



May 1, 2007

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SUBJECT: Audit Report – Management of Administrative Vehicles
(Report Number DR-AR-07-007)

This report presents the results of our audit of the management of administrative vehicles. U.S. Postal Service Headquarters Delivery and Retail Vehicle Operations management requested a nationwide review of administrative vehicles (Project Number 06XG045DR000). Our objective was to assess the management and control of administrative (non-mail hauling) vehicles used in support of Postal Service operations. Specifically, we determined whether the number of administrative vehicles used to support operations was necessary and whether controls were adequate to support efficient utilization.

Although recent reviews of the delivery vehicle fleet, by both headquarters and the U.S. Postal Service Office of Inspector General (OIG), increased awareness of use for all Postal Service vehicles, management could further improve its control over administrative vehicles. Specifically, the Postal Service had 587 underutilized/excess administrative vehicles in support of a variety of operations. Several factors contributed to this condition. Management did not have guidelines to use when determining the effective use of administrative vehicles. Additionally, Postal Service personnel primarily focused on the management of delivery vehicles because of the size and cost of the delivery fleet. Also, operating personnel did not consistently monitor, review, and report administrative vehicle use. Finally, operations personnel did not always take advantage of the vehicle motor pool concept. Eliminating these underused vehicles could save the Postal Service over \$1.3 million annually or over \$2.7 million over the next 2 years. (See Appendix A.) We will report the \$2.7 million as funds put to better use in our *Semiannual Report to Congress*.

We recommended the Senior Vice President, Operations, and the Vice President, Delivery and Retail, coordinate with the area vice presidents to reduce the current number of administrative vehicles and implement a policy to review use of all administrative vehicles based on miles driven and days used. We also recommended promoting the use of motor vehicle pools and reinforcing the policy to use and maintain Postal Service Form 4570 to track miles and days used for owned and General Services Administration leased vehicles.

Management agreed in principle with our findings, recommendations, and monetary impact and has initiatives completed and planned addressing the issues in this report. Management's comments and our evaluation of these comments are included in this report. The OIG considers recommendations 1 and 2 significant, and also considers the support provided by management detailing corrective ongoing actions to be sufficient to close these recommendations.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have any questions or need additional information, please contact Rita Oliver, Director, Delivery, or me at (703) 248-2100.

E-Signed by Colleen McAntee 
VERIFY authenticity with ApproveIt


Colleen A. McAntee
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Attachments

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INTRODUCTION

Background

An administrative vehicle is a non-mail hauling vehicle used in support of Postal Service operations, such as field supervisory visits. As of May 2006, the Postal Service had over 6,800 administrative vehicles that were managed and operated throughout the nine Postal Service areas. The majority of these vehicles — 5,580 — were Postal Service-owned, with annual operating costs of over \$8.7 million. The remaining 1,253 were General Services Administration (GSA) administrative leased vehicles with annual rental expenses of nearly \$2.9 million.



Example: Typical Administrative Vehicle

In January 2004, the former Vice President of Delivery and Retail issued a letter outlining opportunities to improve allocation of non-mail hauling vehicles based on a review of utilization. In a reiteration of these requirements, management reminded field users of their responsibility for timely and accurate reporting of utilization data. The letter also stated that if low utilization of vehicles was confirmed, management should evaluate vehicles for redeployment or replacement by leased vehicles, where suitable. Additionally, the letter strongly recommended that area and district personnel pursue the reasonable use of motor pools in lieu of assigning vehicles to individuals.

Delivery and Retail, Vehicle Operations issued a policy in May 2006 requiring all field personnel to obtain prior written approval before initiating or renewing lease requests through GSA. This change was made to provide greater oversight of administrative leasing.

**Objective, Scope,
and Methodology**

Our objective was to assess the management and control of administrative vehicles used in support of Postal Service operations. Specifically, we determined whether (1) the number of administrative vehicles used to support operations was necessary and (2) controls were adequate to support efficient utilization.

Using Vehicle Maintenance Accounting System (VMAS) data, we performed a review of the utilization of all Postal Service-owned vehicles from May 2005 through May 2006. Using the *GSA Fleet Drive Thru Report* as of October 31, 2006, we reviewed the average monthly mileage of each administrative lease since its inception. We captured vehicle usage data by mileage and days used and verified the status and reporting of vehicle information with Postal Service area and vehicle maintenance facility (VMF) personnel.

