

July 10, 2002

KEITH STRANGE VICE PRESIDENT, SUPPLY MANAGEMENT

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

SUBJECT: Management Advisory – New York Metro Area Trailer Acquisition  
Requirements (Report Number TD-MA-02-003)

### **Background**

On April 9, 2002, the Office of Inspector General (OIG) announced an audit of a proposed New York Metro Area trailer acquisition to determine if the acquisition would provide operational or financial benefits to the Postal Service (Project Number 02YG013TD000). The announcement responded to a congressional



**Leased trailer parked at New York Metro Area mail facility.**

request asking the OIG to specifically consider comparison between existing 40-foot trailers and their proposed 45-foot replacements.

### **Objective, Scope, and Methodology**

The purpose of this management advisory is to notify Postal Service officials of deficiencies we observed during preliminary analysis of the proposed acquisition. During our preliminary work we analyzed the New York Metro Area's draft purchase plan for leased trailers, the Postal Service's Purchasing

Manual, and Postal Service's investment policies and procedures. We interviewed senior leasing contractors; Postal Service officials at headquarters and in the New York Metro Area; and we visited Postal Service facilities where we interviewed Postal Service employees. Work associated with this advisory was conducted from April through July 2002 in accordance with the President's Council on Integrity and Efficiency, Quality Standards for Inspections. We discussed our conclusions and recommendations with appropriate management officials and included their comments, where appropriate.

## **Observations**

**Improperly Developed Requirements.** The New York Metro Area did not properly justify trailer requirements before submitting their draft purchase plan to Postal Service Headquarters. Postal Service policy specifically requires the sponsoring organization to justify the need for an acquisition, either as an "economic opportunity," or as "a means of sustaining existing postal operations." The policy further requires the sponsor to consider anticipated operating needs and other evaluation factors like equipment useful life, sources of supply, and equipment quality. The policy states that requirements and related analysis must be documented in sufficient detail to enable approving officials to make an informed decision. Postal Service officials we spoke to reinforced this policy, explaining that the New York Metro Area was responsible for properly developing and documenting trailer requirements before submitting an acquisition request to headquarters. Our preliminary work revealed the New York Metro Area did not properly analyze or document trailer requirements or the underlying operational need. New York Metro Area officials explained they were requesting 1,250 45-foot trailers and 250 53-foot trailers; however, their draft purchase plan did not:

- . • Analyze the Postal Service operations for which the trailers were required.
- . • Identify the number of trailers necessary to accomplish required Postal Service operations.
- . • Analyze why 45-foot and 53-foot trailers were needed, or why 40-foot trailers were not.

- Link various trailer sizes to differing operating considerations like load density requirements, maneuverability, or transportation and traffic regulations.
- Balance the potential short-term economic opportunity of cheaper, older trailers, against the potential benefits of more costly, newer trailers with a longer expected life.

Documentation we obtained from Postal Service officials indicated the trailer acquisition could cost the Postal Service as much as \$30 million. Since the New York Metro Area did not properly analyze or document trailer requirements, or the underlying operational need, Postal Service officials have insufficient information to make an informed decision on this acquisition.

### **Recommendation**

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

1. Properly analyze operating conditions and trailer requirements in accordance with Postal Service investment policies and procedures, prior to submitting an acquisition request to Postal Service Headquarters.

### **Management's Comments**

Management agreed with the intent of our recommendation. They stated they would perform an analysis consistent with Postal Service policy and would work with Postal Service Headquarters throughout the acquisition process. Management's comments, in their entirety, are included in the appendix of this report.

### **Recommendation**

We recommend the vice president, Supply Management:

2. Not approve the New York Metro Area acquisition request until proper analysis and supporting documentation are submitted and reviewed by headquarters.

### **Management's Comments**

Management, agreed with the intent of our recommendation. Management stated that they would work with the New York Metro Area to identify requirements and develop a purchase plan that meets the area's needs and protects the business interests of the Postal Service.

### **Evaluation of Management's Comments**

Management's comments are responsive to our recommendations. We believe management's compliance with Postal Service policy should correct the issues we identified.

The OIG considers recommendations 1 and 2 significant and, therefore, requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action(s) 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 review. 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.

Ronald K. Stith Assistant Inspector General  
for Core Operations

cc: Paul E. Vogel Henry A. Pankey  
Anthony M. Pajunas Michael F.  
Spates  
J. Dwight Young  
Susan M. Duchek

## APPENDIX. MANAGEMENT'S COMMENTS



July 1, 2002

Joseph Oliva  
Office of the Inspector General

The NY Metro Area agrees with the intent of the subject IG recommendation, and we will perform the appropriate analysis consistent with postal policy as it has, and is currently being applied, to service and replacement contracts.

We will also work closely with the HQs Supply Management group throughout the solicitation, evaluation and award process.

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Hector M. Martinez  
Mgr. Transportation Contracts/CO  
NY Metro Area Operations

CC: Dwight Young  
Russell Sykes  
Ron Carroll  
Raymond T. Murphy



May 28, 2002

RONALD STITH

THRU: Keith Strange

KS  
5/30/02

SUBJECT: Response to Draft Management Advisory – New York Metro Area  
Trailer Acquisition Requirements (Report Number TD-MA-02-DRAFT)

This is a response to your findings and suggestions in the subject draft report, dated May 14, concerning leased trailer deficiencies in the New York Metro Area.

**Recommendations 2:**

The vice president not approve the New York Metro Area acquisition request until proper analysis and supporting documentation are submitted and reviewed by headquarters.

**Response:**

We agree with the intent of the recommendation. We are working with the New York Metro to identify requirements and develop a purchase plan that meets the Area needs and protects the business interest of the Postal Service.

We expect that we will have a revised purchase plan next week. At that time we will review the plan for appropriate analysis and documentation.

Thanks for your input

A handwritten signature in black ink, appearing to read "J. Dwight Young", with a stylized flourish at the end.

J. Dwight Young

cc: Mr. Solomon  
Mr. DeMillo  
Mr. Dillon  
Mr. Gossoff  
Mr. Martinez  
Mr. Bongiovanni  
Mr. Strasser  
Ms. Duchek