



Office of Inspector General | United States Postal Service

## Audit Report

# Vehicle Parts Pricing

Report Number 21-020-R21 | September 2, 2021



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# Highlights

## Objective

Our objective was to assess if the management of Postal Service vehicle parts agreements is consistent with pricing requirements.

In fiscal year (FY) 2020, the Postal Service used about 255,000 delivery vehicles to distribute mail to 160 million delivery points across the nation. While about \$292 million was spent on vehicle parts through 16 suppliers, the Postal Service spent about \$190 million (65 percent) with two primary consignment vehicle part suppliers.

These suppliers are contracted through national ordering agreements for the sale of vehicle parts through consignment with a period of performance from 2007 to 2050. The agreements also include a most favored customer pricing clause which allows the Postal Service to obtain an equal to or lower unit price for vehicle parts provided to the suppliers' other customers.

The Postal Service contracted with the suppliers through the consignment vehicle parts program for the ease of obtaining regularly replenished repair parts, to maintain supplier institutional knowledge, and to receive discounted parts. Through the consignment process, selected vehicle repair parts are ordered through the Solution for Enterprise Asset Management system, received, and stocked at Vehicle Maintenance Facilities (VMFs). The parts remain the supplier's property until they are used to repair a vehicle, at which time the Postal Service is charged.

As part of the Postal Service's Ten-Year Plan to Achieve Financial Sustainability and Service Excellence, one of the key strategies is to invest in new delivery vehicles. In February 2021, the Postal Service announced it awarded a ten-year contract to manufacture a new generation of U.S. built postal delivery vehicles. Under the contract's initial \$482 million investment, the supplier will finalize the production design of the Next Generation Delivery Vehicle and will assemble 50,000 to 165,000 vehicles over ten years.

Meanwhile, the existing fleet of delivery vehicles, averaging over 28 years old, still requires continuous repair and maintenance to support the current operations of

the Postal Service. This means that the Postal Service will continue to require the services of the two suppliers to provide the required vehicle repair parts needed to maintain the fleet.

## Findings

While consignment provides many benefits, the Postal Service has opportunities to enhance the program's pricing evaluation process and improve management.

We found that the Postal Service has not determined whether it is receiving most favored customer pricing from its consignment vehicle part suppliers. Since the execution of these agreements in 2007, no supplier data, reporting, or analysis has been requested, received, or conducted by the contracting officers. Per Clause 2-48, when requested by the contracting officer, the supplier must show that prices offered to the Postal Service for goods and services are equal to or lower than those offered to the suppliers' other customers, and such pricing data must be available for review by the Postal Service.

Additionally, we found that consignment vehicle part prices may fluctuate throughout the duration of the agreement due to consumer price index and other one-time price changes, for example. We reviewed the top 100 purchased consignment vehicle parts from the two suppliers in FY 2020 and analyzed all price changes for those parts from FY 2012 through FY 2020. Of the 186 instances where a price increased by 5 percent or greater, 143 price changes (77 percent) had a documented assessment of price increases from the contracting officer, while 43 price changes (23 percent) had no evidence of a contracting officer evaluation to ensure the price was reasonable. We were unable to determine if better pricing was available for these parts since Supply Management did not obtain or analyze pricing data for the suppliers' other most favored customers.

In FY 2021, management developed and implemented a fair and reasonable determination process that reviews periodic price changes and new part additions to ensure pricing is fair and reasonable. However, the process does not consistently address one-time price changes or compare pricing of goods offered to other customers of the suppliers.

These issues occurred because the contracting officers were not monitoring or enforcing compliance with the most favored customer pricing clause for consignment vehicle parts suppliers. In October 2018, Supplying Principles & Practices Clause 2-48 was revised to include additional requirements for both the supplier and the Postal Service, including an annual comparative report of Postal Service and other customer purchases and pricing data. However, the national ordering agreements were not modified nor required to be modified to include these revisions. Supply Management personnel stated this clause is no longer relevant for these agreements because there are no other customers of similar size purchasing vehicle parts in the same quantities as the Postal Service. However, the clause was never removed from the ordering agreements. Additionally, there was no formal process to ensure these prices remained reasonable and advantageous to the Postal Service prior to FY 2021.

