

October 28, 2002

KEITH STRANGE
VICE PRESIDENT, SUPPLY MANAGEMENT

DAVID L. SOLOMON
VICE PRESIDENT, NEW YORK METRO AREA OPERATIONS

SUBJECT: Audit Report – New York Metro Area Trailer Acquisition – Safety and Length (Report Number TD-AR-03-001)

This report presents results from our audit of New York Metro Area Trailer Acquisition – Safety and Length (Project Number 02YG019TD000). The report addresses Congressional concerns related to the planned trailer replacement in the New York Metro Area.

The report includes two recommendations to Postal Service management that we believe will improve trailer safety and better define New York Metro Area trailer operational needs. Management generally agreed with our recommendations and the actions taken and planned should correct the issues identified in this report. Management's comments and our evaluation of these comments are included in the report.

The Office of Inspector General (OIG) considers recommendations 1 and 2 significant and, therefore, requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have any questions, or need additional information please contact Joe Oliva, director, Transportation and Delivery, at (703) 248-2100, or me at (703) 248-2300.

B. Wayne Goleski
Assistant Inspector General
for Core Operations

Attachment

cc: Richard J. Strasser, Jr.
Patrick R. Donahoe
John A. Rapp
Michael F. Spates
Susan M. Duchek

Background

In March 2002, Postal Service officials in the New York Metro Area requested that headquarters replace over 1,800 old 40-foot leased trailers, with 1,500 newer and longer trailers. The officials stated that the age of the old 40-foot trailers caused them to require more maintenance and made them unsafe. The lease contractor disagreed.



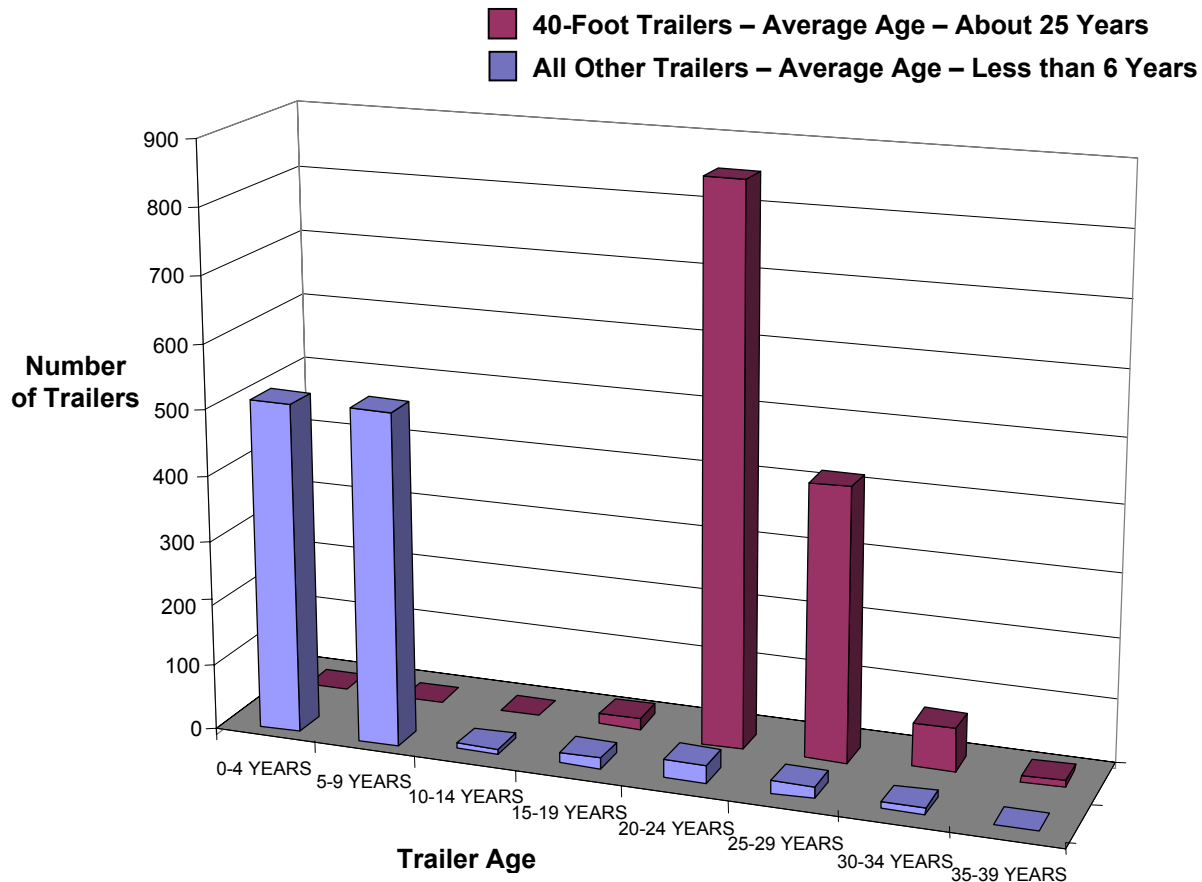
Leased trailers parked at a New York Metro Area mail facility.

