



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

**Vehicle Parts Inventory
Management – Northeast Area**

Audit Report

September 24, 2012

Report Number DR-AR-12-007



BACKGROUND:

The U.S. Postal Service has 308 vehicle maintenance facilities (VMFs) nationwide to maintain its vehicle fleet. The Northeast Area has 36 VMFs. Officials acquire vehicle parts via the parts consignment program from two primary national ordering agreement (NOA) suppliers. These suppliers provide parts to maintain and repair vehicles, which range from motors, transmissions, tires, and batteries to nuts, bolts, and screws. Repair parts can also be purchased locally. In fiscal year 2011, Northeast Area officials purchased \$23,472,793 in vehicle parts.

To maintain vehicle parts, stockrooms have been established at every VMF. Postal Service policies require VMF personnel to perform regular inventories of its vehicle parts to ensure the inventories are sufficient and accurate. Additionally, personnel must safeguard all assets.

Our objectives were to determine whether vehicle parts were being purchased and maintained appropriately and whether controls were adequate to safeguard vehicle parts inventory.

WHAT THE OIG FOUND:

Overall managers at selected Northeast Area VMFs generally purchased and maintained inventory levels for NOA and non-NOA parts. We found that part inventory balances for 81 percent were

sufficient and within established levels, 18 percent were below minimum levels, and only 1 percent exceeded the maximum level. Parts were not at required levels because they were either due in, on back order, or not used as planned and returned to inventory. Not maintaining minimum established inventory levels could potentially increase delays in vehicle repairs. Further, management did not always safeguard parts inventory. This occurred because managers were not aware of security risks and policies regarding safeguarding of assets. As a result of inadequate controls, vehicle parts valued at \$8,331,963 were at risk.

WHAT THE OIG RECOMMENDED:

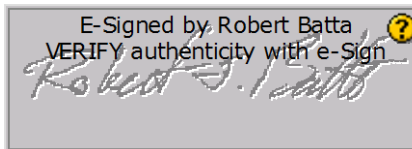
We recommended the vice president, Northeast Area Operations, require district officials to ensure they maintain established minimum inventory levels. Further, we recommended district officials re-emphasize the safeguarding of vehicle parts and the proper management of inventories. We also recommended they implement training for stockroom personnel.

[Link to review the entire report](#)



September 24, 2012

MEMORANDUM FOR: RICHARD P. ULUSKI
VICE PRESIDENT, NORTHEAST AREA OPERATIONS



FROM: Robert J. Batta
Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Audit Report – Vehicle Parts Inventory
Management – Northeast Area
(Report Number DR-AR-12-007)

This report presents the results of our audit of the Vehicle Parts Inventory Management — Northeast Area (Project Number 12XG001DR000).

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

Attachments

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Introduction

This report presents the results of our audit of vehicle parts inventory management in the Northeast Area (Project Number 12XG001DR000). The objectives of this self-initiated audit were to determine whether national ordering agreement (NOA) and non-NOA parts were being purchased and maintained appropriately and whether management controls were adequate to safeguard vehicle parts inventory. This audit addresses operational risk. See [Appendix A](#) for additional information about this audit.

The U.S. Postal Service has 308 vehicle maintenance facilities (VMFs) nationwide to maintain a fleet of 215,000 vehicles. Thirty-six of these are in the Northeast Area, which maintains more than 27,000 vehicles. VMF officials acquire parts via the parts consignment program¹ from two primary NOA suppliers: Wheeler Brothers, Incorporated (WBI) and Jasper Innovative Solutions, Incorporated (JISI). Repair parts can also be purchased locally. To maintain vehicle parts there must be stockrooms at every VMF. Postal Service policies require personnel to perform regular inventories of its vehicle parts to ensure purchases are entered correctly, record quantities on-hand correctly, investigate and correct discrepancies, and safeguard all assets.²

Conclusion

Overall, managers at selected Northeast Area VMFs generally purchased and maintained inventory levels for NOA and non-NOA parts. We found that parts inventory balances for 81 percent were sufficient and within the established maximum³ and minimum⁴ levels, 18 percent were below the minimum, and only 1 percent exceeded the maximum. Furthermore, managers did not always safeguard parts inventory. This occurred because of variations in inventory and because managers were not aware of the security risks and policies regarding safeguarding assets. As a result of inadequate controls, vehicle parts valued at \$8,331,963 were at risk.

