Highway Contract Route Trips Not Performed

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Highlights

Background:

The U.S. Postal Service's surface network uses highway contract routes, which are routes of travel served by contracted suppliers to transport mail between plants and other designated stops. The suppliers are expected to operate according to scheduled arrival and departure times defined in the contract. From fiscal years (FY) 2020 to 2022, the Postal Service reported that 679,407 scheduled highway contract route trips were omitted, meaning the supplier failed to run a scheduled trip. Omitted trips increased by about 129 percent from 132,158 in FY 2020 to 302,096 in FY 2022.

What We Did:

Our objective was to determine whether the Postal Service efficiently manages highway contract route omitted service. To accomplish our objective, we reviewed outbound highway contract route trips from FYs 2020 to 2022.

What We Found:

The Postal Service has opportunities for improving the efficiency of managing omitted trips. Specifically, from FYs 2020 to 2022, we found over 20,000 instances where the Postal Service incorrectly identified trips as not being performed by the supplier, when the trips were actually canceled by the Postal Service. We also identified an additional 6,591 missed trips that were incorrectly categorized as the supplier's fault, but should have been canceled by the Postal Service due to scheduling or other issues. Additionally, we found the Postal Service underreported deductions from supplier compensation for trips not performed and processed reimbursements for deductions made to supplier compensation without going through a review and approval process. Furthermore, in FY 2022, over 80 percent of the trips not performed by the supplier were not categorized as either chargeable or excusable. As a result, the Postal Service incurred costs of about $52.5 million for omitted service.

Recommendations:

We recommended the Postal Service (1) update the Surface Visibility application to prevent canceling and issuing an omitted trip for the same trip; (2) issue supplemental guidance reiterating when a trip should be omitted or canceled; (3) develop a standardized activity description for omitted service in its Transportation Contract Support System; (4) develop a standard work instruction for omitted service reimbursements; and (5) develop a plan to verify that personnel are following the standard work instructions and completing required fields for omitted service.

OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

March 21, 2023

MEMORANDUM FOR: ROBERT CINTRON
VICE PRESIDENT, LOGISTICS

PETER ROUTSOLIAS
VICE PRESIDENT, TRANSPORTATION STRATEGY

Mary K. Lloyd

FROM: Mary Lloyd
Deputy Assistant Inspector General
 for Mission Operations

SUBJECT: Audit Report - Highway Contract Route Trips Not Performed
(Report Number 22-193-R23)

This report presents the results of our audit of Highway Contract Route Trips Not Performed.

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

Attachment

cc: Postmaster General
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of Highway Contract Route (HCR) Trips Not Performed (Project Number 22-193). Our objective was to determine whether the Postal Service efficiently manages HCR omitted service. See Appendix A for additional information about this audit.

Background

The U.S. Postal Service's surface network uses HCRs, which are routes of travel served by Postal Service contracted suppliers to transport mail between plants and other designated stops. HCRs make up the largest single group of transportation services used by the Postal Service.

The Postal Service is responsible for monitoring the performance of HCR suppliers and recording day-to-day performance. HCR suppliers are expected to operate according to scheduled arrival and departure times in the contract. While monitoring performance, the Postal Service should address irregularities including services not provided or provisions omitted by suppliers. If any of the

irregularities are due to supplier failure, Postal Service Form 5500, *Contract Route Irregularity Report*,[1] should be created to document the irregularity.

The Postal Service made several changes in fiscal year (FY) 2022 that helped employees identify omitted service and deduct funds from HCR suppliers when trips did not run as scheduled. Specifically, on March 31, 2022, the Postal Service issued a standard operating procedure defining omitted service.[2] Additionally, on June 3, 2022, the Postal Service issued a service talk detailing the process to omit HCR trips.[3] Furthermore, on July 15, 2022, the Postal Service issued a standard work instruction documenting the process for preparing Service Change Requests[4] for omitted service, and detailing roles and responsibilities at the Division and site level for omitted service.[5]

Omitted and canceled trips are recorded in the Surface Visibility application. According to Postal Service policy,[6] if Postal Service management directs that an HCR trip not run, employees should cancel the trip. However, Postal Service employees should omit a trip if there is a failure on the part of the HCR supplier to run a scheduled trip (see Figure 1).