They stated they had refurbished many of the old trailers, and consequently, the old trailers were safe and serviceable. Postal Service officials countered that in addition to the safety issue, the extra capacity of longer trailers was needed to handle mail volume. The lease contractor again disagreed. They stated existing 40-foot trailers were rarely full, and the shorter length was needed to handle constrained urban areas. On March 27, 2002, the Office of Inspector General (OIG) received a congressional request asking the OIG to compare 40-foot trailers with their proposed longer replacements. This audit report is the second in a series of reports. The purpose is to notify Postal Service officials of our observations concerning:

- Trailer age
- Safety and maintenance
- Trailer length

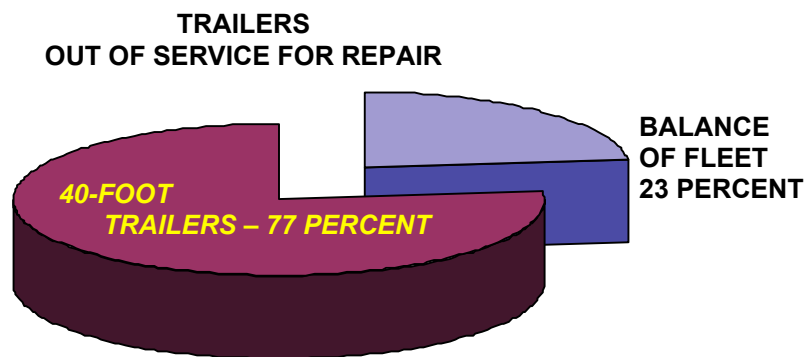
Results

Trailer Age – The New York Metro Area leases approximately 2,500 trailers, not including trailers temporarily leased for seasonal or emergency use. About 1,800 trailers are provided under eight leases by two contractors. The 40-foot trailers average about 25 years in age—compared with the balance of the fleet, which averages less than 6 years.



Age of 40-foot trailers versus the balance of the fleet.

Our analysis of Postal Service data from April 4 through May 1, 2002, indicated there was a correlation between trailer age and condition. Although 40-foot trailers, which average more than 25 years in age, represent only 55 percent of the fleet, they accounted for more than 77 percent of the trailers that were out of service for repair.



Safety and Maintenance – The existing 40-foot fleet is not maintained in accordance with federal or contract safety standards. The lease contracts establish the following minimum service requirements:

- Semiannual preventative maintenance - Inspect, and if warranted, repair or replace tires, support systems, undercarriage, frame, brakes, bearings, trailer body, lights, reflectors, and lubrication.
- Annual preventative maintenance – Remove wheels, clean bearings, inspect and align axles, and inspect brake parts and drums.
- Record Retention – Document and retain maintenance and repair records for a period of 2 years after lease contract expiration.

Our review revealed required service was not performed and consequently, preventative maintenance was not accomplished. In addition, maintenance and repair documents were not recorded or retained. These deficiencies resulted because contract maintenance requirements were not enforced.



(Above)
The shredded tire cap on this leased trailer is an out of service deficiency. Photograph taken at New Jersey International Bulk Mail Center May 1, 2002.