When contracting officers do not enforce the most favored customer pricing clause or perform evaluations for pricing changes, they cannot ensure they are receiving most favorable pricing and the Postal Service could be overpaying for goods and services.

Finally, Supply Management can improve the oversight of its consignment vehicle parts agreements with the suppliers. We compared purchases of the top 100 consignment vehicle parts offered by both suppliers in FY 2020 and found that the Postal Service was not always purchasing the lower cost part. Of \$64 million in purchases, \$4.9 million could have been saved if the Postal Service purchased from the supplier offering the lower price.

This occurred in part because VMF personnel have recently been experiencing issues with the availability and quality of parts; and are occasionally forced to

choose more expensive parts or seek parts from local suppliers. While there is no formal requirement for purchasing consignment vehicle parts, the Postal Service entered into a long-term ordering agreement with the expectation that replacement parts would be reliable, available, priced reasonably, and provided timely.

The Postal Service must consistently evaluate its consignment vehicle part agreements to ensure they are obtaining the best value from these agreements and to avoid contracting for inferior repair parts and/or paying excess for higher priced parts.

## Recommendations

We recommended management:

- Evaluate whether the existing most favored customer pricing Clause 2-48 (2006) remains applicable to the contract terms for these consignment suppliers. If not applicable, modify the contract to remove the clause and establish a monitoring process to ensure vehicle part prices are reviewed annually.
- Incorporate one-time price changes over a specific defined threshold into the fair and reasonable determination process.
- Perform an annual review of the consignment vehicle parts for these agreements to evaluate the quality and availability of parts provided by the suppliers to assist Vehicle Maintenance Facilities in obtaining the most cost-efficient parts.

# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

September 2, 2021

**MEMORANDUM FOR:** MARK A. GUILFOIL  
VICE PRESIDENT, SUPPLY MANAGEMENT  
  
ANGELA H. CURTIS  
VICE PRESIDENT, DELIVERY OPERATIONS

A handwritten signature in black ink, which appears to read "Jason M. Yovich", is positioned below the memorandum header.

**FROM:** Jason M. Yovich  
Deputy Assistant Inspector General  
for Supply Management and Human Resources

**SUBJECT:** Audit Report – Vehicle Parts Pricing  
(Report Number 21-020-R21)

This report presents the results of our Vehicle Parts Pricing audit.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Shirian Holland, Director, Supply Management and Facilities, or me at 703-248-2100.

Attachment

cc: Postmaster General  
Corporate Audit Response Management  
Chief Retail & Delivery Officer and Executive Vice President



# Results

## Introduction/Objective

This report presents the results of our self-initiated audit of Vehicle Parts Pricing (Project Number 21-020). Our objective was to assess if the management of Postal Service vehicle parts agreements is consistent with pricing requirements. See [Appendix A](#) for additional information about this audit.

## Background

In fiscal year (FY) 2020, the Postal Service used about 255,000 delivery vehicles to distribute mail to 160 million delivery points across the nation. While about \$292 million was spent on vehicle parts through 16 suppliers, the Postal Service spent about \$190 million

(65 percent) with two primary consignment vehicle part suppliers.

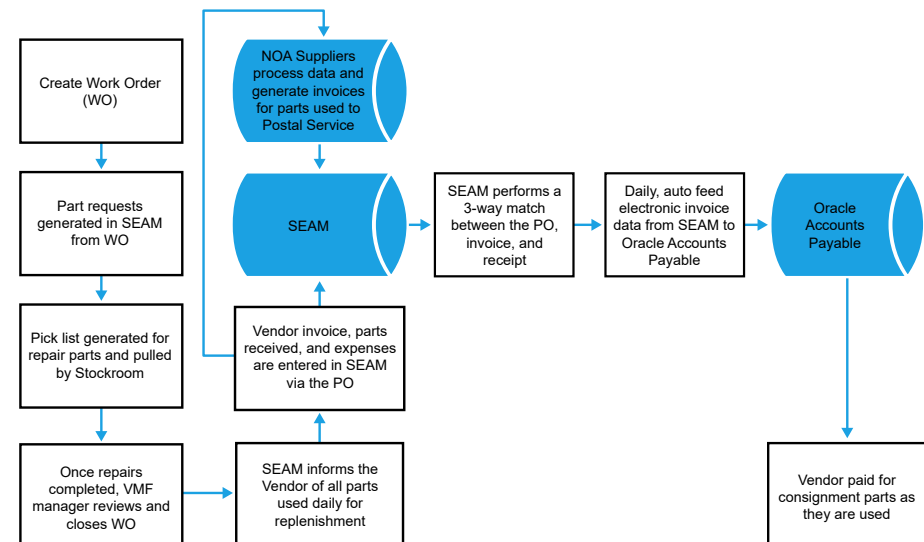
These suppliers are contracted through national ordering agreements for the sale of vehicle parts through consignment with a period of performance

