

September 28, 2001

PAUL E. VOGEL
VICE PRESIDENT, NETWORK OPERATIONS MANAGEMENT

KEITH STRANGE
VICE PRESIDENT, PURCHASING AND MATERIALS

SUBJECT: Audit Report - Manual Payments on Rail Transportation Contracts (Report Number TR-AR-01-006)

This report presents the results of our audit of manual payments made on rail transportation contracts (Project Number 00NA006TR000). The audit was initiated at the request of Postal Service management. Our objectives were to determine whether manual payments on rail transportation contracts were timely, and whether management controls over these payments were adequate.

Our audit disclosed that manual payments were not timely as a result of data inconsistencies within the Rail Management Information System. As a result, the primary rail carrier for the Postal Service submitted manual claims totaling \$7 million for the period June 1999 through June 2000, of which \$1.1 million remained outstanding over 60 days as of June 30, 2000. Our audit also revealed that management controls were not in place to ensure data was entered timely and accurately.

The report provided six recommendations to correct deficiencies including expediting data entry and processing of claims requiring additional documentation. We recommended that Postal Service management expedite the processing of claims requiring additional research and documentation and require distribution networks offices to immediately notify carriers of inadequate documentation. We also recommended that Postal Service management expand training for Postal Service employees and develop additional training and guidance for rail carrier representatives. Finally, we recommended that management implement the recommendations in our prior audit report related to accurate and timely data entry into the Rail Management Information System.

Management agreed with our findings and recommendations, and we believe their actions, taken or planned, should correct the issues identified. Management's comments and our evaluation of their comments are included in the report.

The Office of Inspector General (OIG) considers recommendations 1, 2, and 6 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 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, please contact Joe Oliva, director, Transportation and Delivery, at (703) 248-2100, or me at (703) 248-2300.

Ronald K. Stith
Assistant Inspector General
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Attachment

cc: John A. Rapp
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TABLE OF CONTENTS

Executive Summary	i
Part I	
Introduction	1
Background	1
Objectives, Scope, and Methodology	2
Prior Audit Coverage	3
Part II	
Audit Results	5
Payments to Rail Carriers Were Not Timely	5
Inadequate Documentation Slowed Claims Processing	5
Actions Taken by the Rail Carrier	7
Corrective Actions Taken by the Postal Service	8
Recommendations	9
Management's Comments	9
Evaluation of Management's Comments	9
Management Controls Were Inadequate	10
Timeliness of Data Entry	10
Data Verification Practices Were Inadequate	11
Access to the Rail Management Information System Was Limited	11
Recommendations	12
Management's Comments	12
Evaluation of Management's Comments	13
Appendix A. Number of Manual Claims Paid in Fiscal Year 1999 by Area Office and Processing Code	15
Appendix B. Rail Management Information System On-Time Data Entry Scores and Rankings by Bulk Mail Center and Area Office	16
Appendix C. Management's Comments	17

EXECUTIVE SUMMARY

Introduction

The Office of Inspector General (OIG) conducted an audit of the Postal Service's manual payments on rail transportation contracts. The Postal Service requested that we review the manual payments process because such payments are paper and labor intensive, resulting in untimely payments to rail carriers. Our objectives were to determine whether manual payments on rail transportation contracts were timely, and whether management controls over these payments were adequate.

Results in Brief

Our audit disclosed manual payments on rail transportation contracts were not timely due to data inconsistencies within the Rail Management Information System. The manual payment process increases workload because Postal Service personnel must first review the claim, research the trailers via the Rail Management Information System, and contact bulk mail center personnel to verify movement. Thus, payments to carriers are often delayed and discrepancies exist. The primary carrier, who represented 42 percent of all payments made by the Postal Service for rail transportation, had manual claims totaling \$7 million for the period June 1999 through June 2000. As of June 30, 2000, \$1.1 million remained outstanding over 60 days.

With the untimely payment of these claims, the Postal Service could have been liable for about \$47,800 in interest and penalties under the Prompt Payment Act. Since the Postal Service and the carriers cannot agree to the original submission date of the claims and what constitutes a proper invoice, the Postal Service was not held liable for payment of interest and penalties.

Upon initiating our fieldwork, the Postal Service expedited the payment of claims by directing distribution networks offices to conduct the necessary research to review and verify outstanding claims submitted by the carrier. However, timely processing of these claims is dependent on the individuals responsible for researching and verifying the information. Without proper procedures for research and review, the problem with disputed claims will continue.

