



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Highway Contract
Route Survey
Compliance – Eastern
Transportation
Category
Management Team

Audit Report

Report Number
NL-AR-16-005

September 28, 2016





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UNITED STATES POSTAL SERVICE

Highlights

Administrative Officials rarely completed HCR Surveys and the Eastern TCMT never used them as required for contract renewals.

Background

Highway Contract Routes (HCR) are used to transport mail between plants, post offices, or other designated points where mail is received or dispatched. In fiscal year (FY) 2015, the U.S. Postal Service spent about \$2.9 billion on about 8,200 HCR transportation contracts.

HCRs are the Postal Service's largest single group of contracts managed by the Network Operations, Delivery Operations, and Supply Management groups. Transportation and network specialists (TANS) and postmasters develop HCR schedules to meet operational requirements and perform administrative functions, which include conducting required route surveys (reviews) for HCR contract renewals.

Contracting officers (CO) and the Transportation Category Management Teams (TCMT) are in Largo, MD, Windsor, CT, Denver, CO, Memphis, TN, and Tacoma, WA; with a satellite office in San Juan, Puerto Rico. These groups administer the HCR contracts.

Postal Service policy, Management Instruction SP-CS-2009-1, Conducting Highway Contract Route Surveys, requires the assigned administrative official (AO) to survey routes during the fall of the year before the contract expires. The purpose of the survey is to obtain current and accurate route information.

These route surveys help COs and TCMTs determine route continuations and adjustments, truck requirements, and operational changes that can affect HCR costs.

Our objective was to determine the effective use and management of HCR surveys by the Eastern Transportation Category Management Team. This is one in a series of projects on HCR oversight.

What the OIG Found

We found that the AOs rarely completed HCR surveys and the Eastern TCMT never used them as required for contract renewals.

We statistically selected 176 of the 1,174 renewed HCR contracts for calendar years (CY) 2014 and 2015 in the Eastern TCMT. We reviewed both the hard copy and electronically maintained contract files and did not locate any HCR surveys for the 176 sampled contracts. The responsible CO could not provide copies of any of these surveys and indicated that none were received from area offices.

We also contacted 86 AOs responsible for conducting HCR surveys for the 176 sampled contracts to determine the total number of HCR surveys completed. These AOs reported that 60 HCR surveys were completed; however, they could only



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provide documents to support 17 completed HCR surveys. The remaining 159 HCR surveys, or 90 percent, were not completed as required. Furthermore, the 17 or 10 percent completed HCR surveys were not in the HCR contract files. Consequently, COs for the Eastern TCMT renewed HCR contracts we reviewed without any completed surveys.

This occurred because 40 percent of the AOs were not familiar with the requirement or the process. Further, 57 percent were not conducting HCR surveys due to a lack of training and management oversight. In addition, there is no central management tool available to AOs or COs to track completion of HCR surveys.

The Postal Service issued an HCR survey policy in January 2009, but has not updated it to accurately reflect current organizational structure, job titles, roles, and responsibilities. Therefore, there is no clear guidance for AOs, area managers, Network Operations personnel, district managers, COs, or

TCMT specialists on their current roles and responsibilities for conducting HCR surveys. The CO for the Eastern TCMT confirmed during the audit that they do not follow up or wait for the HCR surveys for contract renewals.

As a result, we estimated the Postal Service incurred unsupported questioned costs for HCR contracts of about \$109.1 million in CY 2014 and \$128.1 million in CY 2015 because the required contract renewal HCR surveys were not completed.

What the OIG Recommended

We recommended management establish formalized annual AO training for conducting and completing HCR surveys; develop a centralized management tool for AOs to report and COs to manage HCR survey compliance; update policies to reflect current job titles, roles, and responsibilities; and provide for annual updates.