from 2007 to 2050. An ordering agreement is a written agreement between a purchasing organization and a supplier that contains terms and conditions applying to future contracts and no commitment to purchase. National ordering agreement suppliers should be the primary source for purchasing repair parts. The agreements also include a most favored customer pricing clause which allows the Postal Service to obtain an equal to or lower unit price for vehicle parts provided to the suppliers' other customers.<sup>1</sup>

***“While about \$292 million was spent on vehicle parts through 16 suppliers, the Postal Service spent about \$190 million (65 percent) with two primary consignment vehicle part suppliers.”***

The Postal Service contracted with the suppliers through the consignment vehicle parts program for the ease of obtaining regularly replenished repair parts, to maintain supplier institutional knowledge, and to receive discounted parts. Through the consignment process, selected vehicle repair parts are ordered through the Solution for Enterprise Asset Management<sup>2</sup> (SEAM) system, received, and stocked at Vehicle Maintenance Facilities<sup>3</sup> (VMFs). The parts remain the supplier's property until they are used to repair a vehicle, at which time the Postal Service is charged.<sup>4</sup> See Figure 1.

**Figure 1. Invoicing Process**



Source: Supply Management and Fleet Management Interviews, and Sarbanes Oxley diagrams.

As part of the Postal Service's Ten-Year Plan to Achieve Financial Sustainability and Service Excellence, one of the key strategies is to invest in new delivery vehicles. In February 2021, the Postal Service announced it awarded a ten-year contract to manufacture a new generation of U.S. built postal delivery vehicles.

<sup>1</sup> Supplying Principles & Practices (SP&P), Clause 2-48 Most Favored Customer Pricing (2006).

<sup>2</sup> Oracle-based system used to manage vehicle maintenance and repair parts, track inventory, and process orders.

<sup>3</sup> Facility which conducts preventative and unscheduled maintenance on Postal Service owned vehicles. There are 306 facilities nationwide.

<sup>4</sup> *Vehicle Maintenance Bulletin* (April 2011).

Under the contract's initial \$482 million investment, the supplier will finalize the production design of the Next Generation Delivery Vehicle and will assemble 50,000 to 165,000 vehicles over ten years.

Meanwhile, the existing fleet of delivery vehicles, averaging over 28 years old, still requires continuous repair and maintenance to support the current operations of the Postal Service. This means that the Postal Service will continue to require the services of the two suppliers to provide the required vehicle repair parts needed to maintain the fleet.

## Summary

While consignment provides many benefits, the Postal Service has opportunities to enhance the program's pricing evaluation process and improve management. It is essential that contractual requirements, vehicle parts, and pricing are regularly evaluated to ensure purchases continue to be advantageous and of best value to the Postal Service.

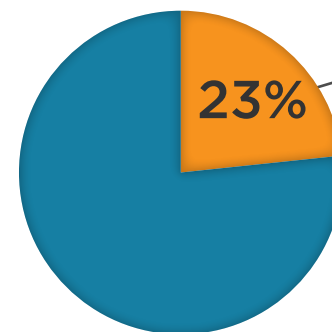
## Finding #1: Vehicle Parts Pricing Evaluation

We found that the Postal Service has not determined whether it is receiving most favored customer pricing from its consignment vehicle part suppliers. Since the execution of these agreements in 2007, no supplier data, reporting, or analysis has been requested, received, or conducted by the contracting officers (CO). This would ensure prices offered to the Postal Service for goods and services are equal to or lower than those offered to the suppliers' other customers for similar quantities under comparable terms and conditions.