Vehicle Parts Purchases

Managers at selected VMFs generally purchased NOA parts from NOA suppliers and non-NOA parts from local vendors as needed. NOA suppliers were the primary source for purchasing repair parts. In fiscal year (FY) 2011, Northeast Area officials purchased \$23,472,793 in vehicle parts, \$20,028,741 of which represented NOA purchases. NOA purchases represented 85 percent of the total cost for all parts purchased and non-NOA parts accounted for 15 percent (see [Table 1](#)).

¹ Mandatory use of the Consignment of Vehicle Repair Parts Inventory Program for VMFs began in 1997.

² *Vehicle Maintenance Bulletin 02-11, Review of Stockroom Policy and Procedures*, April 15, 2011.

³ The quantity that should not be exceeded.

⁴ The quantity that must be maintained to avoid adversely impacting maintenance and repair services.

Table 1. FY 2011 Vehicle Parts Purchases

District	VMF/Auxiliary (AUX) ⁵	NOA Purchases	Non-NOA Purchases
Greater Boston	██████████	890,635	175,932
	██████████	1,340,083	21,595
	██████████	196,932	11,439
	██████	145,905	78,507
	██████████	1,227,026	131,169
Total		\$3,800,581	\$418,642
Connecticut Valley	██████████	774,760	46,946
	██████████	2,231,154	218,960
	██████████	1,171,401	104,689
	██████████	1,197,492	58,476
Total		\$5,374,807	\$429,071
Long Island	██████████	2,424,079	1,116,204
Total		\$2,424,079	\$1,116,204
New York	██████████	917,169	410,502
Total		\$917,169	\$410,502
Northern New England	██████████	2,056,803	99,814
	██████████	1,248,512	85,545
Total		\$3,305,315	\$185,359
Northern New Jersey	██████████	1,853,523	85,233
	██████████	69,727	410,947
	██████████	2,283,540	388,094
Total		\$4,206,790	\$884,274
Total Vehicle Parts Purchases	\$23,472,793	\$20,028,741	\$3,444,052

Source: Vehicle Management Accounting System (VMAS).

According to officials, they purchased non-NOA parts to prevent repair delays when NOA parts were out of stock or on back order. Officials also stated that NOA suppliers did not always provide parts for heavy-duty and administrative vehicles.⁶ As shown above, officials at the ██████████ VMF purchased more heavy-duty vehicle non-NOA parts than NOA parts. Although the ██████████ VMF maintains a small stockroom of JISI parts, they primarily rely on non-NOA parts. Consequently, repair delays could occur by not having a minimum inventory level for these parts.

⁵ A satellite facility used to handle additional capacity. ██████████, and ████████ are auxiliary facilities.

⁶ Heavy-duty vehicles include tractors, truck trailers, spotters, and 7-ton cargo vans. Administrative vehicles are non-mail hauling vehicles used in support of Postal Service operations such as field supervisory visits.

Vehicle Parts Inventory Levels

Vehicle parts inventory levels were generally sufficient and appropriate to perform maintenance and vehicle repairs. NOA suppliers establish minimum and maximum levels for NOA parts. These levels are used to monitor and maintain inventories. The minimum level is the quantity that must be maintained to avoid adversely impacting maintenance and repair services. The maximum level is the quantity that should not be exceeded. Maximum levels were not established for all parts and are not required. The Postal Service does not incur any costs for maintaining excess NOA parts, as the parts remain the property of the NOA supplier until used for vehicle repair.