We reviewed controls the Postal Service uses to monitor the reporting and use of administrative vehicles. We interviewed Delivery and Retail, Vehicle Operations personnel to determine acceptable criteria for accessing efficient utilization of administrative vehicles. We also interviewed Postal Service area and VMF personnel to discuss utilization criteria and obtain pertinent documentation.

We conducted this audit from September 2006 through May 2007 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. We tested the reliability of computer-generated data through discussions with Postal Service officials responsible for managing administrative vehicles and a review of supporting documentation. We discussed our observations and conclusions with management officials and included their comments where appropriate.

Prior Audit Coverage

Vehicle Utilization – General Services Administration Leased Vehicles (Report Number DR-AR-05-018, dated September 29, 2005). The report outlined opportunities for management to more effectively use Postal Service-owned delivery vehicles before leasing GSA vehicles for delivery operations. Eliminating 715 GSA leases nationwide and using currently owned vehicles could save the Postal Service over \$1.7 million annually or over \$5.3 million over a 3-year period. Management agreed with the findings and recommendations.

Management of Delivery Vehicle Utilization (Report Number DR-AR-06-005, dated June 14, 2006). Postal Service officials maintained excess and underused delivery vehicles, and they leased delivery vehicles from employees and commercial vendors when Postal Service-owned vehicles were available. Additionally, delivery officials did not monitor the reasonableness of payments or the need for contracts with employees for use of their personal vehicles. Improved use of vehicles and use of excess delivery vehicles could save the Postal Service more than \$22 million in funds put to better use and unrecoverable costs over a 2-year period. Management agreed with the findings and recommendations.

AUDIT RESULTS

**Administrative
Vehicle Utilization**

Although recent reviews of the delivery vehicle fleet, by both headquarters and the OIG, increased awareness of vehicle use for all Postal Service vehicles, management could further improve its control over administrative vehicles. Specifically, the Postal Service had 587 underused/excess administrative vehicles in support of postal operations. Eliminating these underused vehicles could save the Postal Service over \$1.3 million annually or more than \$2.7 million over the next 2 years.

Four factors contributed to the underused/excess administrative vehicles: not having utilization guidelines; a reduced focus on administrative vehicles; inconsistent monitoring, reviewing and reporting of administrative vehicles; and not taking advantage of the motor pool concept.

Utilization Guidelines

The Postal Service did not have any guidelines to determine the effective use of administrative vehicles. In coordination with Delivery and Retail, Vehicle Operations management, the OIG originally identified administrative vehicles driven 500 miles or less and used less than 12 days monthly as an opportunity for reduction. However, after considering the uniqueness of certain cities/areas and individual vehicle justifications, in coordination with management, we went with a more conservative approach of identifying vehicles driven less than 300 miles and used less than 12 days monthly. Using this more conservative approach, Table 1 shows the Postal Service could reduce its 6,833 vehicle administrative fleet by at least 587.

Table 1. Administrative Vehicles—Potential for Reduction

Areas	Total Vehicles	Less than 500 miles	Less than 400 miles	Less than 300 miles ¹	Potential for Reduction	Monthly Average Lease	Annual Cost (12 months)
Cap Metro	629	110	87	65	65	\$226 ²	\$176,280
Eastern	760	101	70	38	94 ³	\$203	228,984
Great Lakes	892	173	135	101	90 ⁴	\$204	220,320
New York	715	119	100	75	75 ⁵	\$208	187,200
Northeast	533	75	51	31	31	\$195	72,540
Pacific	987	183	135	87	87	\$175	182,700
Southeast	666	45	26	13	13	\$174	27,144
Southwest	657	94	75	47	47	\$194	109,416
Western	994	159	108	85	85	\$188	191,760
Total	6,833	1,059	787	542	587		\$1,396,344

Source: Vehicle Maintenance Accounting Records May 2005 through May 2006; and GSA Fleet Drive-Thru Report, October 31, 2006

Administrative Vehicle Focus

Postal Service personnel primarily focused on the management of delivery vehicles because of the size and cost of the delivery fleet. Administrative vehicles did not receive as much focus because of their relative size and cost compared to the delivery vehicle fleet. However, immediately prior to and during our review, Postal Service Headquarters and area officials increased their focus on administrative vehicles and even eliminated some vehicles. For example, the New York Area eliminated 50 GSA leases, and in January 2006, the Southeast Area began monthly utilization reviews. In addition, the Eastern Area proactively began eliminating all GSA leases based on our review. In fact, during our audit the Eastern Area Vice President agreed to give up their administrative vehicle and use a motor pool vehicle, as an example to district personnel.