***“We found that the Postal Service has not determined whether it is receiving most favored customer pricing from its consignment vehicle part suppliers.”***

Additionally, we found that consignment vehicle part prices may fluctuate throughout the duration of the agreement.<sup>5</sup> We reviewed the top 100 purchased consignment vehicle parts from the two suppliers in FY 2020 and analyzed all price changes for those parts from FY 2012 through FY 2020. Of the 186 instances where a price increased by 5 percent or greater, 143 price changes (77 percent) had a documented assessment of price increases from the CO, while 43 price changes (23 percent) had no evidence of a CO evaluation to ensure the price was reasonable. We were unable to determine if better pricing was available for these parts since Supply Management did not obtain or analyze pricing data for the suppliers' other most favored customers. We also noted that the Contract Authoring Management System has not been updated with pricing sheets for these agreements for FY 2018 through 2020.

**Of the 186 instances where a price increased by 5 percent or greater**



**43 price changes**  
(23 percent)  
had no evidence of a CO evaluation to ensure the price was reasonable

<sup>5</sup> These fluctuations may include but are not limited to, consumer price index changes, manufacturing costs, and other one-time changes.

Per SP&P Clause 2-48,<sup>6</sup> prices for the goods and services required under this contract must be equal to or lower than those offered to the suppliers' other customers for similar quantities under comparable terms and conditions. When requested by the CO, the supplier must show that the prices offered to the Postal Service match or are less than those offered the supplier's most favored customers for similar quantities under comparable terms and conditions, and such pricing data must be available for review by the Postal Service throughout the term of the contract. In addition, there are no defined criteria for evaluating periodic price changes during the agreement.

These issues occurred because the COs were not monitoring or enforcing compliance with the most favored customer pricing clause for consignment vehicle parts suppliers. Instead, the COs relied on the supplier's data and systems to ensure the Postal Service was receiving the most favored price; however, there was no evidence that the COs validated or analyzed the data from these systems.

In October 2018, SP&P Clause 2-48 was revised to include additional requirements for both the supplier and the Postal Service, including an annual comparative report of Postal Service and other customer purchases and pricing data. However, the national ordering agreements were not modified or required to be modified to include these revisions. Supply Management personnel stated this clause is no longer relevant for these agreements because there are no other customers of similar size purchasing vehicle parts in the same quantities as the Postal Service. However, the clause was never removed from the ordering agreements. Additionally, there was no formal process to ensure these prices remained reasonable and advantageous to the Postal Service prior to FY 2021.

When COs do not enforce the most favored customer pricing clause or perform evaluations for pricing changes, they cannot ensure they are receiving most favorable pricing and the Postal Service could be overpaying for goods and services.

During the audit, management initiated corrective action by developing and implementing a fair and reasonable determination process that reviews periodic price changes and new part additions to ensure pricing is fair and reasonable. While this process is applicable beginning in FY 2021, it does not consistently address historical agreement prices, one-time price changes, or compare pricing of goods offered to other customers of the suppliers over the prior 13 years of the agreements.

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***“Of \$64 million in purchases, \$4.9 million could have been saved if the Postal Service purchased from the supplier offering the lower price.”***

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#### **Recommendation #1**

We recommend the **Vice President, Supply Management**, evaluate whether the existing most favored customer pricing Clause 2-48 (2006) remains applicable to the contract terms for these consignment suppliers. If not applicable, modify the contract to remove the clause and establish a monitoring process to ensure vehicle part prices are reviewed annually.

#### **Recommendation #2**

We recommend the **Vice President, Supply Management**, incorporate one-time price changes over a specific defined threshold into the fair and reasonable determination process.

### **Finding #2: Consignment Vehicle Parts Management**

Supply Management can improve the oversight of its consignment vehicle parts agreements with the suppliers. We compared purchases of the top 100 consignment vehicle parts offered by both suppliers in FY 2020,<sup>7</sup> and found that the Postal Service was not always purchasing the lower cost part. Of \$64 million in purchases, \$4.9 million could have been saved if the Postal Service

<sup>6</sup> SP&P, Clause 2-48 Most Favored Customer Pricing (2006).

