

Review of Highway Contract Routes in the Contract Logistics Enterprise Acquisition Resource System

AUDIT REPORT

Report Number 24-121-R25 | March 31, 2025



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Highlights

Background

The U.S. Postal Service implemented the Contract Logistics Enterprise Acquisition Resource (CLEAR) system and the Transportation Management System (TMS) in April 2022 to enhance the efficiency and reliability of its transportation network. CLEAR was designed to improve the management of transportation contracts, streamline payment processing, and enhance performance tracking. The TMS provides scheduling details, monitors real-time trip activities, processes payments, and tracks vouchers. The TMS relies on rate information from the CLEAR system to generate accurate trip payments. From April 2022 through March 2024, the Postal Service spent approximately \$2.3 billion on dedicated transportation services.

What We Did

Our objective was to evaluate the effectiveness of the CLEAR system and review the accuracy of Highway Contract Route trip payments in the TMS. We reviewed payment data for Highway Contract Route trips in CLEAR from April 2022 through March 2024.

What We Found

While we did not evaluate the rate transfers from the old system to the CLEAR system, based on rates identified in CLEAR, supplier payments in the TMS were generally processed effectively. However, we identified opportunities to improve controls over Highway Contract Route supplier payments. Specifically, we found that the Postal Service paid suppliers the full trip rate for trips it canceled, schedules were not updated timely when contracts were terminated, and trips were paid without reliable proof of delivery, resulting in questioned costs of about \$1.3 million in fiscal year (FY) 2023 and \$37.5 million in FY 2024.

Recommendations and Management's Comments

We made four recommendations to address these issues, including to partially compensate suppliers for trips canceled with at least four hours' notice; implement controls to prevent payments to suppliers with terminated contracts; recover inaccurate payments; and review trip payments to validate proof of delivery information. Postal Service management agreed with three of the four recommendations. Management's comments and our evaluation are at the end of each finding and recommendation. The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to all recommendations except for recommendation 1, which we will discuss with management during the audit resolution process. For the others, the corrective actions should resolve the issues identified in the report. See [Appendix B](#) for management's comments in their entirety.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

March 31, 2025

MEMORANDUM FOR: PETER ROUTSOLIAS
SENIOR VICE PRESIDENT, LOGISTICS

ROBERT CINTRON
VICE PRESIDENT, LOGISTICS

Mary H. Lloyd

FROM: Mary Lloyd
Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Audit Report – Review of Highway Contract Routes in the
Contract Logistics Enterprise Acquisition Resource System
(Report Number 24-121-R25)

This report presents the results of our audit of Review of Highway Contract Routes in the Contract Logistics Enterprise Acquisition Resource System.

All recommendations require U.S. Postal Service Office of Inspector General (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. We consider recommendation 4 closed with issuance of this report.

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

Attachment

cc: Postmaster General
Corporate Audit Response Management
Secretary of the Board of Governors

Results

Introduction/Objective

This report presents the results of our self-initiated Review of Highway Contract Routes¹ (HCR) in the Contract Logistics Enterprise Acquisition Resource (CLEAR) system (Project Number 24-121). Our objective was to evaluate the effectiveness of the CLEAR system and review the accuracy of HCR trip payments in the Transportation Management System (TMS). See [Appendix A](#) for additional information about this audit.

Background

As part of its Delivering for America 10-year strategic plan, published March 23, 2021, the U.S. Postal Service modernized its transportation logistics platform to improve the efficiency and reliability of its transportation network. This new logistics platform — the Integrated Logistics Ecosystem — supports the organization’s long-term goals of achieving financial sustainability while maintaining service. The Integrated Logistics Ecosystem aims to improve performance by enhancing contract management and streamlining processes and payments, through the following three platforms:

- The CLEAR system is used for contract solicitation, review, and award. The CLEAR system is replacing the Postal Service’s current HCR contracting system, the Transportation Contract and Support System.
- The TMS provides schedule details and real-time trip activities, generates payment, and tracks vouchers. In addition, the TMS provides the Postal Service visibility of HCR trips operating in the network.