Some area officials voiced concerns they were experiencing an increased need for administrative vehicles because delivery supervisors were refusing to use their personal vehicles to perform street supervisions. Even though a

¹ We evaluated owned vehicles for usage of less than 300 miles and less than 12 days and GSA-leased vehicles for less than 300 miles. Miles and days are required to be reported for all administrative vehicles but GSA only requires that miles be reported to them for leased vehicles.

² The Capital Metro Area has no leases, so the cost savings were calculated from the monthly cost of owning an administrative vehicle plus the estimated net sales amount from each vehicle.

³ The Eastern Area initiated action to eliminate a greater number of vehicles. Based on their action during the audit, we increased the potential vehicle reduction to 94.

⁴ We recommended eliminating fewer than the vehicles averaging less than 300 miles based on discussions with Great Lakes Area officials and a reasonable reduction in comparison to the total size of the administrative fleet.

⁵ The New York Metro Area did not consistently keep days used for owned vehicles so we used a lower than 300 miles monthly mileage to evaluate reduction opportunities.

street supervision visit may only require driving a few miles, supervisors cite the increased cost of motor vehicle insurance, as well as increased liability exposure, as rationale for requesting an administrative vehicle. While administrative vehicles used for street supervisions will not normally acquire many miles per month, ideally the Postal Service would use these vehicles more than 12 days a month, if street supervisions are conducted regularly.

Some Postal Service officials also voiced concerns that vehicle use is not static. The OIG agrees with their concerns and considered it in our analysis of vehicles to be reduced. Specifically, we reviewed vehicle use for a year and used the more conservative approach of eliminating vehicles driven less than 300 miles monthly and used less than 12 days monthly rather than vehicles driven less than 400 or 500 miles. Our recommendation also considers a phased reduction approach and implementation of regular utilization reviews.

Monitoring, Reviewing
and Reporting

Operating personnel did not consistently monitor, review, and report administrative vehicle use. Although we identified several areas that conducted reviews of administrative vehicles, the reviews were conducted on an ad hoc basis. Area, district, and/or VMF personnel did not perform regular use reviews to identify reporting issues such as mileage and days used, reallocations, and reductions of vehicles.

The Postal Service had no policies in place requiring regular reviews of administrative vehicle use. Area and VMF officials stated it was not easy to query the VMAS for reported miles and days used over a period of time. Delivery and Retail, Vehicle Operations staff are working on implementing a new database, Vehicle Operations Information System (VOIS), within the next year. The database should improve reporting and data management.

Also, employees did not consistently use the required Postal Service (PS) Form 4570, Vehicle Time Record, to record miles and days used per month. Further, management did not always retain PS Form 4570 for the required time periods. Area and VMF officials stated field personnel did not always use PS Form 4570 because some of them were unaware of the requirement to use it for GSA-leased

vehicles. Although personnel were aware of the requirement to use PS Form 4570 to record mileage and days for Postal Service-owned administrative vehicles, some users were not consistently maintaining the form or retaining the form for the required 3 months for owned vehicles and 3 years after contract expiration for leased vehicles.

Vehicle Motor Pools	Operations personnel did not always take advantage of the vehicle motor pool concept. The use of motor pools was strongly recommended in the former vice president's letter issued in January 2004. Although area and district personnel established motor pools, management still assigned vehicles using varying criteria — such as the assignee's title or position — or used more than the actual days or miles a vehicle may be needed. Although area officials said this policy might be an acceptable management decision, it does not always lead to the best use of an administrative vehicle.
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Recommendation	<p>We recommend the Senior Vice President, Operations, and the Vice President, Delivery and Retail, coordinate with the area vice presidents to:</p> <ol style="list-style-type: none">1. Reduce the current number of administrative vehicles used to support operations by 587 beginning with considering the elimination of GSA leases. This can be accomplished using a phased approach over a period of time.
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Management's Comments	Management agreed in principle with the findings and recommendations in the report. Management stated that since the beginning of fiscal year (FY) 2007, the Postal Service has removed 324 non-mail hauling vehicles from service without replacing them. Management further stated that their objective is not to reduce the current non-mail hauling vehicle inventory by a specific number, but rather to focus on improving vehicle utilization reporting, providing adequate vehicle resources, and supporting vehicle replacements. Management stated as vehicle operations continue to push for greater vehicle accountability, the number of vehicles will continue to reduce.
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Evaluation of Management's Comments