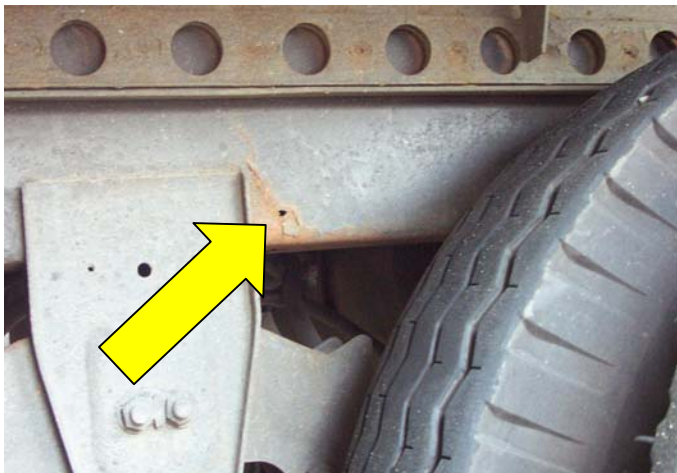
Specifically, New York and contractor officials we spoke to stated that trailers did not receive preventative maintenance as required, and were repaired only as a result of breakdowns or other immediate deficiencies. In addition, the New York Metro Area transportation manager stated that he did not enforce the full service maintenance program required by the lease contracts. Since maintenance and repair activities were not performed as required, many trailers had deficiencies, which made them unsafe—and should have kept them out of service.

“Out of service deficiencies” are defined as deficiencies, which preclude use of the trailer until such time as the deficiency is corrected. Based on the inspection performed by vehicle maintenance facility mechanics, of the trailers we statistically selected, we projected that:

- More than 92 percent of Contractor A’s trailers had out of service deficiencies.
- More than 82 percent of Contractor B’s trailers had out of service deficiencies.
- More than 89 percent of Contractor B’s un-refurbished trailers had out of service deficiencies.
- 29 percent of Contractor B’s refurbished trailers had expired federal inspection stickers.
- 30 percent of Contractor B’s un-refurbished trailers had expired federal inspection stickers.



The broken frame on this leased trailer is an out of service deficiency. Photograph taken at the New Jersey International Bulk Mail Center May 1, 2002.



The rusted and damaged frame on this leased trailer is an out of service deficiency. Photograph taken at the New Jersey International Bulk Mail Center May 1, 2002.

- All of Contractor A’s trailers had current federal safety inspection stickers even though more than 92 percent had out of service deficiencies.

Trailer Length – Our review of trailer length requirements in the New York Metro Area revealed that:

- Postal Service management did not establish or justify a need to increase the length of existing 40-foot trailers or replace the existing 40-foot fleet with longer trailers.
- There is a need for some 40-foot trailers to handle certain conditions in certain urban areas.



The worn tire on this leased trailer is an out of service deficiency. Photograph taken at New Jersey International Bulk Mail Center May 1, 2002.

Load Capacity – Postal Service managers we spoke to stated that 45-foot trailers were needed to provide more capacity and reduce unscheduled extra trips. However, our analysis of New York Metro Area trailer density data for January 1 through April 17, 2002, revealed that 40-foot trailers averaged only 65 percent capacity, and only 35 percent of trips made by 40-foot trailers were completely full. Consequently, our analysis indicated the added capacity of longer trailers may not be needed.

Industry Standard – Postal Service managers stated that 45 and 53-foot trailers were the industry standard. However, our discussions with trailer manufacturers and distributors revealed there was no specific industry length standard. The discussions revealed most customers preferred 53-foot trailers, but that generally, the cost to manufacture or purchase a 40-foot trailer was slightly cheaper. The discussions also revealed that cost varied more on factors like optional equipment or design—not length.

Regulatory Constraints – Our discussion with New York Metro Area managers and our review of New York City traffic regulations revealed that although there were no specific restrictions on trailer length, total combined tractor trailer vehicle length could not exceed 55 feet. Consequently, with the appropriate tractor, 45-foot trailers can be properly operated within New York City—however, 53-foot trailers can not.

Maneuverability – Our observations of operations at Postal Service facilities in New York City, and our discussions with tractor trailer drivers, revealed that although 45-foot trailers could generally be operated safely in New York City, there is a need for some 40-foot trailers to accommodate some constrained urban areas. For example, as illustrated on the right, a 45-foot trailer parked at the James A. Farley facility in Manhattan, extends into the street, and puts pedestrians and traffic at greater risk than the 40-foot trailers parked next to it.