- The Logistics Gateway Platform enables HCR suppliers’ access to transportation schedules, real-time monitoring of vehicles, performance dashboards, and adjudication of trip exceptions.

With the implementation of the CLEAR system and the TMS in April 2022, the Postal Service’s goal was to improve the payment process by streamlining supplier payments and automating processes.

The Postal Service’s surface transportation utilizes two types of contracts within the Integrated Logistics Ecosystem:

- Dedicated Service contracts operate on a predetermined schedule and frequency and have an agreed upon fixed price trip rate. From April 2022 through March 2024, the Postal Service spent about \$2.3 billion on HCR dedicated service transportation. This audit specifically focused on freight payments for HCR dedicated service transportation.
- Freight Auction contracts solicit bids to transport mail on an “as needed”² basis. From April 2022 through March 2024, the Postal Service spent about \$918 million for “as needed” transportation. The OIG issued a prior audit report, [Evaluation of Freight Auction](#), which specifically focused on “as needed” transportation.

The Postal Service plans to migrate air transportation and Contract Delivery Service³ contracts to CLEAR in the future, at which time the OIG may conduct additional work.

¹ HCRs are contracted surface transportation that provide service between postal facilities, mailer plants, and similar facilities.

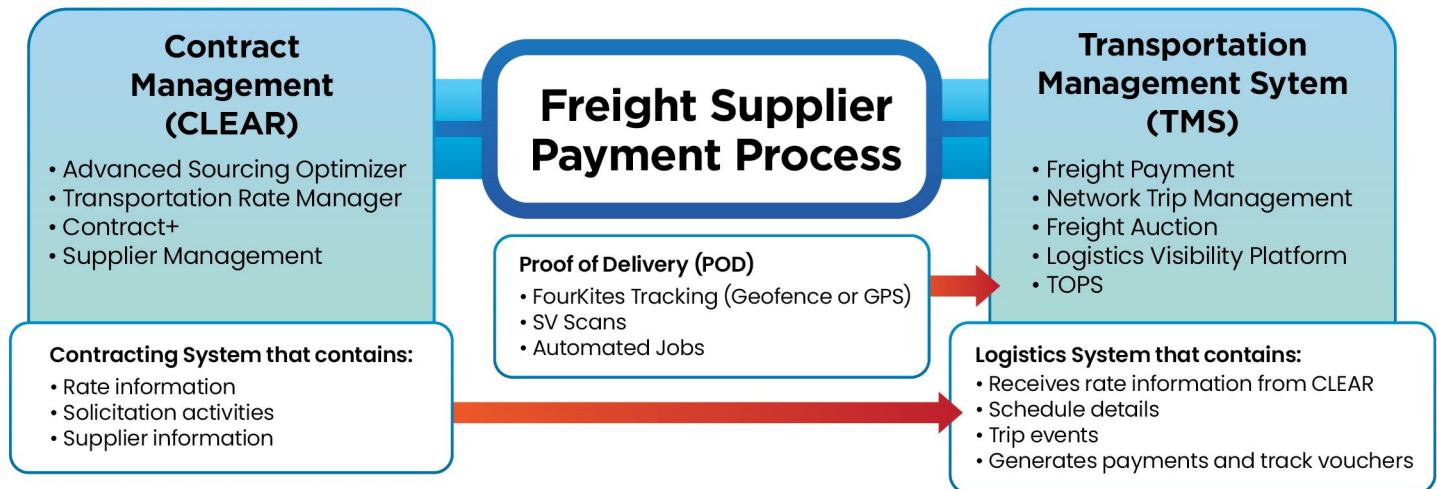
² “As needed” routes are on-demand services that operate infrequently, are generally more expensive than dedicated scheduled services, and involve multiple cost segments.

³ Contract Delivery Service is a contract agreement between the Postal Service and a private individual or firm for the delivery of and collection of mail from homes and businesses.

Freight Supplier Payment Process

The TMS initiates freight payments automatically using rate information in the CLEAR system when a trip is completed, and proof of delivery (POD) is verified (see Figure 1). There are several methods that can be used to support POD including FourKites,⁴ Surface Visibility (SV) scans,⁵ and automated jobs.⁶ The TMS will not generate a voucher for trip payment without POD.

