stated they had already begun implementing changes to the PVS schedules and they would phase in the recommended changes over a period of time. Management stipulated that the actual savings they achieved might vary from the estimated savings identified in our audit report and that they would provide an accounting of the actual savings

when they completed the scheduling changes we recommended. Management's comments, in their entirety, are included in Appendix B.

**Evaluation of
Management's
Comments**

Management's comments are responsive to the finding and recommendation. Management's actions, taken or planned, should correct the issues identified in the finding.

APPENDIX-A

**MILWAUKEE PVS TRANSPORTATION ROUTE ELIMINATION COST SAVINGS WITH WHICH
 POSTAL SERVICE AGREES**

PROJECT YEAR FISCAL YEAR	0 2007	1 2008	2 2009	3 2010	4 2011	5 2012	6 2013	7 2014	8 2015	9 2016	10 2017
LABOR COST AVOIDANCE- LEVEL 7 TRACTOR TRAILER OPERATORS FY 08 ACTION PLAN:											
ELIMINATE 11,283 HOURS	\$0	\$401,029	\$447,548	\$457,842	\$468,372	\$479,145	\$490,165	\$501,439	\$512,972	\$524,770	\$536,840
FUEL COST AVOIDANCE											
104,311 ANNUAL MILES	\$0	\$37,243	\$37,615	\$37,991	\$38,371	\$38,755	\$39,142	\$39,534	\$39,929	\$40,328	\$40,732
TORT CLAIMS COST AVOIDANCE											
104,311 ANNUAL MILES	\$0	\$4,256	\$4,299	\$4,342	\$4,385	\$4,429	\$4,473	\$4,518	\$4,563	\$4,609	\$4,655
TOTAL COST AVOIDANCE	\$0	\$442,528	\$489,462	\$500,175	\$511,128	\$522,329	\$533,781	\$545,491	\$557,464	\$569,708	\$582,227
PRESENT VALUE @ 5.0%	\$0	\$421,455	\$443,957	\$432,070	\$420,507	\$409,258	\$398,315	\$387,670	\$377,314	\$367,239	\$357,437
NET PRESENT VALUE @ 5.0%	\$4,015,221										

APPENDIX B- MANAGEMENT'S COMMENTS

JO ANN FEINDT
VICE PRESIDENT, GREAT LAKES AREA OPERATIONS



September 25, 2007

KIM H. STROUD
DIRECTOR OF AUDIT REPORTING
OFFICE OF INSPECTOR GENERAL

SUBJECT: Draft Audit Report – Postal Vehicle Service Transportation Routes
Milwaukee Processing and Distribution Center

As requested, this letter represents the Great Lakes Area response to Recommendation 1 listed in the Draft Report of Postal Vehicle Service Transportation Routes - Milwaukee Processing and Distribution Center.

The Great Lakes Area is in agreement with the 11,283 hours identified in Recommendation 1 of the draft report. In addition, we have begun to make changes to the schedules based on the audit conducted at our facility. We anticipate that the changes will be phased in over a period of time deemed appropriate by the Milwaukee Transportation staff and in conjunction with and assistance from the Great Lakes Area Distribution Networks staff.

Actual annual savings may vary somewhat from the reported savings. The final accounting of savings associated with these recommendations will be determined once the schedule changes have been implemented.

We would like to take this opportunity to thank all the parties involved in this audit. The 11,283 hours represents a high level of cooperation between Area officials, local transportation managers, and the OIG audit team.

A handwritten signature in black ink, appearing to read "Jo Ann Feindt", written over a horizontal line.

Jo Ann Feindt

244 KNOLLWOOD DRIVE FLOOR 4
BLOOMINGDALE, IL 60117-1000
630/539-5858
FAX: 630/539-7171