Figure 1. Postal Service Criteria for Canceled vs. Omitted Trips

Source: Omitted Trips Service Change Requests – Updated Process from Postal Service management.

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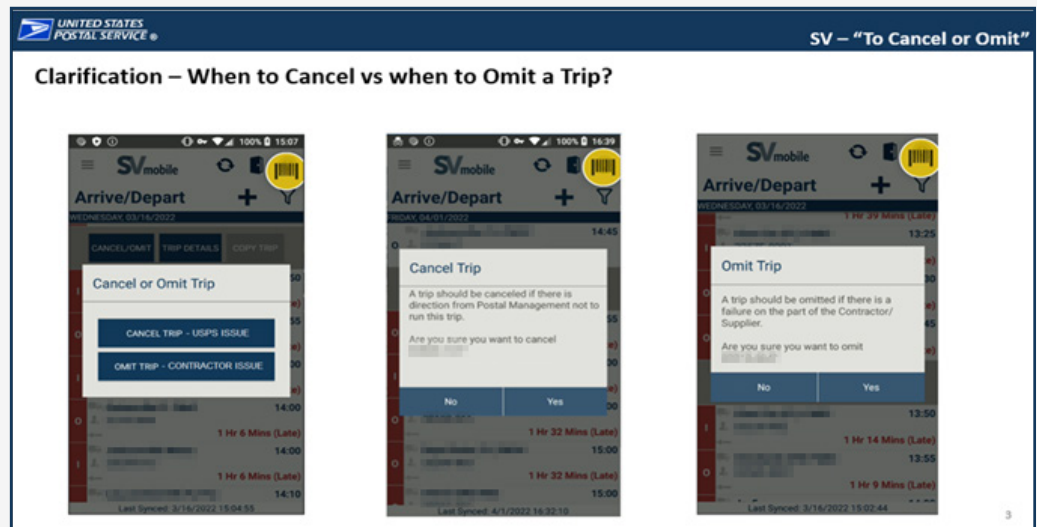
1   Identifies irregularities such as omitted trips and keeps records of any corrective actions taken.
2   Standard Operating Procedure for Delay/Irregularity Reasons.
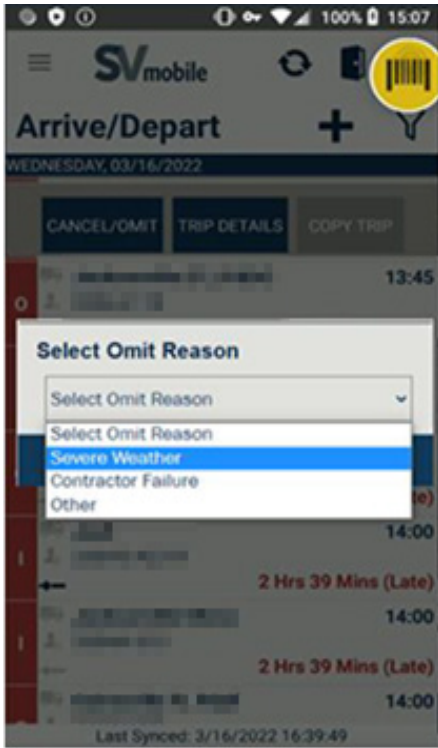3   Service Talk – Surface Visibility Mobile Update to Omit HCR Trips.
4   Used by the Postal Service to change the service, schedule, and vehicle requirements as specified in HCRs; administered through the Transportation Contract Support System.
5   Omitted Service - Service Change Request guidance.
6   The Surface Visibility Program User Booklet.

After a trip has been omitted in the Surface Visibility application,[7] Postal Service employees have three available omit reasons to select: 'Severe Weather', 'Contractor Failure', and 'Other'[8] (see Figure 2).

## Figure 2. Postal Service Criteria for Omitted Trips Reason Codes

Source: Service Talk – Surface Visibility Mobile Update to Omit HCR Trips.

> **"**Omitted trips increased by about 129 percent from FY 2020 through FY 2022.**"**

From FY 2020 through FY 2022, the Postal Service reported that 679,407 scheduled HCR trips were omitted. During this period, omitted trips increased by about 129 percent from 132,158 in FY 2020 to 302,096 in FY 2022 (see Figure 3).