The U.S. Postal Service Office of Inspector General's (OIG) analysis of inventory reports for the 19 selected Northeast Area VMFs showed that:

- VMFs maintained 19,849 parts.⁷
- Eighty-one percent (16,041 of 19,849) of parts were maintained within the established minimum or maximum levels.
- Eighteen percent (3,509 of 19,849) of parts were below the established minimum level.
- One percent (299 of 19,849) of parts exceeded the established maximum level.

See [Table 2](#) for our analysis.

⁷ The inventory report listed 36,880 total parts available for purchase. However, the VMFs only maintained 19,849 parts. The remaining 17,031 parts were not stocked or did not have enough usage data to establish a minimum and maximum level.

Table 2. NOA Parts Inventory Levels⁸

VMF/Aux	Consignor	Total Spare Parts With Established Minimum and/or Maximum Levels	Total Parts Maintained Within Established Minimum and/or Maximum Levels	Number of Spare Parts With On-Hand Quantity Below Minimum Level	Number of Spare Parts With On-Hand Quantity Exceeds Maximum Level
██████	WBI	1,785	1,530	251	4
██████	WBI	1,221	1,011	202	8
██████	WBI	876	697	178	1
██████	JISI	981	581	367	33
██████	WBI	780	592	184	4
██████	WBI	443	392	50	1
██████	WBI	768	639	129	0
██████	WBI	1,946	1,731	201	14
██████	WBI	917	773	141	3
██████	JISI	260	226	34	0
██████	WBI	1,506	1,246	260	0
██████	WBI	1,527	1,125	397	5
██████	JISI	1,644	1,156	356	132
██████	WBI	802	694	106	2
██████	WBI	455	405	50	0
██████	WBI	968	715	253	0
██████	WBI	964	736	172	56
██████	WBI	1,073	984	73	16
██████	WBI	933	808	105	20
Total		19,849	16,041	3,509	299

Source: OIG analysis.

According to VMF officials, NOA supplier inventory levels were established based on 12 months of average parts use. Further, officials stated that some parts were not at the required minimum level because they were either due in and not included in the on-hand quantity, or they were on back order. Some on-hand quantities exceeded the maximum level because mechanics did not use the parts and returned them to inventory. Also management indicated vehicle repairs could be delayed as a result of not maintaining established inventory levels.

⁸ Inventory data for on-hand quantities are as of the date of the OIG visit. On-hand quantities fluctuate daily.

Vehicle Parts Physical Inventory Controls

VMF managers established controls to manage and safeguard vehicle parts inventory. However, physical safeguards and inventory management controls over vehicle parts at some VMFs were not always adequate.

Physical Security and Access Control

Managers did not secure vehicle part storage locations at some VMFs.

- At four VMFs [REDACTED] some doors were not closed or locked. In addition, at the [REDACTED] VMF, officials were unaware of the number of stockroom keys issued. Management took corrective action during our review by changing stockroom door locks and re-issuing keys to stockroom personnel.⁹
- Stockroom access was not limited to assigned stockroom personnel at the following five locations:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

According to policy, stockroom access should be physically limited to personnel designated to issue parts and tools.¹⁰ In some instances, we observed mechanics accessing the stockroom and retrieving parts during the absence of stockroom personnel. Additionally, we noted personnel walking through the stockroom to access other areas of the VMF. Further, managers did not prepare written standard operating procedures (SOP) for managing stockrooms in the absence of assigned personnel as required.¹¹

Inventory and Purchasing Procedures

Our analysis of inventory records confirmed stockroom personnel had conducted mandatory inventories on a monthly basis. However, management did not always ensure that inventories were conducted in accordance with established policies and

⁹ *Vehicle Maintenance Bulletin 02-11, Review of Stockroom Policy and Procedures*, require doors not continuously visible by stockroom personnel to be closed and locked. Additionally, keys must be issued to personnel with stockroom assigned duties.

¹⁰ *Vehicle Maintenance Bulletin 02-11, Review of Stockroom Policy and Procedures*, April 15, 2011.