Our audit also disclosed that manual payments were attributable to weak management controls, such as a lack of

procedures for timely data entry, poor data verification practices, and restricted access by some facilities to the Rail Management Information System. In our previous report, we identified these weaknesses in management controls and actions needed to correct them. This audit revealed that the Postal Service had not implemented the corrective actions we previously recommended. Without reliable information on rail trailer activity, the Postal Service cannot take appropriate action to reduce or eliminate the number of manual claims.

**Summary of
Recommendations**

To increase the timeliness of data input and strengthen controls over payments, we recommended the vice president, Network Operations Management, coordinate with the vice president, Purchasing and Materials, to expedite the processing of claims requiring additional research and documentation, and require distribution networks offices to immediately notify carriers of inadequate documentation.

We also recommended that the vice president, Network Operations Management, coordinate with the vice president, Purchasing and Materials, to expand training for Postal Service employees and develop additional training and guidance for rail carrier representatives on Rail Management Information System data entry and payment procedures. Finally, we recommended that the vice president, Network Operations Management, coordinate with the vice president, Purchasing and Materials, to implement the recommendations in our prior audit report related to standardizing and monitoring procedures for accurate and timely data entry into the Rail Management Information System.

**Summary of
Management's
Comments**

Management agreed with our recommendations. They have transferred authority to area contracting officers to approve payment from noncontract claims and have also revised the management instruction on processing these payments. This instruction will also formalize the requirement to immediately notify rail carriers of inadequate documentation. In addition, management will provide training to rail carrier representatives on filing payment claims and expand training to Postal Service employees.

To implement the recommendations in our prior audit report related to accurate and timely data entry into the Rail Management Information System, management will:

- Require follow-up communication and training with facilities who consistently do not meet on-time data entry goals.
- Implement a standard form to track data input to bulk mail centers and a process to ensure that data is timely and accurately entered into the system.
- Require areas to monitor daily e-mail reports from carriers and reinforce practices allowing the system to be updated within 4 hours.

Management's comments, in their entirety, are included in Appendix C of this report.

**Overall Evaluation of
Management's
Comments**

Management's comments are responsive to our recommendations, and their actions taken and planned should correct the conditions identified in this report.

INTRODUCTION

Background

The Postal Service's annual budget for rail transportation is approximately \$220 million, of which about 10 percent represents payments made via manual claim forms submitted by rail carriers. The Postal Service contracts with seven rail carriers to move mail and mail transport equipment between Postal Service facilities. Most mail transported by rail to bulk mail centers, processing and distribution centers, or customer facilities is moved on trailers provided by rail carriers.

Payments to rail carriers are processed via the Rail Management Information System. The system compares data contained in three major files: (1) a scheme file that includes the trailer routing logic; (2) the in transit file that identifies trailer movement; and (3) the rate file showing the monetary terms of rail contracts and tariffs for line haul movements. This data contains originating and destinating information on trailers used in rail service and is entered through computer terminals at designated sites, which are primarily bulk mail centers. Postal Service and customer facilities without access to the Rail Management Information System either fax or phone trailer movements to the bulk mail center for data entry.

Not all payments are processed through the Rail Management Information System. For example, some rail trailers are transported over routes where rates are not in effect, routing schemes do not exist, or data is untimely, not entered, or entered incorrectly. Since pricing information is not in the system, payments for these transactions have to be processed manually.

To ensure proper payment for these claims, the Postal Service issued a management instruction¹ establishing standard operating procedures for payments that are not processed within the system. With respect to payment certification where no rate exists, the management instruction requires distribution networks office personnel to prepare a file containing:

¹ Management Instruction PO-540-88-05, Rail Piggyback Payment, December 19, 1988.

- Postal Service Form 5186 (mail movement routing instructions) or accepted electronic data interchange transmission.
- Report LAB498P1 (error report) and destination verification of receipt.
- Letter from carrier.
- Copy of Rail Management Information System van history reports (Van Inquiry and Van Record).
- Screen print of an approved Postal Service Form 5994 for services performed.

Distribution networks office personnel record and research carrier claims for manual payments using Form 5994, which is processed through the Rail Management Information System.

Objectives, Scope, and Methodology

The objectives of our audit were to determine whether manual payments on rail transportation contracts were timely, and whether management controls, such as access to the Rail Management Information System, data entry, and verification practices, were adequate.