Management's comments were responsive to our finding and recommendation. Management's actions are sufficient to address the issues in the finding. Although management did not specifically state they would reduce the administrative vehicle fleet by 587, they agreed to implement the criteria we used to determine the minimum number of vehicles they could eliminate and to implement regular reviews for efficient administrative vehicle utilization. Additionally, in subsequent discussions,⁶ management agreed with the overall intent to reduce the number of vehicles and the resulting potential monetary benefits of \$2,700,000.

Recommendations

2. Implement a policy to review use of all administrative vehicles based on miles driven and days used every 6 months.
3. Strongly promote the use of administrative vehicles in a motor vehicle pool rather than assignment to individual employees, unless absolutely necessary.
4. Reinforce the policy to use and maintain Postal Service Form 4570, Vehicle Time Record, to track miles and days used for owned and General Services Administration leased vehicles.

Management's Comments

Management agreed with recommendations 2, 3, and 4. Management stated that after consulting with the OIG team and area office representatives, the operations group has decided to implement a minimum non-mail hauling vehicle utilization standard of 300 miles or 12 days of use per month. The policy will include requirements for all user groups to perform a utilization review every 6 months. The policy statement will include language addressing the increased use of pool vehicles and reinforce the requirement to accurately record vehicle utilization. Operations will issue the new standard policy⁷ by May 2007.

⁶ Further discussions were held on April 12, 2007, with Headquarters, Vehicle Operations personnel.

⁷ Management's comments indicated that the revised policy would apply to OIG. OIG does voluntarily comply with USPS policy, where appropriate.

Evaluation of
Management's
Comments

Management's comments were responsive to our findings and recommendations. Management's actions are sufficient to address issues identified in the findings.

APPENDIX A CALCULATION OF FUNDS PUT TO BETTER USE

As shown in the table below, the OIG identified \$1,396,344 in funds put to better use annually and \$2,715,468 million over 2 years. The OIG calculated the cost savings (based on a reduction of 587 vehicles) by first attempting to eliminate GSA leases, except for the Capital Metro Area which must reduce Postal Service-owned vehicles in the absence of any leasing.

The OIG calculated the average cost of a GSA lease for each area office by using the rates of all current administrative leases. For the Capital Metro Area, the monthly cost of an owned vehicle was determined using the Make/Model Component Cost Report less depreciation, fuel/oil and distributed VMF overhead costs plus the estimated net sales amount of the vehicles. The annual costs were projected over 2 years.

Elimination of Administrative Vehicles	Annual	2 Years
Elimination of 65 Postal Service-owned vehicles in the Capital Metro Area (65 x \$127 owned average monthly cost per vehicle x 12 months) plus (65 x \$99 monthly equivalent net sales amount x 12 months)	\$176,280	\$275,340
Elimination of 94 GSA leases in the Eastern Area (94 x \$203 average monthly rate x 12 months)	228,984	457,968
Elimination of 90 GSA leases in the Great Lakes Area (90 x \$204 average monthly rate x 12 months)	220,320	440,640
Elimination of 75 GSA leases in the New York Metro Area (75 x \$208 average monthly rate x 12 months)	187,200	374,400
Elimination of 31 GSA leases in the Northeast Area (31 x \$195 average monthly rate x 12 months)	72,540	\$145,080
Elimination of 87 GSA leases in the Pacific Area (87 x \$175 monthly rate x 12 months)	182,700	365,400
Elimination of 13 GSA leases in the Southeast Area (13 x \$174 monthly rate x 12 months)	27,144	54,288
Elimination of 47 GSA leases in the Southwest Area (47 x \$194 monthly rate x 12 months)	109,416	218,832
Elimination of 85 GSA leases in the Western Area (85 x \$188 monthly rate x 12 months)	191,760	383,520
Total Savings	\$1,396,344	\$2,715,468