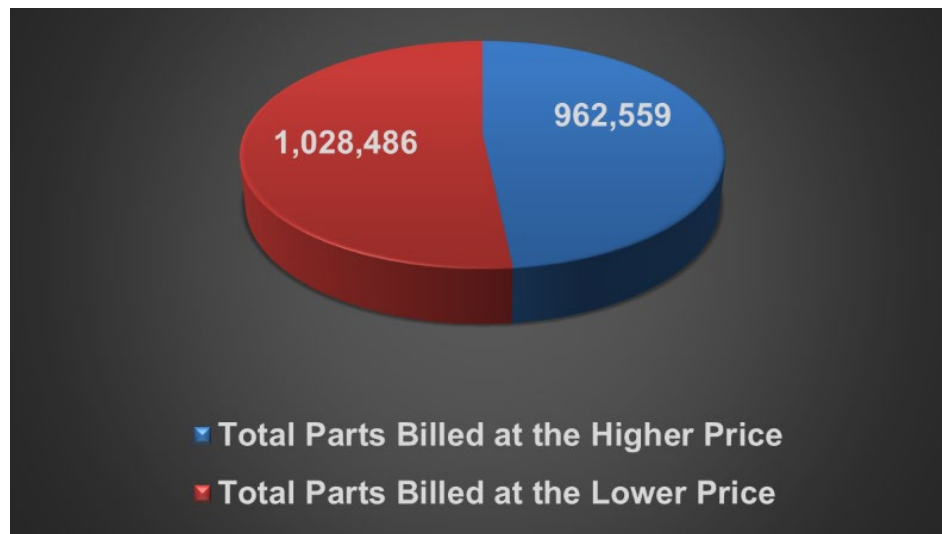
<sup>7</sup> Top 100 consignment vehicle parts by cost. Obtained a report with total parts billed and the list price, then calculated the total cost for each individual part number.



purchased from the supplier offering the lower price. We also identified the following:

- Of the top 100 parts numbers sampled, 64 percent of the parts offered by Supplier A were at a higher price compared to Supplier B.
- Of the 2 million parts billed, 48 percent were billed from the supplier offering the higher price (see Figure 2).

**Figure 2. Total Parts Billed**



Source: OIG analysis based on data from SEAM.

This occurred in part because VMF personnel have recently been experiencing issues with the availability and quality of parts; and are occasionally forced to choose more expensive parts or seek parts from local suppliers. Since the average vehicle is over 28 years old, many parts are difficult to find, no longer exist, or need to be built by the supplier. While there is no formal requirement for purchasing consignment vehicle parts, the Postal Service entered into a long-term ordering agreement with the expectation that replacement parts would be reliable, available, priced reasonably, and provided timely.

The Postal Service must consistently evaluate its consignment vehicle part agreements to ensure they are obtaining the best value from these agreements and to avoid contracting for inferior repair parts and/or paying excess for higher priced parts.

### **Recommendation #3**

We recommend the **Vice President, Delivery Operations**, in conjunction with the **Vice President, Supply Management**, perform an annual review of the consignment vehicle parts for these agreements to evaluate the quality and availability of parts provided by the suppliers to assist Vehicle Maintenance Facilities in obtaining the most cost-efficient parts.

### **Management's Comments**

Management agreed with finding 1 and all the recommendations; however, management disagreed with finding 2.

Regarding finding 2, management disagreed with the other impact, stating that the OIG's conclusion was based solely on a comparison of prices listed for similar parts by different suppliers. Management stated that the Postal Service's SP&P bases sourcing and material management decisions on best value, not lowest price.

Management stated that the OIG's approach is not consistent with best value principles because the OIG did not incorporate the consideration that a lower-priced supplier might not actually have a part available for shipment in the time, quantity, or quality required by the Postal Service. Additionally, management stated that the availability and reliability of supplier's parts are not always equal and that a lower price may indicate the quality of a part is lower, or a part may not be suitable for specific operating conditions.

Since the Postal Service makes purchasing decisions based on best value, not lowest price, it considers the impact of vehicle parts usage on vehicle availability. If a selected part from one supplier is not as reliable as that of another supplier, additional maintenance labor and replacement parts may be required earlier than expected and vehicle availability may be adversely affected.

Regarding recommendation 1, management stated that they will modify both National Ordering Agreements to remove Clause 2-48 and establish a monitoring process to review vehicle parts prices annually. The target implementation date is December 31, 2021.

Regarding recommendation 2, management stated that as of January 2021, a new process was put in place in the subject consignment contracts to support price reasonableness, to the extent possible and practical, for both new part additions and other price changes allowed within contract terms. The target implementation date is December 31, 2021.