We conducted work at Postal Service Headquarters, the Accounting Service Center in St. Louis, and nine judgmentally selected area offices:² Allegheny, Capital Metro, Great Lakes, Mid Atlantic, Midwest, New York Metro, Northeast, Pacific, and Southeast. The sites selected represent 71 percent of the total manual payments for fiscal year (FY) 1999, according to the Rail Management Information System.

To determine whether payments were timely, we reviewed Postal Service policy related to rail payments and analyzed the time associated with processing manual claims and related payment records for FY 1999. In addition, we extracted and reviewed data from Rail Management Information System reports, local databases, policies and

² Since the time of our audit the Postal Service has reorganized. The areas identified in this report reflect the organization at the time of our fieldwork.

procedures for claims processing, and other relevant documents. To validate and verify carrier payment discrepancies, we interviewed carrier representatives and analyzed Postal Service payment activity. Our audit focused on the primary carrier that received \$73 million in payments in FY 2000, which represented 42 percent of all payments made by the Postal Service for rail transportation. This carrier also represented 43 percent of the rail transportation market with more than 50,000 Postal Service rail dispatches.

To document management controls, we observed operations and interviewed area distribution networks office personnel responsible for processing manual claims, facility transportation managers, and employees at the sites visited. In addition, we reviewed manual claims received from the carriers and analyzed the total claims paid for FY 1999 by area office and payment type.

Our audit was conducted from July 2000 through September 2001 in accordance with generally accepted government auditing standards and included such tests of internal controls as were considered necessary under the circumstances. We discussed our findings with management officials and included their comments, where appropriate.

Prior Audit Coverage

Our September 22, 1999, report, Opportunities for Savings in Freight Rail Detention Costs (TR-AR-99-001), concluded that Rail Management Information System data on trailer activity and location was unreliable. To address these problems, we recommended the chief operating officer work with the vice president, Network Operations Management, and the vice presidents, Area Operations to:

- Monitor and provide feedback to facilities that do not consistently meet Postal Service Headquarters' expectations for on-time entry into the system.
- Establish confirmation procedures for facilities that do not have full access to the system to ensure that data is received and entered by the bulk mail centers.

- Implement standard data verification practices as close as possible to the time of entry of system data.

Postal Service management agreed with the recommendations.

AUDIT RESULTS

Payments to Rail Carriers Were Not Timely

Our audit disclosed manual payments on rail transportation contracts were not timely due to data inconsistencies within the Rail Management Information System. Many payments were delayed because extensive research was required to process claims for payment.

Inadequate Documentation Slowed Claims Processing

Although procedures exist to research, verify, and process manual payment claims, the Postal Service was not timely in verifying and paying claims submitted by its primary rail carrier. In June 1999, this carrier disputed \$64,576 in unpaid claims. Between June 1999 and June 2000, additional claims were disputed, and the outstanding amount grew to an estimated \$1.1 million.

The Prompt Payment Act requires the government, including the Postal Service, to pay its bills on time or face interest penalties. Under the Prompt Payment Act, if no payment date is specified in a contract, the Postal Service is required to pay the contractor no later than 30 days after the receipt of the invoice. The law requires the postmaster general to issue implementing regulations. On March 7, 2000, the Postal Service issued a management instruction³ requiring prompt payment of debts owed by the Postal Service to suppliers for equipment, supplies, and services. In accordance with the law, the management instruction requires payment of a proper invoice no later than 30 days after receipt. Further, if an invoice is improper the supplier must be notified of the error, defect, or impropriety within 7 days of the Postal Service's receipt of the invoice. Despite Prompt Payment Act requirements, the carrier's claims of \$1.1 million remained outstanding for over 60 days. Further, about 50 percent of the \$1.1 million represented rail service claims without supporting documentation as required in the management instruction, Rail Piggyback Payment.

Postal Service personnel attributed untimely payments to the amount of time it took to research claims that were not supported with adequate documentation or that showed discrepancies. There is also a lack of standard operating procedures when documentation is either hard to locate or nonexistent. Late processing of claims was also caused by

³ Management Instruction FM-610-2000-2, Compliance With the Prompt Payment Act, March 7, 2000.

lack of consistent research efforts by Postal Service employees. Without proper procedures for research and review, the problem with disputed claims will continue.