¹¹ *Vehicle Maintenance Bulletin 02-11, Review of Stockroom Policy and Procedures* states that when a facility does not have full-time staff available, the manager must prepare SOP describing specific procedures and responsibilities for maintaining the same level of security a full-time staff would provide.

procedures.¹² We found that, at the majority of the facilities, two people conducted the inventories. However, we noted the following exceptions:

- In most instances assigned stockroom personnel counted the inventory.
- In one instance a single supervisor independently conducted the inventory.
- In two instances personnel conducted telephone inventories.

Additionally, we found that purchasing personnel also accepted vehicle parts at all the VMFs reviewed. These exceptions and the lack of separation of duties¹³ increase the likelihood of theft of vehicle parts. We informed the appropriate district officials of our findings and they issued an SOP outlining the proper procedures for conducting mandatory interim inventories. Additionally, managers in the [REDACTED] and [REDACTED] VMFs established a process to separate duties for purchasing and receiving vehicle parts.

Vehicle Post Office Transfers

Vehicle parts transferred to vehicle post offices (VPOs)¹⁴ were not always monitored and tracked to ensure they were received at the facility. At eight of the 19 VMFs, we found officials had signed copies of Postal Service (PS) Form 4543, Vehicle Maintenance Work Order, from the VPOs that transferred the parts. However, at six¹⁵ of the 19 VMFs, officials did not obtain the forms or reconcile them with VPO parts request logs, as required.¹⁶ For example, officials at the [REDACTED] VMF could not provide a status of the signed documents and indicated reconciliations had not occurred in 9 months. Consequently, not monitoring and tracking parts shipped to VPOs decreases VMF officials' oversight of parts shipped and potentially increases the risk of vehicle parts being stolen.

Several factors contributed to inadequate inventory controls:

- Managers were not aware of physical security or access controls weaknesses.
- Stockroom personnel were unaware of stockroom inventory procedures. Some officials stated they had not received training on managing the stockroom.

¹² *Vehicle Maintenance Bulletin 02-11, Review of Stockroom Policy and Procedures*, requires mandatory or interim inventories be performed each month, with specific part numbers identified to be counted. The inventory team must consist of two people, including a person not assigned to the stockroom.

¹³ *Vehicle Maintenance Bulletin 02-11, Review of Stockroom Policy and Procedures* states that each installation head must designate authorized personnel who are responsible for signing and receiving documents and accepting shipments on behalf of the Postal Service. Managers are required to prepare SOP to identify an alternate process for receipt of goods and services by the requester or purchaser.

¹⁴ Vehicle Post Offices are offices with Postal Service-owned or leased vehicles assigned.

¹⁵ The remaining five VMFs did not transfer parts to VPOs.

¹⁶ Handbook PO-701, *Fleet Management*, requires VMF officials to send a copy of PS Form 4543 with parts shipped to VPOs so the VPO representative receiving the parts can sign and return it.

- Some officials indicated that staffing constraints prevented them from providing the required separation of duties. Others stated that current purchase card procedures prevented them from separating duties.¹⁷
- Officials did not implement procedures for managing stock shipped to VPOs because, historically, prior procedures were not enforced or staffing constraints prevented them from reviewing documents to reconcile parts transfers.

As a result of inadequate inventory controls, assets valued at \$8,331,963 were potentially at risk.

Recommendations

We recommend the vice president, Northeast Area Operations:

1. Require district officials to ensure they maintain established minimum inventory levels to prevent repair delays.
2. Re-emphasize stockroom management policies and procedures on physical security and inventory management including spare part transfers at Vehicle Maintenance Facilities.
3. Implement training for stockroom personnel on security and inventory matters.

Management's Comments

Management agreed with the findings and recommendations and acknowledged the security issues but disagreed with the dollar value of the assets at risk.

For recommendation 1, management stated they would ensure local VMF management review inventories on a weekly and monthly basis to ensure vehicle repair parts are kept at sufficient levels. Management also stated this action would lead to having all vehicles repaired in a timely manner and keep delivery preventive vehicle service and in-shop days at a minimum. Management implemented action on September 20, 2012.