Transmittal Letter



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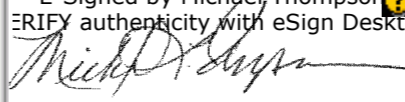
September 28, 2016

MEMORANDUM FOR: ROBERT CINTRON
VICE PRESIDENT, NETWORK OPERATIONS

KEVIN L. MCADAMS
VICE PRESIDENT, DELIVERY OPERATIONS

SUSAN M. BROWNELL
VICE PRESIDENT, SUPPLY MANAGEMENT

E-Signed by Michael Thompson
VERIFY authenticity with eSign Desktop



FROM: Michael L. Thompson
Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Audit Report – Highway Contract Route Survey
Compliance – Eastern Transportation Category Management
Team (Report Number NL-AR-16-005)

This report presents the results of our audit of the U.S. Postal Service's Highway Contract Route Survey Compliance – Eastern Transportation Category Management Team (Project Number 16XG027NO000).

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

Attachment

cc: Corporate and Audit Response Management

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Findings

We statistically selected 176 HCR contracts and found 159, or 90 percent, of the HCR surveys were not completed as required.

Introduction

This report presents the results of our audit of the U.S. Postal Service's Highway Contract Route Survey Compliance - Eastern Transportation Category Management Team (Project Number 16XG027NO000). Our objective was to determine the effective use and management of HCR surveys. See [Appendix A](#) for additional information about this audit.

HCRs are used to transport mail between plants, post offices, or other designated points where mail is received or dispatched. In fiscal year (FY) 2015, the Postal Service spent about \$2.9 billion on about 8,200 HCR transportation contracts.

HCRs are the Postal Service's largest single group of contracts managed by the Network Operations, Delivery Operations, and Supply Management groups. Postal Service contracting officers (CO)¹ are responsible for awarding, amending, terminating, and altering transportation contract provisions. Transportation and network specialists (TANS) and postmasters² supervise and administer the performance of mail transportation and related services by supplier's including conducting required route surveys (reviews) for HCR contract renewals. COs develop a list of routes that require surveys and a timetable for conducting these surveys. They also advise AOs on forming route survey plans.

COs administer the contracts along with Transportation Category Management Teams (TCMT) in Largo, MD, Windsor, CT, Denver, CO, Memphis, TN, and Tacoma, WA, and a satellite office in San Juan, Puerto Rico. This report addresses route surveys for expiring contracts during calendar years (CY) 2014 and 2015 at the Eastern TCMT.

Postal Service policy, Management Instruction (MI) SP-CS-2009-1, Conducting Highway Contract Route Surveys, dated January 15, 2009, requires the assigned AO to survey HCRs in the fall of the year before the contracts expire. The purpose of the survey is to obtain current and accurate route information. These route surveys help COs and TCMTs determine route continuations, route adjustments, truck requirements, and operational changes that can affect Postal Service costs. This audit is one in a series of projects on HCR oversight.

Summary

We found that the AOs rarely completed HCR surveys and the Eastern TCMT never used them as required for contract renewals.

We statistically selected 176 of the 1,174 renewed HCR contracts for CYs 2014 and 2015 in the Eastern TCMT. We reviewed hard copy and electronically maintained contract files but did not locate any HCR surveys for the 176 sampled contracts and the responsible CO could not provide copies of these surveys and indicated that none were received from area offices.

We also contacted 86 AOs responsible for conducting HCR surveys for the 176 sampled contracts to determine the total number of surveys completed. These AOs reported 60 HCR surveys were completed; however, the AOs could only provide documents to support 17 completed HCR surveys, or 10 percent. The remaining 159 HCR surveys, or 90, percent were not completed as required (see [Figure 1](#)).

Furthermore, the 17 completed HCR surveys were not in the HCR contract files. Consequently, the CO for the Eastern TCMT renewed HCR contracts we reviewed without any completed surveys.

¹ Postal Service managers of transportation contracts are also referred to as contracting officers.

² Transportation managers, network specialists, and postmasters performing HCR contract management functions are also known as administrative officials (AO).