Figure 1. Freight Supplier Payment Process



Source: OIG review of the Postal Service's Integrated Logistics Ecosystem Learn and Grow and Business Analysis.

Our review included the following trip activities:

- Scheduled trips: planned transportation used to move the mail.
- Extra trips: additional unscheduled trips operating over the same route as scheduled trips.
- Omitted trips: a failure on the part of the HCR supplier to run a scheduled trip.
- Late trips: a failure on the part of the Postal Service to run a scheduled trip at the designated departure time.
- Canceled trips: scheduled trip canceled by the Postal Service that was no longer needed.

Finding Summary

While we did not evaluate the rate transfers from the old system to the CLEAR system, based on rates

identified in CLEAR, supplier payments in the TMS were generally processed effectively. However, we identified opportunities to improve controls over contract management and HCR supplier payments related to canceled trips, terminated contracts, and POD verification. As a result, the Postal Service paid an additional \$3 million for canceled trips that did not apply a pro-rata reduction similar to contracts in place prior to the CLEAR migration. Additionally, nearly 1,300 trips associated with terminated contracts were improperly paid, totaling about \$603,000 in FYs 2023 and 2024. Finally, eight percent of trips paid during FY 2024 were not supported by reliable POD data, leading to \$35 million in questioned costs due to insufficient documentation. These issues highlight the need for stronger controls and automated updates to reduce unnecessary expenses and ensure accurate payments.

⁴ The FourKites platform (initiated in February 2023) provides the Postal Service with visibility through real-time trip tracking.

⁵ SV provides the Postal Service with real-time scan data and reporting on the movement of mail on the surface transportation network.

⁶ Automated jobs apply POD when a trip should have arrived at its final destination the prior day and was not canceled or omitted in SV.

Finding: Contract Management and Supplier Payment Controls

The TMS was generally applying the rates identified in the CLEAR system appropriately when calculating supplier payments.⁷ We reviewed contracts and rate information in the CLEAR system, as well as supplier payments in the TMS, to test whether the TMS accurately applied the rates identified in the CLEAR system. Specifically, we recalculated a sample of about 27,000 supplier payments made from April 2022 through March 2024 and determined that about 96 percent were accurate. Of the remaining four percent, inaccurate payments were generally a result of system transitions during the migration process or because of multiple rates being effective at once.

As such, opportunities exist to improve controls over contract management and supplier payments to ensure the Postal Service is not at risk of making unnecessary payments regarding canceled trips, terminated contracts, and POD verifications.

Canceled Trips

We analyzed SV canceled trip data and the TMS payment data from April 2022 through March 2024, and found the Postal Service paid the supplier the full trip rate for about 13,000 trips it canceled with at least four hours' notice.

Prior to the CLEAR migration, HCR contract statements of work often provided for a pro-rata percentage reduction in payment to the HCR supplier when the Postal Service canceled a scheduled trip with at least four hours' notice. The Postal Service introduced a provision in the 2022 update to the statement of work addendum, specifying that when contracts were moved to the CLEAR system, suppliers would not be compensated for canceled service if they were provided at least four hours' prior notice. However, once contracts were moved to the CLEAR system, a

single statement of work was created for all contracts that did not include the planned provision or a pro-rata percentage reduction. Instead, management within Transportation Strategy decided to pay the full trip rate for all scheduled trips canceled by the Postal Service. Postal Service management stated this decision was made, in part, because suppliers had dedicated resources to provide the scheduled transportation. They also stated this decision was made to incentivize Postal Service dock employees to submit schedule changes for unneeded trips rather than simply canceling them.

As a result of paying in full for canceled trips, the Postal Service incurred costs of about \$6 million in FYs 2023 and 2024 for canceled service with at least four hours' notice. However, it could have saved about \$3 million if only 50 percent of the trip rate was paid for those trips, consistent with the pro-rata payments made prior to the migration to the CLEAR system.