At all nine sites we visited, the distribution networks office personnel dedicated approximately 1 hour per claim to verify the 12,926 manual claims identified in Appendix A. Although only 10 percent of rail payments were processed manually, the hour associated with verifying each claim is an inefficient use of Postal Service resources compared to the 3 minutes for automated processing.

Postal Service personnel at distribution networks offices and at bulk mail centers identified inadequately trained Postal Service staff and customers and the absence of standard procedures for data entry as causes for manual claims.

With the nonpayment of claims from June 1999 to June 2000, the Postal Service could have been liable for about \$47,800 in interest and penalties under the Prompt Payment Act. Since the Postal Service and the carrier cannot agree to the original submission date of the claims and what constitutes a “proper” invoice, to-date the Postal Service has not been liable for the interest and penalties under the law. In addition, the carrier indicated it has provided emergency service outside the contract. However, due to problems receiving payments, the carrier is no longer providing emergency rail transportation service to the Postal Service. Further, the carrier indicated that it believes the current manual payment process is not efficient and that they had to settle on negotiated amounts with the Postal Service.

The carrier acknowledged some responsibility for poor documentation and indicated that the distribution networks office personnel were supportive in trying to resolve payment discrepancies. However, it identified three⁴ distribution networks offices where communication and research problems continue to exist. Issues included poor communication, nonresponsiveness to e-mail messages, unwillingness to research disputed claims, and unavailability of personnel to process claims. The Postal Service stated

⁴ The carrier identified the Allegheny, Mid Atlantic, and Capital Metro Areas as the biggest problem areas.

that due to staffing changes, they have a limited number of resources available to dedicate to the additional research and communication needed to timely resolve the discrepancies.

Actions Taken by the Rail Carrier Although the Postal Service gave some attention to the problem of disputed claims,⁵ the amount in dispute continued to grow. To expedite the processing of the \$1.1 million in outstanding manual claims and to help the Postal Service provide corrective action and avoid reoccurrence of these problems, the carrier agreed to identify those route segments that continue to result in manual payments. Listed below is a table that contains the contractor's trend analysis summary of Postal Service rail transportation contract segments totaling \$910,155 and the corresponding distribution networks office responsible for manual rail payments from June 1999 through February 2000.

**Table 1:
ROUTE SEGMENTS RESULTING IN MANUAL PAYMENTS**

Distribution Networks Office	Number of Segments	Total Value of Segments
Allegheny	312	\$310,715
Capital Metro	283	274,370
Great Lakes	68	66,340
Mid-Atlantic	41	39,200
Midwest	13	14,260
New York	81	79,110
Northeast	96	92,160
Southeast	22	22,000
Southwest	12	12,000
Total	928	\$910,155

After completing our initial fieldwork, we received additional information from the carrier about the untimely payment of claims. The carrier stated that it has added procedures that are helping to reduce the number of manual payments. The carrier noted that it has negotiated an amount for outstanding bills from FY 1999, all of which have been paid by the Postal Service. In addition, the outstanding total for FY 2000 is

⁵ A representative from the Southeast Area office provided additional help to research outstanding claims.

approximately \$500,000 and could also be subject to interest and penalties under the Prompt Payment Act if not paid timely.

The carrier stated it is still encountering difficulty in getting distribution networks offices to review manual claims. Specifically, the carrier was told payments were slow due to limited time and resources dedicated to research. Although a representative of the carrier indicated the number of outstanding bills has been declining since July 2000, getting information entered properly and timely into the Rail Management Information System is still a problem. As a result, the Postal Service's relationship with the carrier has been harmed.

Corrective Actions
Taken by the Postal
Service

Upon initiating our audit fieldwork, the Postal Service took immediate action to process the backlog of claims. Postal Service Headquarters directed distribution networks offices to research and verify outstanding carrier claims. As of March 2001, the Postal Service had paid all of the claims except for \$302,313. On March 13, 2001, the carrier and the Postal Service negotiated to settle the outstanding amount for \$131,609.