This occurred because 40 percent of the AOs were not familiar with the requirement or the process. Further, 57 percent were not conducting HCR surveys due to a lack of training and management oversight. In addition, no central management tool is available to the AOs or the COs to track completion of HCR surveys. Further, management issued HCR survey requirements in January 2009, and has not updated them to accurately reflect current organizational structure or job titles and responsibilities. Therefore, AOs, area managers, Network Operations personnel, district managers, COs, and TCMT specialists have no clear guidance on their current roles and responsibilities for conducting HCR surveys. The CO for the Eastern TCMT confirmed during our review that they do not follow up or wait for the HCR surveys for contract renewals.

As a result, we estimated the Postal Service incurred unsupported questioned costs for HCR contracts of about \$109.1 million in CY 2014 and \$128.1 million in CY 2015 because HCR surveys were not completed for contract renewals.

Highway Contract Route Surveys

We found that the Postal Service did not always complete or effectively use HCR surveys for contract renewals to ensure they met operational needs and were cost effective.

Management Instruction SP-CS-2009-1

The policies and procedures for conducting HCR surveys were established on January 15, 2009, and include contract delivery service (CDS)³ and transportation routes. The survey of a contract delivery route is the physical inspection of the route conditions made by the AO or authorized representative while following or accompanying the supplier during the performance of the route. The purpose of the survey is to obtain current and accurate route information. Management reviews the route layout to identify necessary route travel changes that would improve efficiency and economy of service.

Postal Service (PS) Form 5407, Highway Contract Route, provides key information, which includes assessing:

- Any differences between the scheduled and actual mileage.
- Whether equipment reflects favorably on the Postal Service.
- Adequacy of the cargo space (trailer size).
- Terminal time, which is time spent loading and unloading at the origin and destination offices.
- Number of vehicles.

See [Appendix B](#) for a copy of PS Form 5407.

In addition, management must review and correct any potentially hazardous conditions and safety issues.

We reviewed a statistical sample of 176 renewed HCR contracts for CYs 2014 and 2015 at the Eastern TCMT from a total universe of 1,174 to determine if surveys were completed and used as required. The total universe excludes CDS, trailer leases, and contracts terminated prior to renewal (see [Table 1](#)).

³ CDS routes are the result of contracts between the Postal Service and private individuals or firms to deliver and collect mail from homes and businesses. These CDS contracts were excluded because they were outside of the scope of our audit.

Table 1. HCR Contracts Universe and Statistical Sample Selection

CY	Total Contracts	Less CDS Contracts	Less Terminated Contracts	Less Trailer Lease Contracts	Total HCR Universe	Statistical Sampled HCR Contracts
2014	906	(240)	(72)	(28)	566	83
2015	665	(35)	(22)	0	608	93
Total	1,571	(275)	(94)	(28)	1,174	176

Source: U.S. Postal Service Office of Inspector General's (OIG) analysis of Transportation Contract Support System (TCSS) data provided by Supply Management Surface Transportation Category Management Center for CYs 2014 and 2015.

The Postal Service maintained both hard copy and electronic format contract files for CYs 2014 and 2015. We reviewed 43 hard copy contract files at the Eastern TCMT and the remaining 133 electronically maintained contract files in the TCSS. Of the 176 sampled contracts reviewed, we did not locate any completed HCR surveys supporting the renewals. Additionally, we followed up with the CO for the Eastern TCMT and were informed that the HCR surveys were not received from area offices (see Table 2).

Table 2. Review HCR Contract Files for Completed HCR Surveys

Total Sampled Contracts	Hard Copy Contract Files	Electronic Contract Files	Completed HCR Surveys From Contract File Review
176	43	133	0

Source: OIG review of contract files and communication with TCMT.