Leased 40-foot and 45-foot trailers parked at the James A. Farley building in Manhattan.

Recommendations

We recommend the vice president, New York Metro Area Operations:

1. Require contracting officers to enforce compliance with federal and lease contract safety and maintenance requirements.

Management's Comments

Management agreed with our findings and recommendations. Management stated they would issue a memorandum to all trailer lease contractors reasserting all contractual safety and maintenance requirements, and advise all contractors that noncompliance with safety and maintenance requirements would result in appropriate administrative action. They pointed out that they had previously removed some unsafe trailers from the fleet in accordance with memoranda they published in September 2000 and February 2001, and stated that they would continue to enforce all federal and lease contract safety requirements. Management's comments, in their entirety, are included in Appendix C of this report.

Evaluation of Management's Comments

Management's comments are responsive to the recommendation. We originally made two recommendations in the draft report, which were combined into one recommendation in the final report. We believe management's actions taken or planned should correct the issues identified in the report.

Recommendation

We also recommend the vice president, New York Metro Area Operations:

2. Properly analyze the operational requirement for trailers of varying lengths before submitting an acquisition request to Postal Service Headquarters.

Management's Comments

Management agreed with our recommendation. They stated that they would reanalyze the operational requirement for trailers of various length. However management disagreed with our conclusion that longer trailers may not be needed.

Evaluation of Management's Comments

Since management agreed to conduct a business reanalysis of the need for trailers of varying lengths, management's comments are responsive to the recommendation. Our conclusion regarding the need for longer trailers was made in the context of the New York Metro Areas request to Postal Service Headquarters. We believe their request should have fully analyzed the requirement for longer trailers. It did not. Consequently, the request did not provide a reasonable basis for the conclusion that longer trailers were needed.

APPENDIX A. OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of the audit was to determine whether the proposed acquisition would provide operational or financial benefit to the Postal Service. The purpose of this report is to notify Postal Service officials of observations we made regarding the age and safety of the existing 40-foot fleet, as well as the stated need to acquire longer trailers.

During our work we interviewed Postal Service officials at headquarters and in the New York Metro Area. We visited Postal Service facilities, interviewed Postal Service employees and contract drivers; observed and photographed operations; and analyzed lease contract terms, including safety and maintenance requirements. We reviewed New York City traffic regulations; reviewed Title 49, Code of Federal Regulations, Section 396 "Inspection, Repair and Maintenance," and interviewed representatives from the Department of Transportation.

We also statistically selected for inspection, trailers present in the yard of the New Jersey International Bulk Mail Center on April 30, 2002, and May 1, 2002. The randomly selected trailers include trailers that had been refurbished, and those that had not. The sample design allowed us to statistically project the number of trailers having one or more conditions affecting roadworthiness and the presence of expired inspection stickers. We requested mechanics from the New York Metro Area vehicle maintenance facility to inspect the trailers in accordance with federal and lease contract safety standards, and we observed their inspection. Finally we interviewed representatives from various trailer manufactures and distributors as well as representatives from trucking industry trade organizations.

Work associated with this report was conducted from April through October 2002 in accordance with generally accepted government auditing standards and included such tests of internal controls as were considered necessary under the circumstances. We discussed our findings with appropriate management officials, and included their comments, where appropriate.

APPENDIX B. PRIOR AUDIT COVERAGE

Our report, Safety and Security of the Postal Service Leased Trailer Fleet (TR-AR-01-002), dated March 30, 2001, involved a statistical sample, randomly selected from a universe of 74 contracts and 8,715 trailers, inspected at 28 locations nationwide. We projected that 25 percent—or almost 2,200 of the 8,715 trailers—did not meet minimum federal safety standards, including such deficiencies as bald tires, damaged or missing lights, reflectors, mud flaps, doors, load restraint systems, and bumpers. We also found that 1,515 trailers—or more than 68 percent of the trailers we projected as failing safety standards—did not have current safety inspections. In addition, many had missing or incomplete inspection, repair, and maintenance records. We made three recommendations to management to address the safety issues we identified in our report. Management agreed with all of our recommendations.