Figure 3. Omitted Trips from FY 2020 to 2022
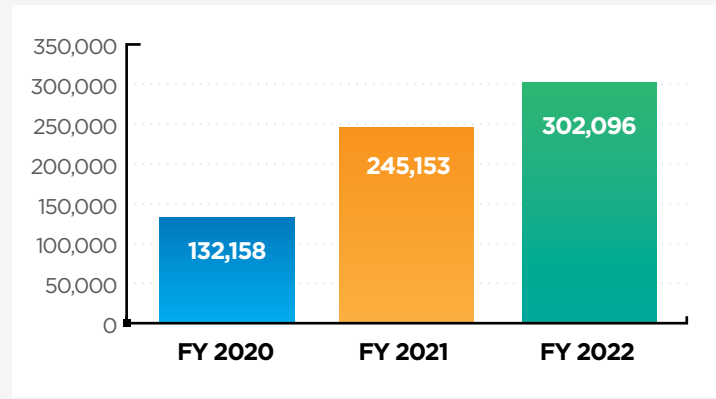
Source: Surface Visibility.

In the event HCR trips are not performed, policy[9] states the Administrative Official[10] should take corrective action and the contracting officer deduct pay from the suppliers, based on the circumstances and the terms of the contract. From FY 2021 to FY 2022, the amount deducted from HCR suppliers increased from $10.7 million to $46.6 million (335 percent) (see Figure 4).

Figure 4. Deductions from HCR Supplier Payments from FY 2020 to 2022
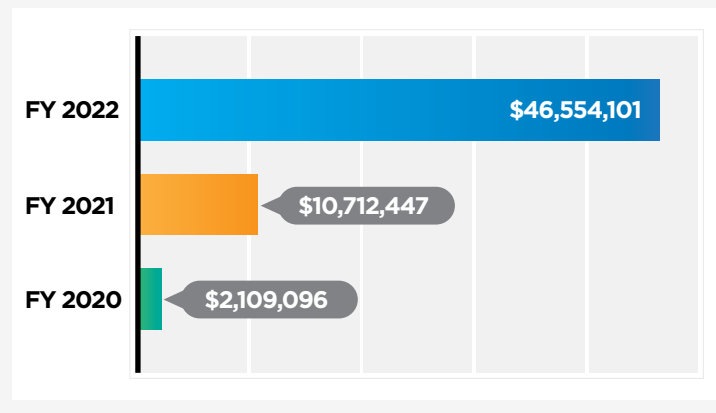
Source: Transportation Contract Support System.

When an HCR supplier believes a deduction the Postal Service made was incorrect, the supplier can request a reimbursement. The HCR supplier will provide documentation to the Transportation Strategy group to support their claim for a reimbursement. Then the documentation is sent to the Logistics group to review and approve. If the

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7   A mobile-scanning application that enables Postal Service personnel at Surface Visibility-equipped sites to scan trays, tubs, and sacks of mail into containers and onto trailers and to track the mail across the surface network.
8   Selecting 'Other' requires the Postal Service to enter clarifying comments indicating why service was omitted.
9   Postal Operations Manual 9, Section 535 Certification and Payment.
10   Responsible for monitoring the performance of mail transportation and related services by suppliers. Administrative Officials are also required to address all irregularities by following the HCR corrective action process.

reimbursement is approved, the Transportation Strategy group will reimburse the HCR supplier.

Finding #1: Canceled Trips with Omitted Service Irregularities

From FY 2020 through FY 2022, there were 20,534 instances where the Postal Service canceled a trip in Surface Visibility but subsequently issued an irregularity (Postal Service Form 5500, *Contract Route Irregularity Report)* to the HCR supplier stating they omitted service. According to Postal Service policy, when an HCR trip does not operate, the trip should either be canceled or omitted within the Surface Visibility application.[11] Since FY 2020, the number of omitted service irregularities issued when the trip was canceled by the Postal Service increased by about 130 percent (see Figure 5).

Figure 5. Omitted Service Irregularities for Canceled Trips from FY 2020 to 2022

Source: Surface Visibility.

This occurred because Surface Visibility allows users to issue an irregularity even though the trip was canceled by the Postal Service. Trips that are incorrectly selected as omitted service result in unnecessary work for Postal Service employees processing irregularities and the suppliers who are required to review each irregularity within ten days of receipt and provide a response to the Postal Service.