Postal Operations Manual Issue 9

The Postal Service requirements⁴ identify the AO as the Postal Service official designated by the manager, Distribution Networks (for transportation routes), or the district manager (for CDS routes) to supervise and administer the performance of mail transportation and related services by suppliers. AOs are responsible for ensuring suppliers comply with the operational requirements of HCRs and the administrative functions related to performing that service. Specifically, AOs are responsible for:

- Supervising the supplier's operations daily to ensure contract compliance, including necessary recordkeeping.
- Obtaining screening information from highway transportation suppliers on contractor personnel and for verifying their eligibility.
- Investigating irregularities and complaints regarding service on the route and taking corrective action and reporting to the CO any full or partial trips not performed, including the miles of service omitted and the reason for omission.
- Recommending routes be established, discontinued, or modified.

The manager, Network Operations, stated that the above AO duties are additional to their regular roles and responsibilities. Further, AOs may be assigned to manage single or multiple HCR contracts depending on the number of HCRs originating from a particular location. We did not validate the AO's workload distribution; however, this may result in uneven distribution of HCR contract workload.

⁴ *Postal Operations Manual*, Section 533.2, issued in July 2002, was updated March 1, 2015, to identify AO roles and duties.

Postal Service policy states that “Each contract names the responsible administrative official.” We requested a list of AOs responsible for completing HCR surveys from the CO, Eastern TCMT, and the manager, Network Operations, Eastern Area. They did not maintain a list of the assigned AOs for the contracts and were unable to provide the requested information. We identified 86 AOs by contacting 106 facilities servicing the 176 sampled contracts.

We contacted the 86 AOs and 26 stated they had completed 60 HCR surveys for the 176 sampled contracts. We requested copies of the 60 completed HCR surveys but only received 17⁵ or 10 percent of the 176 sampled contracts. The remaining 159 surveys or 90 percent were not completed as required (see Figure 1).

Figure 1. Review of HCR Surveys Completed by AOs



Source: OIG communication with AOs and review of source documentation.

Furthermore, the 17 completed HCR surveys were not in the contract files at the Eastern TCMT offices in Largo, MD. Consequently, Eastern TCMT CO renewed the 176 HCR contracts we reviewed for CYs 2014 and 2015 without any completed surveys.

This occurred because AOs are not familiar with the process or requirement for conducting HCR surveys due to a lack of training and management oversight. In addition, there is no central management tool available to the AOs or COs to track the completion of HCR surveys. Furthermore, the Postal Service has not updated policy since January 15, 2009, to accurately reflect the current organizational structure, as well as job titles, roles, and responsibilities. Therefore, it does not provide clear guidance to AOs, area managers, Network Operations personnel, district managers, COs, and TCMT specialists on their current roles and responsibilities for conducting HCR surveys. In a follow-up discussion, the manager, Surface Transportation Category Management Center, acknowledged that Postal Service policy requires updating.

We contacted the 86 AOs and 34 of them, or 40 percent, stated that they were not familiar with the January 2009 policy and 46, or 53 percent, were familiar with it, but did not always complete the surveys. Six AOs, or 7 percent, did not respond to our request (see [Table 3](#)).

⁵ The cut-off date for providing documentation confirming survey completion was July 18, 2016.

⁶ Network Operations completed 11 and Delivery Operations completed six, for a total of 17 completed HCR surveys provided by AOs

Table 3. AOs' Awareness of Management Instruction

Category	No	Yes	No Response	Total AOs
Management Instruction Awareness	34	46	6	86
Percentage	40	53	7	100

Source: OIG analysis.

Additionally, 49, or 57 percent, stated they had not received training on how to conduct a survey for HCRs (see Table 4).

Table 4. Training on Conducting HCR Surveys

Category	No	Yes	No Response	Total AOs
HCR Survey Training	49	31	6	86
Percentage	57	36	7	100

Source: OIG analysis.

As a result, we estimated the Postal Service incurred about \$237.2 million in unsupported questioned costs for HCR contracts managed by the Eastern TCMT over 2 years (CYs 2014 and 2015) because required HCR surveys for contract renewals were not completed.

Recommendations

We recommend management establish formalized training, develop a centralized management tool to track completion of HCR surveys, and update policies.