Our report, Leased Trailer Deficiencies in the New York Metro Area (TR-MA-01-001), dated March 30, 2001, identified deficiencies we noted while visiting the New York Metro Area to inspect the statistically selected trailers included in the national audit



Leased trailers in unsafe, substandard condition photographed, at a New York Metro Area mail facility in October 2000.

referenced above. The trailers we observed were not within our randomly selected statistical sample. However, because the trailers appeared to be old and in substandard condition, we conducted a limited inquiry. Government auditing standards require that auditors report, in writing, all significant instances of noncompliance found in conjunction with an audit. In addition, it is the OIG's practice to immediately advise

management of significant deficiencies we observe, particularly if they involve health or safety issues. In response to our inquiry, the contractor was unable to provide maintenance history files or safety compliance records as required by the contract. Our advisory suggested that management require the contractor to meet contract provisions regarding safety, maintenance, and appearance; and that if the provisions were not met, consider contract cancellation. Management agreed with all of our suggestions.

Our report, New York Metro Area Trailer Acquisition Requirements (TD-MA-02-003), dated July 10, 2002, examined the draft purchase plan the New York Metro Area submitted to Postal Service Headquarters in March 2002. The advisory reported that the New York Metro Area did not properly analyze or document trailer requirements or their underlying operational need before submitting their acquisition request to Postal Service Headquarters. We made two recommendations to management to address the issues we identified in our report. Management agreed with both of our recommendations.

APPENDIX C. MANAGEMENT'S COMMENTS

VICE PRESIDENT, AREA OPERATIONS
NEW YORK METRO AREA



October 16, 2002

Mr. B. Wayne Goleski
Assistant Inspector General – Core Operations
Office of the Inspector General
1735 North Lynn Street
Arlington, VA 22209-2020

SUBJECT: Draft Audit Report – NY Metro Area Trailer Acquisition Audit
(Report Number TD-AR-02-Draft)

This is in response to your memorandum dated September 18, 2002, regarding the above subject. The New York Metro Area's responses to each finding follow.

Finding #1: The existing 40-foot fleet is not maintained in accordance with federal or contract safety standards.

Recommendation: Require all trailer lease contractors to comply with federal and lease contract safety and maintenance requirements.

NYMA Response: We concur with the OIG subject findings. The Contracting Officer (CO) will issue a memorandum (copy to be provided to the OIG) to all trailer lease contractors reasserting all contractual obligations requiring compliance with stipulated safety and maintenance requirements. The CO will advise all contractors that non-compliance with these requirements will result in appropriate administrative action, as defined in the Purchasing Manual 4.5.14b.

Finding #2: As outlined above, the OIG findings revealed that contractually stipulated preventative maintenance compliance was not accomplished. These deficiencies resulted because contract maintenance requirements were not enforced.

Recommendation: Require the New York Metro Area Transportation Contracting Officer to enforce federal lease contract safety and maintenance requirements.

NYMA Response: The New York Metro Area has effected prior formal safety inspections of lease trailers (memoranda dated 9/21/00 and 2/14/01 included) which resulted in removal of trailers deemed to have safety deficiencies. The Contracting Officer, in conjunction with NJI&BMC management officials (who perform the day-to-day administrative official function) will continue to enforce all federal and lease contract safety requirements. We will continue to conduct periodic formal safety inspections similar to those outlined above.

142-02 20TH AVENUE, ROOM 318
FLUSHING, NY 11351-0001
(718) 321-5823
FAX: (718) 321-7150

- Finding #3:** OIG analysis revealed that added capacity of longer trailers might not be needed.
- Recommendation:** Properly analyze the operational requirement before submitting an acquisition request to Postal Service Headquarters.
- NYMA Response:** Management does not agree with the conclusions drawn by the OIG in this instance and outline the reasons below. We agree with the OIG recommendation to conduct a reanalysis of our operational requirements for trailers of varying lengths. We will also adjust our original plan and support the need for 40-foot trailers for those postal facilities that cannot accommodate the large size trailers.