To help resolve these outstanding claims, the Postal Service instructed the carrier to review its records, obtain as much backup documentation as possible, and resubmit the claims. Postal Service personnel processed and paid claims that had sufficient documentation. Claims needing further review were forwarded to Postal Service Headquarters for final approval or negotiation. The table below summarizes these transactions:

**Table 2:
RESOLUTION OF OUTSTANDING
MANUAL PAYMENT CLAIMS**

\$1,100,000	Claims outstanding as of June 30, 2000
<u>797,687</u>	Claims verified/paid as of March 2001
\$ 302,313	Claims outstanding as of March 2001
\$ 131,609	Amount of negotiated settlement

Recommendation	<p>We recommend the vice president, Network Operations Management, coordinate with the vice president, Purchasing and Materials, to update and expand procedures to:</p> <ol style="list-style-type: none">1. Expedite the processing of claims requiring additional research and documentation.
Management's Comments	<p>Management agreed with our finding and recommendation and has transferred final authority for approving payments from noncontract claims from headquarters to distribution networks office contracting officers. Management has also revised the management instruction on processing manual rail payments, which will be published in the near future.</p>
Evaluation of Management's Comments	<p>Management's comments are responsive to our recommendation and their actions taken and planned should correct the conditions identified in this report.</p>
Recommendation	<ol style="list-style-type: none">2. Require distribution networks offices to immediately notify carriers of inadequate documentation.
Management's Comments	<p>Management agreed with our finding and recommendation. The management instruction referred to in management's response to recommendation 1 formalizes the requirement for distribution networks area offices to immediately notify rail carriers of inadequate documentation.</p>
Evaluation of Management's Comments	<p>Management's comments are responsive to our recommendation and their actions taken and planned should correct the conditions identified in this report.</p>

**Management
Controls Were
Inadequate**

The Postal Service had not implemented the recommendations from our previous report⁶ to ensure that data is input timely and correctly. This audit disclosed that manual payments were attributable to weak management controls, such as lack of procedures for timely data entry, poor data verification practices, and restricted access by some facilities to the Rail Management Information System. Without reliable information on rail trailer activity, the Postal Service cannot take appropriate action to reduce or eliminate the number of manual claims.

**Timeliness of Data
Entry**

Interviews with the distribution networks office officials disclosed that manual payments occur because Rail Management Information System data entry was not input timely and correctly to ensure accurate and complete data for use as a management tool. We identified nine Postal Service areas where data was either entered incorrectly or was not entered into the Rail Management Information System, resulting in 12,926 manual claims⁷ in FY 1999.

Postal Service policy⁸ states data must be input immediately after events occur, and in no case later than 4 hours afterwards. In addition, the Rail Management Information System does not permit origination data to be entered if 48 hours have passed since the trailer has been dispatched. Because the system operates in real time, reduction of manual payments is totally dependent on the employees responsible for collecting and inputting the required data.

In addition to implementing stronger controls and updating procedures, employees should be trained to ensure compliance with data entry procedures. Although four of the nine⁹ distribution networks office personnel we spoke to stated that training was provided to employees in their respective areas, problems resulting from the lack of standardized procedures for entering rail service data continue to exist.

⁶ Opportunities for Savings in Freight Rail Detention Costs (Report Number TR-AR-99-001, September 23, 1999).

⁷ This is a conservative estimate and may not include all manual claims for 1999. See Appendix A, footnote.

⁸ Rail Management Information System Handbook, (PO-505, March 1992).

⁹ The Great Lakes, Midwest, New York Metro, and Southeast Area offices provided training to field employees.

Data Verification
Practices Were
Inadequate

Poor management controls can affect the integrity of data. Inaccurate data can result in the deletion of trailer information from the system and an inability to track and verify trailer numbers. For example, we identified three distribution networks offices where rail carriers submitted claims for the same trailers that the Postal Service had already paid¹⁰ because controls were not in place to ensure trailer activity data was entered and verified correctly. Thus, distribution networks offices had to spend additional hours researching trailer activity to prevent duplicate payments. These management control weaknesses prevented the Postal Service from accurately processing data and reducing the number of manual payments made to rail carriers.

Our review also disclosed that the lack of standard procedures for data verification provides no assurance that Rail Management Information System data is accurate and employees are notified of data inaccuracies. Distribution networks office officials receive weekly performance reports on data entry and verification practices for all facilities in their area, and are expected to review the scores and provide feedback to facilities receiving low scores. While officials at all of the areas reviewed weekly reports to monitor trailer activity and data entry, we identified two¹¹ distribution networks offices whose personnel responsible for meeting data entry standards did not receive the required feedback on their performance. Because the scores are verified and employees are not provided feedback on their performance, manual payments will continue to occur.