Recommendation #1

We recommend the **Vice President, Logistics**, coordinate with the Enterprise Analytics group to update the Surface Visibility application to prevent canceling and issuing an omitted trip irregularity for the same trip.

Finding #2: Incorrect Omitted Trips

Postal Service employees incorrectly selected trips as omitted service when the trips should have been canceled by the Postal Service in Surface Visibility. Specifically, 6,591 of the 8,650 (76.2 percent) trips were incorrectly selected as omitted service but should have been canceled by the Postal Service due to scheduling or other Postal Service issues, as shown in Table 1. Omitted service should only be selected if the trip was omitted because the HCR supplier failed to run the scheduled trip.[12]

Table 1. FY 2022 Omitted Service with 'Other' as a Reason

Omitted Service 'Other' Reasons	Number of Trips	Percent of Total	Incorrectly Selected as Omitted Service
Schedule Issue	6,071	70.2%	Yes
Contractor Failure	2,059	23.8%	No
Potential Postal Issues	520	6.0%	Yes
Total	**8,650**	**100.0%**	

Source: U.S. Postal Service Office of Inspector General's (OIG) analysis of omitted trips in Surface Visibility.

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11   The Surface Visibility Program User Booklet states that trips should be canceled when "there is direction from Postal Service management to not run a certain trip". Trips being designated as omitted should only be done when "a stop or entire trip was not run due to failure by the contractor" and an irregularity should be issued.
12   Service Talk – Surface Visibility Mobile Update to Omit HCR Trips.

> **"** Employees were unclear of the difference between an omitted trip and a canceled trip, even though Postal Service policy clearly defines the differences. **"**

We determined this by reviewing the justifications entered by Postal Service employees under the 'Other' reason code. This occurred because employees were unclear of the difference between an omitted trip and a canceled trip, even though Postal Service policy clearly defines the differences. As a result of the Postal Service incorrectly categorizing trips in Surface Visibility, irregularities are created by Administrative Officials and both they and the suppliers are required to complete additional work to validate the irregularity. Additionally, the Postal Service cannot make informed decisions when data is inaccurate due to incorrect reason codes being selected.

Recommendation #2

We recommend the **Vice President, Logistics**, issue supplemental guidance to clarify and reiterate when a trip should be omitted or canceled.

Finding #3: Omitted Service Deductions and Reimbursements

We found the Postal Service could not accurately identify the deducted or reimbursed amounts for omitted trips. Specifically, we found the Postal Service was underreporting deductions taken from HCR suppliers. The total amount deducted is shared with Postal Service executive management and if the number is not accurate, they cannot validate if it is correctly deducting pay for omitted service, or confidently rely on this information for decision-making purposes.

According to the Transportation Contracting Support System,[13] when an HCR trip is omitted, Postal Service personnel review the supporting documentation and complete the deduction by inputting the trip information and an activity description in the Transportation Contracting Support System. However, activity descriptions are not standardized, and

therefore, Postal Service personnel enter whatever description they want in the activity description column. See Table 2 for examples.

Table 2. Omitted Service Activity Description Examples

Activity Description
OTD
LS OS
OM SVC Trip
L/S DDCT OMTD SRVC
omiited
oited
ommited
Omitted

Source: OIG analysis of Postal Service pay data.

To identify deductions specific to omitted service, the Logistics group filters the activity description column in the pay data report provided by the Finance group. When the Postal Service uses acronyms or has misspellings in the activity description column, it cannot accurately identify how much they have deducted for omitted service. Specifically, in FY 2022, the OIG identified over $46 million omitted service deductions in the Transportation Contracting Support System. However, the Postal Service's report only identified about $37 million in omitted service deductions, or $9 million less than the OIG.

Additionally, we found the Postal Service processed reimbursements for deductions made to the HCR supplier's compensation without going through a review and approval process in FY 2022. Postal Service management stated they have personnel who review the data provided by HCR suppliers to determine if reimbursement requests are valid. However, in FY 2022, the Postal Service reimbursed about $1.3 million to suppliers, of which about $1 million was reimbursed to one HCR supplier, without higher-level reviews or validation of the reimbursements. This occurred because the Postal Service does not have a standard work instruction that identifies roles and responsibilities or explains how to review, and process omitted service reimbursements. As a result, the Postal Service is at risk of approving inaccurate

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13 Instructions for use of free-form text is included in the lump sum transaction activity section of the Transportation Contracting Support System.

or invalid reimbursements submitted by the HCR suppliers.