Management Position on Varying Trailer Lengths

HISTORY

The upgrading of 40-foot trailers to trailers of varying lengths is not a new initiative. This initiative began back in 1995 when the Contracting Officer directed three trailer lease suppliers (Duffy Leasing, CTL, and Finkle) to replace approximately 450 (out of approximately 2,000) aging 40-foot trailers with new and larger length trailers. The New York Metro Area, acting on the recommendation of the then-Plant Manager, NJI&BMC, elected to increase the length of the existing fleet. That decision was reached after our analysis (using the prior version of TIMES) indicated that there was insufficient cube capacity to accommodate steadily increasing Standard A & B, First-Class Mail, Priority Mail volumes, and filling MTE requirements without operating additional extra HCR or PVS trips. The New York Metro Area concluded that there would be a reduction in extra service, and a service advantage to be gained (by earlier mail arrival profile at processing plants with additional volumes), if longer length trailers were used. However, since there was an approximately \$7 per day difference between the old trailers under contract and the (then) market rate for new trailers (in 1995), we were restricted by limited budget funds on how many old trailers could be replaced. A decision was reached to phase-in the replacement of old trailers over time.

Below are three very brief examples (there are many more) that support the rationale for the need for longer length trailers.

1) Additional Volumes Resulting from the Proxy Mailing Seasons (March 17th – May 30th)

Year:	1994	1995	1996	1997	1998	1999	2000	2001	2002
# of Trailers Processed:	850	936	1094	1310	2130	2419	3806	4118	4445

In 2002, ADP Mailers had advised the Long Island District that a total of 4,963 total trailers would be required to accommodate all mail volumes that would be entered into the postal mail stream during the proxy mailing season. Due to the longer length trailers that were part of the existing common fleet, we were able to accommodate all volumes in 248 less trailers, or 5% less than planned, resulting in a significant cost avoidance to the Postal Service. (This same scenario and result had replicated itself in prior years).

2) Transport of Over 4,000 BMC Containers from Long Island to the NJI&BMC

The New York Metro Area had a requirement to move over 4,000 BMC containers that had accumulated in the Long Island area. Those containers needed to be repositioned to the NJI&BMC to support the fall mailing season. As a result of having longer length trailers, the New York Metro Area used 15% less trips to move those containers to the NJI&BMC, resulting in a cost avoidance to the Postal Service.

3) Accommodating Additional Volumes During the Holiday Season

The longer length trailers are critical to Area operations during the holiday season mailing period. The New York Metro Area sees double-digit percentage increases to Standard B, Priority Mail, and First-Class Mail volumes. The longer length trailers enhance earlier mail processing arrival profile due to increased trailer cube capacity and also result in using less transportation trips to move mail volumes.

In commenting on the OIG analysis of New York Metro Area trailer density (from TIMES Data), we noted that the survey was conducted from January 1 to April 17, 2002. This time period does not take into account the double-digit volume increases that occur between September and December. Nor does it take into account the volume increases that occur during the proxy mailing season, which extends from mid-March to the end of June. In addition, those proxy volumes are dispatched directly from the mailer's plant, which is a non-TIMES site. That information is not included in the OIG analysis, which used TIMES data to draw its conclusions.

Finally, the percentage of load volume data used during the January-April timeframe is skewed, since we were then operating in a post 9/11/01 environment. That environment dramatically changed the way mail is transported today. Those volumes were redirected from a commercial air environment onto the FedEx network. FedEx uses their own equipment, not our common fleet, to transport those volumes. Prior to 9/11/01, those volumes would have been directed to our Airport Mail Facilities, thus increasing the need for additional cube capacity on our trailers. That scenario is not captured within the OIG analysis.

We will make the necessary adjustments to our trailer fleet as recommended by the OIG.



David L. Solomon

cc: Patrick R. Donahoe
Richard J. Strasser, Jr.
John A. Rapp
Michael F. Spates
Susan M. Duchek
Keith Strange
J. Dwight Young
Raymond T. Murphy
Stuart D. Gossoff
Hector M. Martinez

NEW YORK METRO DISTRIBUTION NETWORKS



February 14, 2000

Plant Managers NYMA (except SJU)

We are re-issuing the memo that was sent out on September 21, (attached) regarding the above subject. The reason that we are re-issuing this memo, is that we would like another inspection to be conducted, to ensure that the approximately 1,000 trailers in the numerical sequences outlined in the September memo (and subsequently repaired/refurbished by the supplier), are still in road worthy condition. We are gearing up for the Proxy Season, and we want to ensure that we have sufficient road-worthy trailers to meet that demand. Also, any trailers that are not in road-worthy or visually acceptable condition, we want those trailers returned to the Supplier for necessary repairs, and/or removed permanently. The BMC will coordinate those issues with the Supplier(s).