Access to the Rail
Management
Information System
Was Limited

The lack of access to the Rail Management Information System has also contributed to the number of manual claims. The distribution networks office officials disclosed that not all mail transport equipment service centers, customer facilities, and warehouses have access to the Rail Management Information System. Of the nine area offices visited, 4 areas¹² attributed manual payments to facilities not having direct access to the Rail Management Information System.

¹⁰ The Southeast, Northeast, and Mid-West areas received claims from carriers where payments had already been made. Although the dollar amounts we identified were not significant, the potential exists for this problem to grow.

¹¹ Personnel at the Pacific and New York Metro Areas stated they only track performance scores and provided feedback only when requested by Postal Service Headquarters.

¹² The distribution networks office officials in the Southeast, Allegheny, Capital Metro, and New York Metro areas stated their manual claims were attributed, in part, to facilities in their reporting area not having access to the Rail Management Information System.

The facilities with no access or “inquiry only” capability telephone or fax rail information to the servicing bulk mail center for data entry. Sometimes the fax transmissions are hard to read or are received after trailers have been dispatched. We identified two¹³ areas whose bulk mail centers had on-time data entry scores consistently among the lowest due to the absence of direct access to the Rail Management Information System. These areas and their corresponding bulk mail centers are identified in Appendix B.

According to Postal Service policy, for the Rail Management Information System to function effectively, there must be a cooperative relationship between distribution networks offices and bulk mail centers. Origin and destination information on trailer activity must be recorded timely and accurately by all facilities. In our judgment, without procedures for confirmation of data receipt and entry, it is likely that bulk mail centers are not receiving all information on rail activity or entering data timely.

Since accurate processing and payment of manual claims is dependent upon the ability to track and verify trailer location, if these recommendations had been fully implemented, the conditions in the current audit would have been either minimized or resolved. Therefore, we are making these recommendations again.

Recommendation

We recommend the vice president, Network Operations Management, coordinate with the vice president, Purchasing and Materials, to:

3. Expand training for Postal Service employees and develop additional training and guidance for rail carrier representatives on Rail Management Information System data entry and payment procedures.

**Management's
Comments**

Management agreed with our finding and recommendation and will provide rail carrier representatives training on procedures for filing payment claims. Management will also expand training for Postal Service employees based on the revised management instruction.

¹³ The areas are the Allegheny and New York Metro Area offices.

Evaluation of Management's Comments	Management's comments are responsive to our recommendation, and their actions taken and planned should correct the conditions identified in this report.
Recommendation	<p>Although the Postal Service agreed with and addressed the recommendations in our prior audit report, the procedures put in place did not solve the problems we identified. Therefore, we are recommending that the vice president, Network Operations Management, coordinate with the vice president, Purchasing and Materials, to implement the following prior audit report recommendations:</p> <ol style="list-style-type: none">4. Monitor and provide feedback to facilities that do not consistently meet headquarters' expectations for on-time entry of Rail Management Information System data.
Management's Comments	Management agreed with our finding and recommendation. Management provides weekly reports to areas and facilities on their performance for on-time data entry and will also require follow-up communication and training with facilities who consistently do not meet on-time data entry goals, with updates on actions to improve low scores.
Evaluation of Management's Comments	Management's comments are responsive to our recommendation, and their actions taken and planned should correct the conditions identified in this report.
Recommendation	<ol style="list-style-type: none">5. Establish confirmation procedures for facilities that do not have full access to the Rail Management Information System to ensure that data on trailer activity is received and entered by the bulk mail centers.
Management's Comments	Management agreed with our finding and recommendation and will implement a standard form to track the faxing of data to bulk mail centers for data input. Management will also implement a process to ensure that data is accurately and timely entered into the system.

Evaluation of Management's Comments	Management's comments are responsive to our recommendation, and their actions taken and planned should correct the conditions identified in this report.
Recommendation	6. Implement standard data verification practices as close as possible to the time of entry of Rail Management Information System data.
Management's Comments	Management agreed with our finding and recommendation and will reestablish the requirement that areas monitor daily e-mail reports from rail carriers and follow up on trailers reported as not in the system. Management will also reinforce practices allowing the system to be updated within 4 hours of an overdue report.
Evaluation of Management's Comments	Management's comments are responsive to our recommendation, and their actions taken and planned should correct the conditions identified in this report.