> **Recommendation #3**
> We recommend the **Vice President, Logistics**, develop a standardized activity description for omitted service in the Transportation Contract Support System.

> **Recommendation #4**
> We recommend the **Vice President, Logistics**, and the **Vice President, Transportation Strategy**, develop a standard work instruction for omitted service reimbursements.

Finding #4: Omitted Trip Chargeability

The Postal Service was not consistently processing omitted services in the Surface Transportation Automated Forms (STAF) application. Administrative Officials are responsible for determining if an omitted trip is chargeable or excusable in STAF. Deductions from supplier compensation should be made for chargeable omitted service and should not be made for excusable omitted service caused by catastrophes or acts of God. However, in FY 2022, the Postal Service did not categorize omitted trips as either chargeable or excusable for about 81.6 percent of the omitted trips[14] in STAF (see Figure 6).

> **"**Deductions from supplier compensation should be made for chargeable omitted service and should not be made for excusable omitted service caused by catastrophes or acts of God.**"**

Figure 6. Omitted Trip Categorization in STAF for FY 2022
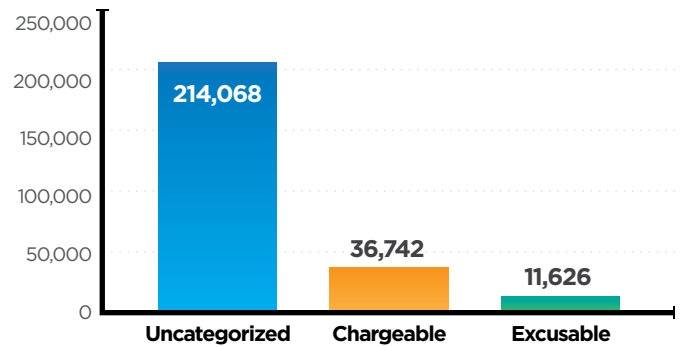
Source: Surface Transportation Automated Forms application and OIG analysis.

The STAF application is intended to be used to process irregularities and evaluate supplier responses to determine whether an irregularity is chargeable or excusable. Once Administrative Officials note that the irregularity is chargeable in STAF, they then would submit a Service Change Request in the Electronic Service Change Request system.[15] Once approved in the Electronic Service Change Request system, the omitted service will be deducted from the HCR supplier.

However, the Postal Service can still deduct funds from the HCR supplier by submitting a Service Change Request in the Electronic Service Change Request system even if trips are not categorized as chargeable or excusable in STAF. Without entering the correct information in STAF, the Postal Service cannot verify if all chargeable omitted trips were entered into the Electronic Service Change Request system and deducted from HCR suppliers, putting the Postal Service at risk of not fully deducting funds for all chargeable omitted trip irregularities. For example, in Surface Visibility, there were a total of 282,755 omitted trips in FY 2022. We did not include omitted trips that used the reason codes 'Canceled by Postal Management', 'Adverse Weather Conditions', or 'Other', as these reason codes may be excusable or entered incorrectly and would not warrant a deduction from the supplier compensation. We also did not include 58,409 trips that were not omitted on the first leg of the trip. Overall, there were 224,346 omitted trips at the origin facility in FY 2022. However, only 36,742 omitted trips were marked as chargeable in STAF.

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14   Only 48,368 of 262,436 (18.4 percent) omitted service irregularities have been marked as either chargeable or excusable in STAF.
15   Postal Service's tool for managing and controlling the submittal of requests to change the service, schedule, and vehicle requirements as specified in the highway contracts currently administered through the Transportation Contract Support System.

This occurred because the Postal Service did not adequately monitor and provide oversight of Administrative Officials' data entry requirements for omitted service in STAF. Postal Service management stated it required more work for the Administrative Officials to enter the information into STAF.