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

1. Establish formalized annual training for administrative officials on conducting and completing Highway Contract Route surveys.
2. Develop a centralized management tool for administrative officials to report and contract officers to manage Highway Contract Route survey compliance.
3. Update Management Instruction SP-CS-2009-1, Conducting Highway Contract Route Surveys, to reflect current job titles, roles, and responsibilities; and provide for annual updates.

Management's Comments

Management agreed in principle with the findings and monetary impact. In regards to the recommendations, management partially agreed with recommendations 1 and 2 and disagreed with recommendation 3 and requested it be closed with the issuance of this report. Specifically, management agreed to formalize annual AO training by June 2017 and evaluate the capabilities of the Service Change Request (SCR) process and the Transportation Contract Support System (TCSS) to replace the route surveys and provide more effective management of Highway Contract Route compliance by October 2017. However, management disagreed with recommendation 3 to update Management Instruction SP-CS-2009-1, Conducting Highway Contract Route Surveys because they plan to sunset the use of the outdated route survey in response to recommendation 2 by October 2017.

See [Appendix C](#) for management's comments in their entirety.

Evaluation of Management's Comments

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

Management disagreed with updating the survey process or related instructions because the process is outdated. Further, they will reevaluate their processes for HCR renewals and apply a technological solution using SCR and TCSS. We recognize that management is focused on updating its processes and leveraging technology to better administer and manage the contract renewal process. While the survey process is being updated during 2017, management should ensure appropriate procedures are in place to monitor the 2017 contract renewals to identify and capture savings opportunities.

Recommendations 1, 2 and 3 require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. When recommendations 1 and 2 are closed, recommendation 3 can be closed. Recommendations 1, 2 and 3 should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendices

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Appendix A: Additional Information

Background

HCRs are the largest single group of contracts in the Postal Service and are managed by five nationwide Postal Service TCMTs consisting of about 108 employees, including 25 COs in the Eastern Area responsible for awarding, amending, terminating, and altering transportation contract provisions.

The COs work with AOs who are responsible, as an additional duty, for the daily management and oversight of HCR contracts at the local level. The AOs are responsible for informing the CO of any HCR performance irregularities.

Postal Service policy dated January 15, 2009, requires the assigned AO to conduct HCR surveys in the fall of the year before the contract expires. These route surveys assist COs and TCMTs in determining route continuations, route adjustments, equipment requirements (trucks, trailers, and global positioning system devices), and operational changes that can affect the cost to the Postal Service.

Objective, Scope, and Methodology

Our objective was to determine the effective use and management of HCR surveys by the Eastern TCMT. This is one in a series of projects on HCR oversight. To accomplish our objective, we:

- Obtained a list of expiring HCR contracts for CYs 2014 and 2015 from the manager, Surface Transportation Contract Management Category.
- Reviewed Postal Service policies and procedures relating to establishing or verifying transportation needed to meet operational requirements and contract management processes for completing and using HCR surveys.
- Consulted with OIG Research Operations to discuss risk factors and variables for planning a statistical sample and determining sample selection.
- Selected the Eastern TCMT for review based on its mid-range number of HCR contracts and their high dollar value.
- Determined our universe of 1,174 HCR contracts for the Eastern TCMT by eliminating terminated CDS and trailer lease contracts (to refine our scope to focus on mail hauling contracts).
- Obtained a statistical sample of 176 Eastern TCMT HCR contracts from OIG Research Operations to evaluate the use and management of HCR surveys for these CY 2014 and 2015 renewals.
- Conducted interviews with Postal Service Headquarters managers; Surface Transportation CMC and Surface Transportation Operations; the Postal Service CO Eastern TCMT; and the manager, Network Operations Eastern Area.
- Reviewed contract renewal documents that were hard copy files physically located at the Eastern TCMT in Largo, MD, or electronically maintained in TCSS for the existence of completed HCR surveys performed by AOs.