Regarding recommendation 3, management stated that Delivery and Supply Management will develop a process to evaluate the quality and availability of a sample of parts provided by consignment suppliers, which will assist VMFs in selecting parts that will provide the most benefit for the Postal Service. Management requested this recommendation be addressed to the Vice President, Delivery Operations, as the lead organization in coordination with the Vice President, Supply Management. The target implementation date is July 31, 2022.

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

## Evaluation of Management's Comments

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

Regarding management's disagreement with finding 2, we acknowledge management's disagreement with the OIG's conclusion of potential savings and the issue that parts offered by a lower-priced supplier might not have the part available in the time, quantity, or quality required by the Postal Service. The OIG compared prices for specific vehicle parts offered by both suppliers to provide perspective of the Postal Service's consignment part program while understanding that availability and reliability of suppliers' parts are not always equal.

Regarding recommendation 3, per management's request, we updated the addressee to be the Vice President, Delivery Operations, in conjunction with the Vice President, Supply Management.

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

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# Appendix A: Additional Information

## Scope and Methodology

The specific scope of this project includes national ordering agreements for the suppliers, their invoices paid for FYs 2019 and 2020, and vehicle parts ordered during FY 2020.

To accomplish our objective, we:

- Used data analytics to analyze invoice data for FYs 2019 and 2020.
- Statistically selected a sample from the invoice universe.
- Validated invoice accuracy and completeness in terms of pricing and compliance prior to payment.
- Evaluated compliance with most favored customer pricing or best pricing analysis to result in cost savings.
- Evaluated compliance with pricing requirements for both ordering agreements.
- Performed price trending analysis on the national ordering agreements.
- Reviewed the top 100 purchases outside of the two national ordering agreements (local purchases) for FY 2020 and compared parts pricing from

the local purchases to the parts within the national ordering agreements to identify instances of potential cost savings.

- Identified similar parts from both suppliers and evaluated whether parts were purchased from the supplier offering a higher price point, then reviewed the basis for these purchases.

We conducted this performance audit from December 2020 through September 2021 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 July 30, 2021 and included their comments where appropriate.

We assessed the reliability of the Enterprise Data Warehouse invoices by checking date range to coincide with scope, numeric precision, field format matches expectations, and totals compared to previous representative time periods. 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>Vehicle Parts Purchasing &amp; Inventory Management Process</i>	Evaluate the vehicle parts purchasing and inventory management process.	DR-AR-17-001	10/7/2016	\$34,985,863
<i>Most Favored Customer Pricing</i>	To determine whether the Postal Service properly uses and enforces the most favored customer pricing clause.	SM-AR-17-002	12/14/2016	None

# Appendix B: Management's Comments



August 30, 2021

JOSEPH WOLSKI  
DIRECTOR, AUDIT OPERATIONS

Subject: Management Response to Draft Audit Report Vehicle Parts Pricing  
(Project Number 21-020 DRAFT)

Thank you for the opportunity to provide comments on this audit report. We have reviewed the Office of Inspector General's (OIG) report and recommendations on Vehicle Parts Pricing. Management agrees with Finding 1 and Recommendations 1, 2, and 3, but disagrees with Finding 2. Concerning Recommendation 3, management requests that this recommendation be addressed to the Vice President, Delivery Operations as the lead organization with the Vice President, Supply Management in coordination as Delivery's Vehicle Maintenance Facilities (VMFs) organization is best situated to perform the annual review of consignment vehicle parts.

## Findings

### Finding 1

Management appreciates the OIG's revised recommendations to evaluate whether Clause 2-48, Most Favored Customer Pricing (March 2006), remains applicable to the contract terms with the Postal Service's vehicle parts consignment suppliers. Management views that there are no comparable customers or level of requirements for which pricing could be compared regarding Clause 2-48 (March 2006). Our consignment suppliers do not have any other customers with a comparable fleet quantity, fleet mix, or quantities of vehicle parts sales. Additionally, the majority of the consignment parts provided do not have a market outside of the Postal Service as they are used in our aged delivery fleet platforms.