Recommendation #1

We recommend the **Senior Vice President, Logistics**, update the Highway Contract Route statement of work to include provisions for partial compensation to suppliers for trips canceled with at least four hours' notice.

Postal Service Response

Management disagreed with recommendation 1, stating that HCR contracts are a commitment with an agreed upon schedule between the Postal Service and the supplier. Management stated it has an obligation to its suppliers to pay for this preordered service, and the logistics team is responsible for ensuring HCR schedules meet their needs.

⁷ We did not review the accuracy of rate information as it migrated from the Transportation Contract and Support System to the CLEAR system.

OIG Evaluation

The OIG considers management's disagreement with recommendation 1 as unresponsive, and we will work with the Postal Service through the formal audit resolution process. While we understand the importance of fulfilling contractual obligations and maintaining supplier relationships, making partial compensation for trips canceled with at least four hours' notice would improve resource allocation, control costs, and maintain strong supplier partnerships. This approach balances flexibility with fairness by reducing costs while respecting supplier needs. Further, although the logistics team is responsible for ensuring the HCR schedule meets its needs, canceled trips are unavoidable, resulting in unnecessary costs for services not rendered.

Terminated Contracts

We reviewed about 4,710 trips associated with terminated contracts and determined that nearly 1,300 of those trips (approximately 27 percent) were paid after the contract's termination date in FYs 2023 and 2024. When contracts are terminated in the CLEAR system, the corresponding trips should be removed from Transportation Optimization, Planning and Scheduler (TOPS), the system used to schedule and route transportation through the Postal Service network. If the trips are not removed, the system will continue to manage and transmit outdated route and trip information. We determined controls were not in place to ensure schedules were updated in TOPS when the Postal Service terminated contracts in the CLEAR system. Postal Service management is aware of this issue and is working on a solution; however, it does not have a planned completion date. As a result of this control deficiency, the Postal Service paid about \$252,000 and \$352,000 in FYs 2023 and 2024, respectively, for canceled trips that were not removed from TOPS when contracts were terminated.

Recommendation #2

We recommend the **Senior Vice President, Logistics**, in coordination with the **Vice President, Logistics**, implement controls to ensure payments are not made to suppliers with terminated contracts.

Recommendation #3

We recommend the **Vice President, Logistics**, recover inaccurate payments made to suppliers with terminated contracts.

Postal Service Response

Management agreed with recommendations 2 and 3. Regarding recommendation 2, it plans to implement weekly reporting on termination dates between the systems and implement a process for addressing discrepancies. The target implementation date is April 30, 2025.

Regarding recommendation 3, management stated it will identify terminated contracts and make necessary deductions after reviewing each contract. The target implementation date is March 31, 2025.

OIG Evaluation

The OIG considers management's comments responsive to recommendations 2 and 3, and corrective actions should resolve the issues identified in the report.

Proof of Delivery

During FY 2023, the Postal Service made several business rule changes and enhancements related to POD sources and payment process. However, we found trips were not always paid with reliable POD support through automation of visibility data, such as SV scans, and FourKites Geofence.⁸ Specifically, we determined 82,088 of the 1,008,365 (or 8 percent) trips paid during FY 2024⁹ were not supported with reliable POD source information. Instead, these trips applied

⁸ A Geofence is an invisible boundary that determines when a driver arrives to or departs from a Postal Service facility.

⁹ Due to the significant amount of POD data, we analyzed the most recent data for FY 2024, which included the Postal Service's enhancements to POD sources in FY 2023.

POD through automated jobs and were assumed to have been delivered because they had not received a canceled or omit indicator from SV. Postal Service management stated the automated jobs POD was used to ensure suppliers were paid when trips could not be tracked using visibility data; they continue to review this process for alternative solutions.

The Freight Payment User Guide states, in part, “for a trip to enter the Freight Payment process, a POD needs to be submitted by a supplier. If a POD has not been submitted, the financial status of the trip would be ineligible, and a voucher would not have been created against the trip.” POD scans must be submitted for all trip stops to be eligible for payment.