Management also agreed with recommendation 2, stating they would require each VMF to develop a site-specific SOP to address the physical security issues in their stockrooms. Management also stated they will message the SOP, along with *Vehicle Fleet Management Bulletin 02-11*,¹⁸ to all VMF employees, post them permanently, and ensure that VMF management enforce them. Further, management stated that each

¹⁷ Handbook AS-709, *Purchase Card Policies and Procedures for Local Buying*, states the purchase card can only be used by the purchaser. No other person can be authorized to use the card or card account number to make a purchase. The OIG plans to include policy issues including separation of duties in our capping report and make recommendations to Supply Management Headquarters officials, as appropriate.

¹⁸ *Vehicle Maintenance Bulletin 02-11, Review of Stockroom Policies and Procedures*.

VMF would have a process in place to account for part shipments from the VMF to their VPOs. Management implemented action on September 20, 2012.

Lastly, management agreed with recommendation 3. Management stated they would ensure VMF management provides all applicable employees with a copy of *Vehicle Fleet Management Bulletin 02-11*. Management also stated they would require VMF management to make all applicable employees aware of the current Solution Enterprise Asset Management (SEAM)¹⁹ Cycle Count Process. Management implemented action on September 20, 2012.

Management acknowledged there were security issues at eight of the nineteen facilities reviewed. However, they disagreed with the \$8,331,963 in assets at risk. Management stated they did not believe the entire inventory would be at risk due to staff not following all of the established stockroom security procedures. Management stated that shortages can and will occur by not limiting stockroom access to authorized personnel. Management stated they would monitor results of the monthly cycle counts at each VMF and take the appropriate actions for facilities with unacceptable changes due to shortages and overages of parts and supplies. See [Appendix C](#) for management's comments, in their entirety.

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.

We estimated assets at risk of \$8,331,963 based on the dollar value of the FY 2011 parts purchases. At these eight VMFs, we found inadequate inventory safeguards and access controls for these stockrooms. Therefore, we considered these assets at risk. During our exit conference discussions, management agreed with our methodology and the \$8,331,963 representation of the potential risk.

Regarding recommendations 1, 2, and 3 the OIG reviewed management's documentation and concurs that the actions taken sufficiently addressed the recommendations. The OIG considers the recommendations closed with the issuance of this report.

¹⁹ SEAM is a web-based application designed to improve inventory tracking and visibility, implement forecasting and automatic replenishment capabilities; and standardize asset tracking maintenance/repair functions. SEAM recently replaced the Vehicle Management Accounting System.

Appendix A: Additional Information

Background

The Postal Service operates one of the largest vehicle fleets in the U.S. During FY 2011, the Postal Service owned more than 213,000 vehicles, using more than 190,000 for the delivery and collection of mail. The Postal Service has 308 VMFs nationwide to maintain its vehicle fleet. Economical maintenance of the vehicle fleet requires that parts and materials needed for maintenance actions be readily available. To maintain parts, stockrooms must be established at every VMF. In FY 2011, the Postal Service spent about \$273 million to purchase and transfer vehicle parts and supplies.

To maintain vehicles, repair parts can be purchased locally or through local or national purchasing agreements, including parts received on consignment. The vehicle maintenance repair parts consignment program is a value-added feature of NOAs and contracts. The Postal Service has consignment agreements with several suppliers. These suppliers provide parts to maintain and repair vehicles, which range from motors, transmissions, tires, and batteries to nuts, bolts, and screws. Through the consignment process, selected vehicle repair parts are ordered, received, and stocked at the facilities. The parts remain the property of the NOA supplier until facility personnel use the part to repair a vehicle, at which time the Postal Service is charged for the part. In contrast, invoices for non-NOA parts are processed upon receipt by accounts payable, resulting in inventory costs to the Postal Service. Outside vendors may be used as a backup for purchasing parts when they are out of stock or on back order to prevent repair delays, but should not be generally used in place of NOA suppliers.