To determine the potential amount the Postal Service could have deducted for each omitted trip in FY 2022, we multiplied the rate per mile by the number of miles for each individual trip. There were 40,534 trips that we excluded from our calculation because they did not have an associated rate per mile. Therefore, there were a total of 183,812 chargeable omitted trips. We determined the Postal Service could have deducted about $99.1 million from HCR suppliers for the 183,812 omitted trips in FY 2022. However, the Postal Service only deducted about $46.5 million (about 47 percent) in FY 2022.[16] As a result, the Postal Service incurred costs of about $52.5 million for omitted service (see Table 3).

Table 3. Deductions for FY 2022

Expected Deduction	Actual Deduction	Difference
$99,097,596	$46,554,103	$52,543,493

Source: Transportation Contract Support System and OIG analysis.

The Postal Service is currently piloting a program that automates the process for omitted service. The new process would eliminate the manual process for submitting Service Change Requests in the Electronic Service Change Request system. Instead, if an HCR supplier does not run a trip, the HCR supplier will not be paid for the trip. The Postal Service plans to implement the new process by FY 2024. Until this new process is implemented, the Postal Service should ensure omitted trip data is entered into STAF and a Service Change Request is submitted in the Electronic Service Change Request system for deductions when the supplier does not perform a trip. Without accurate omitted trip information, the Postal Service may be overpaying for services not performed.

Recommendation #5

We recommend the **Vice President, Logistics**, develop a plan to verify that Administrative Officials are following the Surface Transportation Automated Forms standard work instructions and completing required fields for omitted service.

Management's Comments

Management agreed with the findings, recommendations, and monetary impact. See Appendix B for management's comments in their entirety.

Regarding recommendation 1, management stated they identified and will correct a specific scenario in Surface Visibility that is allowing users to issue omitted service for a canceled trip. The target implementation date is May 30, 2023.

Regarding recommendation 2, management stated they will re-issue guidance to clarify the use cases for an omitted trip versus a canceled trip in Surface Visibility. The target implementation date is April 30, 2023.

Regarding recommendation 3, management stated they will use their standardized activity description for omitted service when reporting deductions. The target implementation date is April 30, 2023.

Regarding recommendation 4, management stated the Logistics and Transportation Strategy groups will develop a standard work instruction to cover the process of reimbursing omitted service that was incorrectly deducted from a supplier. The target implementation date is May 30, 2023.

Regarding recommendation 5, management stated they have established a process for the field to provide updates on the status of their omitted service forms that are in the STAF system. Additionally, STAF dashboards will be enhanced to provide relevant tracking information to management for follow-up with the responsible individuals. The target implementation date is June 30, 2023.

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.

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16   This data included the dollar amount the Postal Service deducted from suppliers in FY 2022. However, it is likely that this amount includes deducted pay for trips that occurred in FY 2021.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. All recommendations 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

Appendix A: Additional Information

Scope and Methodology

In this audit we evaluated the Postal Service's efficiency of managing HCR omitted service. To accomplish our objective, we:

- Identified, reviewed, and evaluated outbound HCR trips omitted from FY 2020 to FY 2022.

- Documented the process for recording omitted trips and determined if Surface Visibility scanning for omitted trips is accurate and complete (i.e., trips canceled by the Postal Service should not also be classified as omitted trips).

- Interviewed Postal Service headquarters officials and Transportation officials at the Denver, CO, and Pittsburgh, PA, Network Distribution Centers; Chicago International Service Center; Capitol Metro Surface Transfer Center and Milwaukee, WI, Processing and Distribution Center; regarding omitted service.

- Determined the number of omitted trips in Surface Visibility and compared it to the number of omitted trips in STAF:

  - Determined how many omitted trips the Postal Service has scan data for in Surface Visibility.

  - Determined the number of omitted trips the Postal Service recorded in the STAF application.

  - Compared the number of trips in each system and identified discrepancies.

- Documented the process for submitting omitted trip Service Change Requests.

- Analyzed deductions from and payments to suppliers in Transportation Contracting Support System and determined if deductions from suppliers for omitted service are consistent with trips omitted.

- Evaluated reimbursements by the Postal Service to suppliers for omitted trips.

We conducted this performance audit from September 2022 through March 2023 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 February 27, 2023, and included their comments where appropriate.