The suppliers’ POD requirements for payments over the past two years have continued to change, and business rule system enhancements are continually being made to improve supplier payment accuracy. However, we determined there were insufficient POD supporting documentation requirements. Specifically, there was a lack of payment systems automation, and continuous reliance on multiple systems and manual processes to validate PODs. Therefore, the Postal Service was not able to ensure the sufficiency of PODs, putting it at risk of making inaccurate supplier payments. As a result, the Postal Service incurred questioned costs of \$35 million for trips paid in FY 2024 without a reliable POD. Reducing improper payments is essential to safeguarding funds and reaching financial sustainability.

Recommendation #4

We recommend the **Vice President, Logistics**, implement system enhancements to ensure proof of delivery for trips are reliable.

Postal Service Response

Management agreed with recommendation 4 and provided documentation of enhancements that have been made to make the proof of delivery process more robust, including using global positioning system (GPS) data when available. It explained GPS data is not available

for all trips; therefore, the automated jobs POD is necessary to ensure payment is issued to suppliers. Management requested closure of this recommendation.

Management disagreed with monetary impact in the amount of \$35,014,281. It stated it reviewed a sample of 18,123 loads from the OIG’s findings and identified that 16,292 of these loads (about 90 percent) received events via SV or GPS, indicating the trip was completed successfully. Applying this percentage to the total monetary impact the OIG identified relating to POD leaves 8,208 loads and \$3,501,428.10.

OIG Evaluation

The OIG considers management’s comments responsive, and based on our review of the documentation submitted, we consider recommendation 4 closed with issuance of this report.

Regarding monetary impact, while management conducted additional analysis in response to this audit, the Postal Service processed these payments without validating the POD source information, putting all payments using the automated jobs POD at risk.

Looking Forward

The CLEAR and TMS systems are key to the Postal Service’s Delivering for America surface transportation network initiative. The new systems were implemented due to the Postal Service’s need to streamline contract solicitations, negotiations, on-time payments and trip visibility. The Postal Service can optimize savings and efficiencies with these new systems by automating payments and processes, reducing interest penalties for late payments, and increasing oversight of supplier performance. This will be imperative as the Postal Service works toward its goal of financial stability. We plan to conduct additional audits related to supplier payments as the Postal Service continues to improve its logistics platform.

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Appendix A: Additional Information

Scope and Methodology

Our audit scope included HCR contracts in the CLEAR system and freight payment data from April 2022 through March 2024.

To accomplish our objective, we:

- Identified, reviewed, and evaluated Postal Service policies, procedures, guidelines, and operational requirements including:
 - Key Performance Indicators related to freight payments.
 - Roles and responsibilities.
 - Payment process for each trip activity (scheduled, extra, omitted, Postal Service caused late, and canceled trips).
 - Lump sum payment process.
- Obtained and reviewed the Highway Contract Transportation Statement of Work and Terms and Conditions in the CLEAR system.
- Obtained and analyzed the TMS HCR freight payment data to determine:
 - Accuracy of payments for each trip activity and lump sum payments.
 - Accuracy of rate information for specific trip payments.
- Determined whether POD supporting documentation in FY 2024 was reliable.
- Interviewed Postal Service officials about the freight payment process in the TMS.

- Conducted a survey with facility logistics management to gain insight into the freight payment process.

We conducted this performance audit from May 2024 through December 2024 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 finding and conclusions based on our audit objective. We discussed our observations and conclusions with management on November 15, 2024, and included their comments where appropriate.

In planning and conducting the audit, we obtained an understanding of the CLEAR system and freight payment program to help determine the nature, timing, and extent of our audit procedures. We reviewed the management controls for overseeing the program and mitigating associated risks. Additionally, we assessed the internal control components and underlying principles, and we determined that the following components were significant to our audit objective: control activities, information and communication, and monitoring.

We developed audit work to ensure that we assessed these controls. Based on the work performed, we identified internal control deficiencies related to control activities and monitoring that were significant within the context of our objective. Our recommendations, if implemented, should correct the weaknesses we identified.