As stated in the subject report, the existing fleet of delivery vehicles average over 28 years in age. In many cases, parts from the original equipment manufacturer are no longer available. This limits the availability of parts to select providers, including consignment suppliers. However, management clearly agrees that pricing must be regularly evaluated to ensure parts purchases continue to be of best value to the Postal Service. This has been the prior practice of Supply Management in quarterly parts reviews, and from an operational perspective VMF maintenance personnel select and utilize parts based upon price, availability, and reliability.

### Finding 2

Management disagrees with the potential savings of \$4.9 million in the sample study of \$64 million in purchases, as the OIG's conclusion was based solely on a comparison of prices listed for similar parts by different suppliers. In accordance with the Postal Service's Supplying Principles contained in the *Supplying Principles and Practices* guidance, "*The Postal Service bases sourcing and material management decisions on best value*" - not lowest price.

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This OIG finding discusses that the Postal Service's VMF personnel did not always select and purchase the lowest cost part, and that savings could have been achieved if the Postal Service had purchased from the consignment supplier offering the lower price. Additionally, it notes that VMF personnel have recently been experiencing issues with the availability and quality of parts.

The OIG's approach is not consistent with best value principles because the OIG did not incorporate considerations that a lower-priced supplier might not actually have the part available for shipment in the time, quantity, or quality required by the Postal Service. The availability and reliability of supplier's parts are not always equal. The Postal Service's delivery fleet operates in many different geographical environments and delivery requirements. A lower price may indicate the quality of a part is lower, or a part may not be suitable for specific operating conditions.

Since the Postal Service makes purchasing decisions based on best value, not lowest price, we consider the impact of vehicle parts usage on vehicle availability. If a selected part from one supplier is not as reliable as another supplier, additional maintenance labor and replacement parts may be required earlier than expected, and vehicle availability may be adversely impacted.

#### OIG Recommendations

We recommend the Vice President, Supply Management:

##### Recommendation 1:

Evaluate whether the existing most favored customer pricing Clause 2-48 (2006) remains applicable to the contract terms for these consignment suppliers. If not applicable, modify the contract to remove the clause and establish a monitoring process to ensure vehicle part prices are reviewed annually.

##### Management Response:

Management agrees with this recommendation. Both National Ordering Agreements will be modified to remove Clause 2-48. In addition, we will establish a monitoring process to review vehicle parts prices annually.

Target Implementation Date: December 2021

Responsible Officials: Senior Director, Mail & Operational Equipment Portfolio, Supply Management

##### Recommendation 2:

We recommend the Vice President, Supply Management, incorporate one-time price changes over a specific defined threshold into the fair and reasonable determination process.

##### Management Response:

Management agrees with this recommendation. As of January 2021, a new process has been put in place in the subject consignment contracts to support price reasonableness, to the extent possible and practical, for both new part additions and other price changes allowed within

contract terms. Management will detail and provide documentation on this process to the OIG associated with the recommendation closeout request.

Target Implementation Date: December 2021

Responsible Officials: Senior Director, Mail & Operational Equipment Portfolio, Supply Management

Recommendation 3:

We recommend the Vice President, Supply Management, in conjunction with the Vice President, Delivery Operations, perform an annual review of the consignment vehicle parts for these agreements to evaluate the quality and availability of parts provided by the suppliers to assist Vehicle Maintenance Facilities in obtaining the most cost-efficient parts.

Management Response:

Management agrees with the recommendation. Delivery and Supply Management will develop a process to evaluate the quality and availability of a sample of parts provided by consignment suppliers which will assist Vehicle Maintenance Facilities in selecting parts that will provide the most benefit for the Postal Service. As noted above, management requests that this recommendation be addressed to the Vice President, Delivery Operations as the lead organization with the Vice President, Supply Management in coordination as Delivery's Vehicle Maintenance Facilities (VMFs) organization is best situated to perform the annual review of consignment vehicle parts.

Target Implementation Date: July 2022

Responsible Officials: Director, Fleet Management, Delivery Operations

E-SIGNED by MARK GUILFOIL  
on 2021-08-30 15:12:41 CDT

Mark A. Guilfoil  
Vice President, Supply Management

E-SIGNED by ANGELA H CURTIS  
on 2021-08-31 08:23:22 CDT

Angela H. Curtis  
Vice President, Delivery Operations

Cc: Corporate Audit Response Management

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