- Performed a secondary review and identified 86 AOs responsible for conducting the surveys for the 176 statistically selected contracts. We communicated with these AOs to confirm HCR survey completion and requested documentation of completed surveys when appropriate.
- Assessed management oversight by performing analysis of AOs for the number of HCR surveys completed, their awareness of the 2009 policy, and the training they have received that provides guidance on completing HCR surveys.

We conducted this performance audit from March through September 2016, 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 findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on August 30, 2016 and included their comments where appropriate.

We used computer-processed data from TCSS when performing our analysis. We assessed the reliability of computer-generated data by interviewing agency officials knowledgeable about the data. We determined that the data were sufficiently reliable for the purposes of this report.

Appendix B: Postal Service Form 5407, Highway Contract Route

UNITED STATES POSTAL SERVICE®		Highway Contract Route		1. Survey Date		
		<input type="checkbox"/> SURVEY <input type="checkbox"/> SERVICE CHANGE				
A. General Information						
2. Route No.	3. Trip(s)	4. Origin	5. Destination	6. Schedule Mileage		
					a. Outbound b. Inbound	
7. Supplier Name			8. Supplier Telephone Number (Include area code)		9. Road Condition (Miles)	
10. Supplier Address (No., street, ste./apt./P.O. box no., city, state, ZIP + 4®)			11. Driver's Name		<input type="checkbox"/> Improved <input type="checkbox"/> Unimproved <input type="checkbox"/> All Weather	
B. Vehicle Information						
1. Year	2. Make	3. Type		4. No. Axles		
5. Appearance (Check one) <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor	6. Cargo Size and Space		7. Load Restraints (Check one) <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Add	8. Emergency Equipment		
	L	H		W	a. Fire Extinguisher <input type="checkbox"/> Yes <input type="checkbox"/> No	b. Warning Device <input type="checkbox"/> Yes <input type="checkbox"/> No
		<input type="checkbox"/> Adequate <input type="checkbox"/> Too Small <input type="checkbox"/> Too Big		c. Spare Fuses <input type="checkbox"/> Yes <input type="checkbox"/> No	d. Tire Chains <input type="checkbox"/> Yes <input type="checkbox"/> No	
9. Terminal Time (Minutes) (Survey Day)	a. Loading at Origin		b. Unloading at Destination		c. Loading at Destination	
					d. Unloading at Origin	
10. Unscheduled Stops (No. and Minutes)	a. Fuel		b. Toll		c. Weight Check	
	(1) No.	(2) Minutes	(1) No.	(2) Minutes	(1) No.	(2) Minutes
11. Maximum Pieces Normally Carried	a. PCHS/Sacks		b. NMO		c. Containers	
					(1) No.	(2) Type <input type="checkbox"/> Large Tray Cart <input type="checkbox"/> All Purpose <input type="checkbox"/> Small Tray Cart <input type="checkbox"/> Bulk Mail <input type="checkbox"/> Large Hamper <input type="checkbox"/> Palletainer <input type="checkbox"/> Small Hamper <input type="checkbox"/> Nestline Tray Cart
12. Maximum Cargo Space Used on Heaviest Day	13. In addition to mail, trip regularly carries					
C. Route Information						
Summary	a. Official	b. Actual	c. Difference + or -	d. Recommendation		
				(1) Satisfactory	(2) Unsatisfactory	(3) Specify Change
1. Terminal Time						
2. Vehicle						
3. Box Delivery						
4. Collection						
5. Mileage						
D. Proposed Action						
1. Action Proposed (Cost):						
<input type="checkbox"/> New Route <input type="checkbox"/> Extension <input type="checkbox"/> Curtailment <input type="checkbox"/> Restatement						
<input type="checkbox"/> Frequency Change <input type="checkbox"/> Fewer Trip <input type="checkbox"/> More Trips <input type="checkbox"/> Discontinuance						
<input type="checkbox"/> Larger Vehicles <input type="checkbox"/> Smaller Vehicles <input type="checkbox"/> Schedule Change <input type="checkbox"/> Other (Describe):						
2. Reason						
<input type="checkbox"/> Personal Initiative <input type="checkbox"/> Congressional <input type="checkbox"/> Customer Petition <input type="checkbox"/> Other (Describe):						
3. Other Media or Postal Units Affected (Give name of unit and how affected)						
<input type="checkbox"/> Postal Facility <input type="checkbox"/> Highway Contract Route <input type="checkbox"/> Other (Describe):						
<input type="checkbox"/> Contract Delivery Route <input type="checkbox"/> Rural Delivery Route						
E. Reaction to Proposed Changes						
1. Supplier	2. Number of Postmasters		3. Number of Customers			
<input type="checkbox"/> Agreeable <input type="checkbox"/> Opposed	a. Favor	b. Oppose	a. Favor	b. Oppose		
PS Form 5407, February 2009 (Page 1 of 2) PSN 7530-02-000-9464						