We assessed the reliability of the Postal Service's Surface Visibility, STAF, and Transportation Contracting Support System by interviewing Postal Service officials, comparing data to other representative time periods, and reconciling data from one system to another. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
Efficiency of Surface Transfer Centers in the Southern Region	To evaluate the efficiency and effectiveness of the Southern Region's Surface Transfer Centers.	21-212-R22	5/16/2022	$0
U.S. Postal Service Transportation Network Operations and Cost Optimization Practices	To analyze practices and cost trends and identify risk areas within the Postal Service's transportation network.	19XG002NL000-R20	11/7/2019	$30,790,152

Appendix B: Management's Comments

UNITED STATES POSTAL SERVICE

March 15th, 2023

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Highway Contract Route Trips Not
Performed (Report Number 22-193-DRAFT)

Thank you for providing the Postal Service with an opportunity to review and comment on the findings and recommendations contained in the draft audit report, U.S. Postal Service's Highway Contract Route Trips Not Performed.

Management agrees with Finding #1: Canceled Trips with Omitted Service Irregularities, Finding #2: Incorrect Omitted Trips, Finding #3: Omitted Service Deductions and Reimbursements and Finding #4: Omitted Trip Chargeability. Regarding the monetary impact calculations, management agrees.

Recommendation [1]:
We recommend the **Vice President, Logistics**, coordinate with the Enterprise Analytics group to update the Surface Visibility application to prevent canceling and issuing an omitted trip irregularity for the same trip.

Management Response/Action Plan:
Management **agrees** with this recommendation.
A specific scenario in the system is allowing users to issue omitted service for a cancelled trip. This scenario has been identified and will be corrected with a Surface Visibility support patch.

Target Implementation Date:
5/30/2023

Responsible Official:
Senior Director Surface Logistics
Executive Manager, Surface Logistics Programs

Recommendation [2]:
We recommend the **Vice President, Logistics,** issue supplemental guidance to clarify and reiterate when a trip should be omitted or canceled.

Management Response/Action Plan:
Management **agrees** with this recommendation.

Management will re-issue guidance to clarify the use cases for an omit versus a cancel in SV.

Target Implementation Date:
4/30/2023

Responsible Official:
Senior Director Surface Logistics
Executive Manager Surface Logistics Programs

Recommendation [3]:
We recommend the **Vice President, Logistics,** develop a standardized activity description for omitted service in the Transportation Contract Support System.

Management Response/Action Plan:
Management **partially agrees** with this recommendation.
Reporting will be updated to reflect the existing Lump Sum activity description of Omitted Service, which is already standardized.

Target Implementation Date: 4/30/2023

Responsible Official:
Senior Director Surface Logistics
Executive Manager Surface Logistics Programs

Recommendation [4]:
We recommend the **Vice President, Logistics,** and the **Vice President, Transportation Strategy**, develop a standard work instruction for omitted service reimbursements.

Management Response/Action Plan:
Management **agrees** with this recommendation.
A standard work instruction will be developed between Logistics and Transportation Strategies to cover the process of re-imbursing for omitted service that was incorrectly deducted from a supplier.

Target Implementation Date:
5/30/2023

Responsible Official:
Senior Director Surface Logistics
Director Surface Transportation, Category Management Center

Recommendation [5]:
We recommend the **Vice President, Logistics,** develop a plan to verify that Administrative Officials are following the Surface Transportation Automated Forms standard work instructions and completing required fields for omitted service.

Management Response/Action Plan:
Management **agrees** with this recommendation. Management has put a process in place for the field to provide updates on the status of their omitted service forms that are in STAF. STAF dashboards will be enhanced to provide relevant tracking information to management for follow up with responsible individuals.

Target Implementation Date:
6/30/2023

Responsible Official:
Senior Director Surface Logistics
Executive Manager Surface Logistics Programs

Robert
Cintron

Digitally signed by Robert
Cintron
Date: 2023.03.15 12:20:08
-04'00'

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Robert Cintron
Vice President, Logistics

E-SIGNED by PETER ROUTSOLIAS
on 2023-03-15 13:48:08 CDT

_____
Peter Routsolias
Vice President, Transportation Strategy

cc: Manager, Corporate Audit Response Management

Contact us via our Hotline and FOIA forms. Follow us on social networks. Stay informed.

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