APPENDIX A

**NUMBER OF MANUAL CLAIMS PAID IN FISCAL YEAR 1999
BY AREA OFFICE AND PROCESSING CODE***

AREA OFFICE	DAM	DET	ERR	EQQ	MSR	MSU	NDR	NRC	NSH	AREA TOTAL
New York Metro	93	570	0	0	138	0	0	0	0	801
Northeast	669	620	0	0	0	0	0	0	0	1,289
Allegheny	104	0	0	860	0	0	670	0	0	1,634
Mid-Atlantic	200	0	0	0	0	0	328	0	0	528
Western	0	0	372	0	0	0	0	0	0	372
Pacific	437	346	0	0	0	0	0	0	0	783
Southwest	0	0	3	0	0	432	0	0	0	435
Southeast	498	1,296	942	18	0	176	0	0	0	2,930
Midwest	1,503	275	0	0	315	0	0	0	0	2,093
Great Lakes	312	657	0	0	99	0	0	0	0	1,068
Capitol Metro	300	0	0	257	436	0	0	0	0	993
Type Totals	4,116	3,764	1,317	1,135	988	608	998	0	0	**12,926

***Legend**

DAM	Damage to Van
DET	Detention Adjustment
ERR	Data Entry Error
EQQ	Equipment
MSR	Misroute of Van
MSU	Misuse of Van
NDR	No Data in the Rail Management Information System
NRC	No Rail Management Information System contract
NSH	No Rail Management Information System scheme

**This is a conservative estimate and may not include all manual claims for 1999. Our initial inquiry included only those claims that met established data retention criteria at the time the requested files were downloaded. Also, the totals do not include those claims still pending further review.

APPENDIX B

**RAIL MANAGEMENT INFORMATION SYSTEM ON-
TIME DATA ENTRY SCORES AND RANKINGS BY BULK
MAIL CENTER AND AREA OFFICE**

BULK MAIL CENTER	YEAR TO DATE FY 99	RANK	YEAR TO DATE FY 00	RANK	AREA OFFICE
KANSAS CITY	97%	1	100%	1	Midwest
ST. LOUIS	97%	2	99%	2	Midwest
MEMPHIS	93%	3	96%	3	Southeast
SEATTLE	90%	4	92%	7	Western
SAN FRANCISCO	89%	5	93%	6	Pacific
DENVER	88%	6	92%	9	Western
DES MOINES	88%	7	89%	12	Midwest
DETROIT	87%	8	93%	5	Great Lakes
JACKSONVILLE	87%	9	92%	8	Southeast
LOS ANGELES	86%	10	90%	11	Pacific
SPRINGFIELD	84%	11	82%	18	Northeast
DALLAS	84%	12	93%	4	Southwest
WASHINGTON	81%	13	91%	10	Capital Metro
ATLANTA	81%	14	84%	17	Southeast
PITTSBURGH	80%	15	87%	14	Allegheny
ST. PAUL	79%	16	89%	13	Midwest
PHILADELPHIA	77%	17	78%	19	Allegheny*
GREENSBORO	71%	18	85%	16	Mid-Atlantic
CHICAGO	69%	19	86%	15	Great Lakes
NEW JERSEY	62%	20	61%	21	New York Metro*
CINCINNATI	60%	21	65%	20	Allegheny*

*Areas identified whose bulk mail center on-time data entry scores were consistently among the lowest due, in part, to the absence of direct access to the Rail Management Information System.

APPENDIX C. MANAGEMENT'S COMMENTS

PAUL E. VOGEL
VICE PRESIDENT, NETWORK
OPERATIONS MANAGEMENT



September 20, 2001

DEBRA S. RITT

SUBJECT: Transmittal of Draft Audit Report – Manual Payments on Rail Transportation Contracts (Report Number TR-AR-01-DRAFT)

Please find attached a response to the subject draft audit report. I appreciate the opportunity to work with you and your staff to improve Postal Service operations.

We concur with the findings and recommendations enumerated in the report. Our recent restructuring will allow us to take a more active role in reviewing progress from implementing recommendations of this report.

We would like you to know that since your audit on rail detention, we continue to reduce rail detention expense. Through FY2001 AP 12 our total expense has be \$1.8 million verses \$3.9 million same period last year. Since the work of your audit on manual payments, we have significantly reduced the backlog of rail manual payments as well.