The VMAS is an integrated management control and reporting system designed to manage the Postal Service's vehicle fleet. VMAS serves as a resource for perpetual inventory and proper accounting records to assist fleet managers with managing their inventories. To maintain stock levels, Postal Service policies and procedures require VMF personnel to perform regular inventories of its vehicle parts to ensure purchases are entered correctly, quantities on-hand are recorded correctly, and discrepancies are investigated and corrected. Because VMAS cannot support total tracking of NOA supplier parts, authorized NOA suppliers have created integrated Postal Service-supplier information networks. Parts are received into and issued out of VMAS after they are installed on a vehicle. After performing parts inventory, both VMAS and the suppliers' systems must be reconciled.

Objectives, Scope, and Methodology

Our objectives were to determine whether NOA and non-NOA vehicle parts were being purchased and maintained appropriately and whether management controls were adequate to safeguard inventory.

Our audit scope included assessing vehicle parts inventory data and processes and procedures used to maintain inventory stock levels and safeguard vehicle parts at selected VMFs. Specifically, we:

- Obtained data from the Enterprise Data Warehouse (EDW) to determine national, area, and district costs for vehicle parts and supplies.
- Reviewed EDW and VMAS cost data and judgmentally selected the Northeast Area for our review, based on the highest value of vehicle parts issued of the four Postal Service areas considered.²⁰
- Randomly selected VMFs in the Northeast Area for review and conducted physical site visits of selected units.
- Obtained and reviewed FY 2011 vehicle parts purchase information.
- Obtained NOA supplier inventory data and compared the established levels to vehicle parts quantities on-hand. We did not test the maximum and minimum inventory levels established by the contractors.
- Observed physical security and access controls at selected VMFs.
- Conducted interviews with applicable personnel and obtained documentary evidence regarding parts purchases, inventory levels, and controls.
- Reviewed applicable documentation, policies, and procedures.²¹

We conducted this performance audit from October 2011 through September 2012, 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management on August 14, 2012, and included their comments where appropriate.

We assessed the reliability of vehicle parts data from EDW, VMAS, and supplier information networks by reviewing various data elements and interviewing personnel knowledgeable about the data and the parts purchased. To verify NOA suppliers' parts

²⁰ These areas include [REDACTED]. We assessed the Pacific, Southwest, and Western Areas in the report *Vehicle Parts Program* (Report Number DR-AR-10-008, dated September 24, 2010).

²¹ Documentation, policies, and procedures reviewed include Handbook PO-701; VMB 02-97, *Vehicle Maintenance Standard Operating Procedures*; VMB 04-03, *Mandatory (Interim) Physical Inventories*; and VMB 02-11, *Review of Stockroom Policy and Procedures*.

data, we compared NOA suppliers parts inventory reports to parts stored at the selected facilities. We determined that the data were sufficiently reliable for the purposes of this audit.

Prior Audit Coverage

The OIG report titled *Vehicle Parts Program* ([Report Number DR-AR-10-008](#), dated September 24, 2010) found that, although the vehicle parts purchasing process significantly reduced Postal Service costs for vehicle parts, the Postal Service did not always pay the lowest price for vehicle parts. Also, vehicle part assets were at risk at some VMFs. Management agreed with the findings and recommendations, including a monetary impact of \$17,488,469.

Appendix B: Other Impacts

Recommendation	Impact Category	Amount
2	Assets at Risk ²²	\$8,331,963

The OIG reviewed inventory controls at 19 VMFs in the Northeast Area. At eight locations, we identified physical security weaknesses and inadequate controls over transferring parts to VPOs. We calculated the value of parts inventory during FY 2011 for each of the VMFs that had one or both of the risk factors identified. We estimated assets at risk of \$8,331,963 based on inadequate inventory controls at the facilities (see Table 3).