We assessed the reliability of the data by obtaining and reviewing CLEAR HCR contracts, rate information, and freight payment data. We also reviewed omitted trips, extra trips, late trips, and canceled trips using SV data. We assessed the reliability of the data by interviewing Postal Service officials, testing selected

data fields by applying logical tests to electronic data files, comparing the payment data to SV data, and tracing selected lump sum payment data to the source documents. 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
<i>Evaluation of Freight Auction</i>	Our objective was to assess the effectiveness of Freight Auction for Highway Contract Routes.	23-162-R24	August 6, 2024	\$199,099,335.00

Appendix B: Management's Comments



12/02/2024

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Review of Highway Contract Routes in the Contract Logistics Enterprise Acquisition Resource System (24-121-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, *Review of Highway Contract Routes in the Contract Logistics Enterprise Acquisition Resource System*.

Management generally agrees with the findings on terminated contracts and the data regarding cancellation fees paid to suppliers. However, as stated below in management's response to recommendation 1 there are valid reasons for the contractual rules regarding cancelled trips. Additionally, management does not agree with the findings related to Proof of Delivery. With the new systems, we will identify opportunities to continuously improve, however the current rules in place do allow us to make proper payment adjustments for omitted or canceled trips.

Management does not agree with monetary impact of \$35,014,281. Management was provided a sample of 18,123 loads from the OIG's findings related to monetary impacts in Table 3. The team identified that 16,292 of these loads (90%) received events via Surface Visibility or GPS, indicating the trip was completed successfully. Applying this percentage to the total OIG identified monetary impacts relating to Proof of delivery leaves 8,208 loads and \$3,501,428.10..

Following are our comments on each of the 4 recommendations.

Recommendation 1:

We recommend the Senior Vice President, Logistics, update the Highway Contract Route statement of work to include provisions for partial compensation to suppliers for trips canceled with at least four hours' notice.

Management Response/Action Plan:

Management **disagrees** with this recommendation.

HCR Contracts are a commitment between USPS and the supplier of an agreed upon schedule. We have an obligation to our suppliers to pay for this preordered service. The logistics team is responsible for ensuring the HCR schedule meets their needs.

Target Implementation Date:

N/A

Responsible Official:

N/A

Recommendation 2:

We recommend the Senior Vice President, Logistics, in coordination with the Vice President, Logistics, implement controls to ensure payments are not made to suppliers with terminated contracts.

Management Response/Action Plan:

Management **agrees** with this recommendation.

We plan to implement weekly reporting on termination dates between the systems and a process for addressing discrepancies as documentation for closure.

Target Implementation Date:

04/30/2025

Responsible Official:

Executive Manager, Surface Logistics Programs

Recommendation 3:

We recommend the Vice President, Logistics, recover inaccurate payments made to suppliers with terminated contracts.

Management Response/Action Plan:

Management **agrees** with this recommendation.

We will provide documentation reflecting the necessary deductions after review of each identified contract as documentation for closure.

Target Implementation Date:

03/31/2025

Responsible Official:

Executive Manager, Surface Logistics Programs

Recommendation 4:

We recommend the **Vice President, Logistics**, implement system enhancements to ensure proof of delivery for trips are reliable.

Management Response/Action Plan:

Management **agrees** with this recommendation.

Management provided documentation to the OIG detailing enhancements that have been made to make the proof of delivery process more robust over time, this includes the use of GPS data when available. Management is unable to utilize GPS data as the sole source for proof of delivery as it will not be available on all trips. The use of automated POD jobs allows USPS to issue payment to our suppliers when a trip has not been omitted or canceled. Management requests to close this recommendation with issuance of the final report.

Target Implementation Date: 12/31/2024

Responsible Official: Executive Director, Surface Logistics Programs

E-SIGNED by PETER ROUTSOLIAS
on 2024-12-02 16:42:49 EST

Peter Routsolias
Senior Vice President Logistics

E-SIGNED by ROBERT CINTRON
on 2024-12-02 18:29:15 EST

Robert Cintron
Vice President Logistics

cc: Corporate Audit & Response Management

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