In conclusion, headquarters, Logistics and National Mail Transportation Purchasing supports all of the audit recommendations and will implement its strategy to address these issues within four weeks.

Should you require additional information, please contact Tony Pajunas, manager, Logistics at 202-268-4948.



Paul Vogel

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RECOMMENDATIONS:

The following is presented in response to your specific recommendations regarding what we should do with respect to the manual payments on rail transportation contracts. Each recommendation is stated below followed by a specific response:

1. **RECOMMENDATION:** "Expedite the processing of claims requiring additional research and documentation."

RESPONSE: We agree with the finding and the recommendation. The manager, National Mail Transportation Purchasing has transferred final level authority from headquarters to the Distribution Networks (DN) Area office contracting officers to approve payment from non-contract claims. This will reduce time from initial claim until payment certification. The manager, Surface Operations has revised the Management Instruction (MI) on processing rail manual payments which will be published in the near future. The MI requires manual claims to be processed within specific, expedited time frames. A copy of the draft MI is attached. Headquarters, Logistics is notifying area office DNs to ensure they have back-up staff designated to process rail manual payment claims in the event the primary staff is out of the office.

2. **RECOMMENDATION:** "Require distribution networks offices to immediately notify carriers of inadequate documentation."

RESPONSE: We agree with the finding and the recommendation. The Management Instruction (MI) on Manual Rail Payment identified in the response to recommendation number 1 formalizes the requirement for DN area offices to immediately notify rail carriers of inadequate documentation.

3. **RECOMMENDATION:** "Expand training for Postal Service employees and develop additional training and guidance for rail carrier representatives on Rail Management Information System data entry and payment procedures."

RESPONSE: We agree with the finding and the recommendation. The manager, Surface Operations working with the manager, National Mail Transportation Purchasing, will provide rail carrier representatives training on procedures for filing payment claims with the Postal Service. Both managers will also expand training for postal employees based on the revised MI.

4. **RECOMMENDATION:** "Monitor and provide feedback to facilities that do not consistently meet headquarters' expectations for on-time entry of Rail Management Information System data."

RESPONSE: We agree with the findings and the recommendation. The manager, Surface Operations provides weekly reporting to the areas and facilities on their performance for Rail Management Information System (RMIS) on-time data entry. The manager will also reconsider the methods used and improve upon feedback from areas and facilities that do not meet headquarters' expectation for on-time data entry. Specifically, the manager, Surface Operations will require follow-up communication, training, and improvement with those facilities who consistently do not meet on-time data entry goals, and periodic updates on actions facilities are taking to improve low scores.

5. **RECOMMENDATION:** "Establish confirmation procedures for facilities that do not have full access to the Rail Management Information System to ensure that data on trailer activity is received and entered by the bulk mail centers."

RESPONSE: We agree with the finding and the recommendation. The headquarters, manager, Surface Operations will:

- a. Implement a standard form and require facilities that dispatch via rail use the form to track the faxing of data to a bulk mail center (BMC) for data input into RMIS. The form will include the date and time of the follow-up call, the trailer number being inquired on the name of the person contacted at the BMC.
 - b. Implement a process to use the form to establish a confirmation system by engaging one of the following procedures and ensuring that data is actually and timely entered into RMIS.
 1. For facilities with RMIS inquiry: Within one hour, perform RMIS inquiry on the faxed data to ensure it has been entered. If not entered, refax the data and call the BMC.
 2. For facilities without RMIS: The facility must call the BMC within one hour after sending the fax and confirm the BMC has entered the data into RMIS. The facility must also continue hourly calls until the BMC validates that data has been entered.
 3. Compile a list of sites that normally dispatch freight rail and do not have RMIS input capability. Investigate whether each non-BMC rail dispatch site without direct RMIS input capability can be provided direct RMIS data input capability.
6. RECOMMENDATION: "Implement standard data verification practices as close as possible to the time of entry of Rail Management Information System data.

RESPONSE: We agree with the finding and the recommendation. In addition to the procedures implemented in recommendation 5, the manager, Surface Operations will:

1. Reestablish the requirement that Areas monitor daily "No RMIS EDI" email reports from the Norfolk Southern and Burlington Northern rail carriers and follow-up on trailers reported as not being in RMIS.
2. Reinforce practices that allow RMIS to be updated within four hours of a RMIS event by refocusing attention on the RMIS Overdue Van Report.