Table 3. Vehicle Parts Inventory Controls

District	VMF/Aux	Assets at Risk Category	FY 2011 Assets at Risk
Greater Boston	[REDACTED]	Physical Security	\$1,066,567
	[REDACTED]	Parts Transfers	1,361,678
New York	[REDACTED]	Physical Security	1,327,671
Northern New England	[REDACTED]	Physical Security	2,156,617
Northern New Jersey	[REDACTED]	Physical Security	1,938,756
	[REDACTED]	Physical Security	480,674
Total Assets at Risk			\$8,331,963

Source: OIG analysis.

²² Assets or Accountable Items at Risk include assets or accountable items (for example, cash, stamps, and money orders, vehicle parts) that are at risk of loss because of inadequate internal controls.

Appendix C: Management's Comments

RICHARD P. ULUSKI
VICE PRESIDENT, AREA OPERATIONS
NORTHEAST AREA



September 18, 2012

LUCINE WILLIS, DIRECTOR, AUDIT OPERATIONS

SUBJECT: DRAFT – Vehicle Parts Inventory Management – Northeast Area
(Report Number DR-AR-12-DRAFT)

Thank you for the opportunity to review and comment on the subject draft audit report. The following responds to the recommendations made in the report.

Recommendation 1:

Require district officials to ensure they maintain established minimum inventory levels to prevent repair delays.

Management Response/Action Plan:

The Northeast Area agrees with the findings and recommendations to ensure that the Northeast Area VMFs maintain established minimum inventory levels at each vehicle maintenance facility. The Northeast Area will ensure that local VMF management review inventories on a weekly and monthly basis to ensure that vehicle repair parts are kept at sufficient levels. This action will lead to having all mail hauling vehicles repaired in a timely manner and keep delivery and PVS in-shop days at a minimum.

Target Implementation Date:

This will be messaged immediately to all Northeast Area VMFs.

Recommendation 2:

Re-emphasize stockroom management policies and procedures on physical security and inventory management including spare part transfers at Vehicle Maintenance Facilities.

Management Response/Action Plan:

The Northeast Area agrees with the findings and recommendations to re-emphasize stockroom management policies and procedures on physical security and inventory management including spare part transfers at all vehicle maintenance facilities. The

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Northeast Area will require that each VMF develop a site specific SOP to address the physical security issues at their stockrooms. This SOP along with Fleet Management Bulletin 02-11 needs to be messaged to all VMF employees, posted permanently in a conspicuous location and enforced by VMF management. The Northeast Area will also ensure that each VMF will have a process in place to account for part shipments from the VMF to their vehicle post offices as outline in Handbook PO-701 section 542.42. This will be messaged immediately to all Northeast Area VMFs.

The Northeast Area acknowledges that there are security issues at eight of the nineteen facilities that were audited during this review. However, we do not agree with the monetary assets at risk of \$8,331.963. We do not believe that 100% of the entire inventory would be at risk due to their staff not following all of the established procedures outlined in Fleet Management bulletin 02-11 section 4, Stockroom Security. We understand shortages can and will occur by not limiting stockroom access to only authorized trained personnel but can not agree that 100% of their inventory is at risk. The Northeast Area will monitor results of the monthly cycle counts at each VMF that are generated from the monthly stockroom inventory and take the appropriate actions as needed for facilities that exhibit unacceptable changes due to shortages and overages of parts and supplies.

Recommendation 3:

Implement training for stockroom personnel on security and inventory matters.

Management Response/Action Plan:

The Northeast Area agrees with the findings and recommendations to implement training as needed for all Northeast Area VMF stockroom personnel in regards to security and inventory issues. The Northeast Area will ensure that VMF management will provide all applicable employees with a copy of Fleet Management Bulletin 02-11, Review of Stockroom Policy and Procedures. The Northeast Area will also require VMF management to make all applicable employees aware of the current SEAM Cycle Count Process as outlined in Chapter 13 of the Seam Coordinator Guide, Version 2.

Target Implementation Date:

This will be messaged immediately to all Northeast Area VMFs.



Richard P. Uluski