Please have your transportation operations/maintenance staffs, in conjunction with local Safety, conduct the inspections as they did last September. Use the attached Safety inspection forms to conduct all reviews. All completed forms are to be forwarded to the BMC, attn: David O'Keefe, TANS Manager, with copy to our office, and retain a copy for your files.

If you have any questions, please feel free to contact Dominic Demilito or Bob.Muto at 646-473-3700. Also any questions may be directed to David O'Keefe, TANS Manager BMC at 201-714-6780.

Your cooperation in this matter is most appreciated.

Our goal is to ensure you have road-worthy trailers move the mail that will also ensure a safe working environment.

A handwritten signature in black ink, appearing to read "M. Farrell".

Michael J. Farrell
Manager, Distribution Networks

Attachments

CC: D. Solomon
R. Murphy
A. Minland
M. Stein
J. O'Neill

T. Cash
Tans Managers (except SJU)
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421 8th AVE, RM 459
NEW YORK, NY 10199-8792

TEL: 646-473-3700
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September 21, 2000

Plant Managers NYMA (except SJ)

SUBJECT: INSPECTION OF 7024XXX AND 5024XXX COMMON FLEET TRAILERS

Effective immediately, please have a member(s) of your transportation and safety staffs jointly inspect all Common Fleet trailers that are numbered with the following numerical sequence series:

-7024xxx (40' trailers)
-5024xxx (40' trailers)

As information, the first three numbers in the numerical sequence identify the Supplier (i.e. 702=Duffy Leasing, 502=Transport Leasing). The fourth digit indicates the trailer length (i.e. 4=40', 8=28', 5=45', and 3=53'). The last three numbers indicate the trailer number(s) for that specific supplier's grouping. We specifically want your staff to pay special attention to those trailers that have a "4" as the 4th digit in that numerical sequence. Those trailers are older model 40' trailers and in some cases have outlived their service life. If they appear to be in less than satisfactory road worthy condition, or the inspection indicates that they are in need of extensive repair, please identify the trailer number, notify (and drag the trailer to) the BMC, so they can be taken off the clock and returned to the supplier.

The following telephone numbers are to be used for notifying the BMC:

(201) 714-6784/6328/6780

Kindly, extend your inspection to Mailers' plants, postal annexes and AO's, in addition to your own yards, so we can ensure that we cover all potential areas that have our trailers. Our goal is to closely look at all those "4" digit trailers and identify those that need to be individually replaced. Use the attached inspection form to perform the reviews.

421 8th Ave. Rm. 455
New York, NY 10199-0762

TEL: 646-473-3700
FAX: 646-473-3705/04

MANAGER
NEW YORK METRO DISTRIBUTION NETWORKS



December 7, 1999

Plant Managers
Tans Managers

SUBJECT: COMMON FLEET TRAILERS SHORTAGE

As most of you probably know, we are already experiencing a critical shortage of common fleet trailers. Based on review of yard reports it appears that many trailers are at facilities filled with equipment from the MTEC that is not being unloaded. Also, a physical look at trailers, in many cases indicates that the material inside could be quickly unloaded and the trailer made available for transport of mail.

We have rented more than 200 additional trailers during the past three weeks and, quite frankly, there are no more to be had.

Therefore, we are requesting that you check all trailers to determine if the material inside can be off loaded and the trailer made available for transport of mail. Also, every effort must be made to unload trailers of equipment received from the MTEC. In the event you are receiving too much of a certain type of equipment, notify the equipment person at this office and we will reduce or eliminate the quantity being shipped to you.

Our collective efforts will relieve this critical shortage and hopefully we will all have a very successful Christmas season.

A handwritten signature in cursive script that reads "Michael J. Farrell".

Michael J. Farrell

cc: R. Murphy M. Stein
S. Forte H. Martinez
D. Solomon B. Ascone

JAF BLDG Rm 459
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