Appendix C: Management's Comments



September 23, 2016

LORI LAU DILLARD

SUBJECT: Highway Contract Route Survey Compliance – Eastern Transportation Category Management Team (Report Number NL-AR-16-DRAFT)

Thank you for providing the Postal Service with the opportunity to review and comment on the recommendations and monetary impacts contained in the draft audit report, Highway Contract Route Survey Compliance – Eastern Transportation Category Management Team. We have reviewed the report and agree in principle with the findings and monetary impact. We also agree that unsupported questioned costs do not necessarily connote any real damages to the Postal Service. However, management partially agrees with the recommendations as stated in the audit report and will address each separately. We have coordinated with the Vice President of Delivery Operations on this response and provided a copy to him.

The following is our response to the recommendations contained in the report.

We recommend the Vice President, Network Operations, in coordination with the Vice President, Delivery Operations, and the Vice President, Supply Management:

Recommendation 1: Establish formalized annual training for administrative officials on conducting and completing Highway Contract Route surveys.

Management Response Recommendation 1: Management agrees in part with this recommendation. We will establish formalized annual training for administrative officials (AO) that will address the Highway Contract Route renewal process and AO responsibilities. However, we disagree with the use of the outdated survey process and will be taking steps to sunset the survey. We will reevaluate our processes for Highway Contract Route renewals. The Supplying Principles and Practices provide commodity specific practices for Highway Contract Route renewals and the Postal Operation Manual provides additional guidance and policies for managing Highway Contract Routes.

Target Implementation Date: June 2017 (Manager of Surface Operations, Network Operations)

Recommendation 2: Develop a centralized management tool for administrative officials to report and contract officers to manage Highway Contract Route survey compliance.

Management Response Recommendation 2: Management agrees in part with this recommendation. We agree to evaluate the capabilities of the Service Change Request (SCR) process and the Transportation Contract Support System (TCSS) to more effectively manage Highway Contract Route compliance. However, we do not agree to use the survey for this purpose. As noted above, we will initiate steps to sunset the outdated survey.

Target Implementation Date: October 2017 (Manager of Surface Operations, Network Operations and Manager of Surface Transportation CMC, Supply Management)

Recommendation 3: Update Management Instruction SP-CS-2009-1, Conducting Highway Contract Route Surveys, to reflect current job titles, roles, and responsibilities; and provide for annual updates.

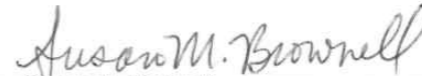
Management Response Recommendation 3: Management disagrees with this recommendation to update Management Instruction SP-CS-2009-1, Conducting Highway Contract Route Surveys. This Management Instruction will be obsolete. Management will validate that policy regarding Highway Contract Route management is contained in relevant Postal Service directives and will communicate and cite that policy in the above referenced training.

Target Implementation Date: Management requests the closure of recommendation 3 upon issuance of the report.

If you have any questions about this response, please contact Brent Raney at (202) 268-6431 or Lori D. Savage at (202) 268-3655.



Robert Cintron
Vice President
Network Operations



Susan M. Brownell
Vice President
Supply Management

cc: Manager, Corporate Audit Response Management



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