APPENDIX B. MANAGEMENT'S COMMENTS

KATHY AINSWORTH
VICE PRESIDENT, DELIVERY AND RETAIL



April 9, 2007

KIM STROUD

SUBJECT: Draft Audit Report-Management of Administrative Vehicles (Report Number DR-AR-07-Draft)

Operations management has reviewed the draft report and agrees with the findings. Before addressing the recommendations and management's actions, a point of clarification needs to be made prior to the final report. The draft report uses the description "administrative vehicles in support of delivery operations" in several locations erroneously. Administrative vehicles are assigned throughout the U.S. Postal Service (USPS) and are not used exclusively by delivery operations. The reference "in support of delivery operations" should be deleted to more accurately convey the draft report's intent.

Recommendation # 1

Reduce the current number of administrative vehicles used to support delivery operations by 587.

Response

Historically the U.S. Postal Service has categorized all vehicles into two groups; mail hauling and non-mail hauling. The mail hauling group is self explanatory—those vehicles used to deliver and transport the mail. The non-mail hauling group is much more diverse. The group includes maintenance support vehicles, law enforcement vehicles, administrative vehicles, and numerous other vehicle types and functions. An administrative vehicle is just one type of non-mail hauling vehicle (NMH). The distinction is made to further explain why the operations group has focused efforts on reducing the overall number of non-mail hauling, not just those in the "administrative" function. In 2005 vehicle operations requested a leadership role in the verification, justification, and approval of the operations group NMH vehicle requirements. This is the second consecutive year the operations group has placed a moratorium on the acquisition of NMH vehicles. Only those vehicle requirements representing a justified critical need have been fulfilled. This practice will continue until consistent satisfactory results are achieved. Our objective is not to reduce the current NMH vehicle inventory by a specific number, but rather to focus on improving the vehicle utilization reporting, provide adequate vehicle resources, and support justified vehicle replacements. It is our position this holistic approach will yield better long term results, rather than simply reaching for, and attaining a number such as 587 vehicles. Since the beginning of FY07, 324 NMH vehicles have been removed from service without replacements. It is a recognized concern unreported vehicle utilization is as big, if not a bigger issue than under utilization. As vehicle operations continue to push for greater vehicle accountability, the number of vehicles will continue to reduce. Vehicle operations does not see an ending date for this project, but as an ongoing task that has become part of our normal vehicle requirements program.

Recommendation # 2

Implement a policy to review use of all administrative vehicles based on miles driven and days used every six months.

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Response

After consultation with the Office of Inspector General's (OIG) team and area office representatives, the operations group has decided to implement a minimum NMH vehicle utilization standard of 300 miles or 12 days of use per month. Vehicles not meeting this standard will be identified and reassigned to users who can meet the minimum utilization requirement. Vehicle Operations will issue the new standard USPS policy and communicate the policy to all operations and other postal groups (such as Sales and Marketing) by May 2007. The policy will include the requirements for all user groups to perform utilization reviews every six months. This policy will extend to the OIG and Inspection Service fleets as well.

Recommendation # 3

Strongly promote the use of administrative vehicles in a motor vehicle pool rather than assignment to individual employees, unless absolutely necessary.

Response

The policy statement to be issued in response to Recommendation # 2 will include language addressing the increased use of pool vehicles.

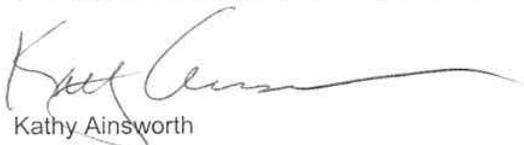
Recommendation # 4

Reinforce the policy to use and maintain Postal Service Form 4570, Vehicle Time Record, to track miles and days used for owned and General Services Administration leased vehicles.

Response

The policy statements to be issued in response to Recommendation # 2 will include reinforce the requirement to accurately record vehicle utilization.

Thank you for your team's efforts on the audit. The OIG's involvement has been beneficial and your continued participation is appreciated.



Kathy Ainsworth

cc: Mr. Galligan
Ms. Oliver
Mr. Corey
Ms. Dufford