



September 30, 2008

STEVEN J. FORTE
VICE PRESIDENT, NEW YORK METRO AREA OPERATIONS

SUBJECT: Audit Report – Vehicle Maintenance Facilities –Scheduled
Maintenance Service in the New York Metro Area
(Report Number DR-AR-08-011)

This report presents the results of our self-initiated audit, Vehicle Maintenance Facilities (VMF) – Scheduled Maintenance Service in the New York Metro Area (Project Number 08XG006DR000). The overall objectives were to assess whether the New York Metro Area accomplished all required scheduled maintenance and whether they integrated both VMFs and local commercial resources for optimum efficiency. Click [here](#) to go to Appendix A for additional information about this audit.

Conclusion

The New York Metro Area completed nearly all required scheduled preventive maintenance (SPM¹) during fiscal year (FY) 2007. However, management could further optimize VMF efficiency through more effective use of VMF and local commercial resources. Better optimizing its resources could save the New York Metro Area an estimated \$25 million over 10 years.

Scheduled Maintenance Performance

New York Metro Area VMF units and local commercial vendors (LCVs) completed an average of 95 percent of all SPMs. Four of the VMF units completed all of their SPMs, and five VMF units completed between 92 and 97 percent of the required SPMs. Additionally, one VMF unit completed only 74 percent of the required SPMs. VMF managers did not monitor and track SPMs not completed by local vendors at Vehicle Post Offices (VPOs).

Without completing all required scheduled maintenance and repairs, some of the Postal Service vehicles are vulnerable to breakdowns, which could adversely impact timely mail delivery and potentially impact the well-being of employees and the public. Since the Postal Service does not plan to begin replacing its current fleet of long life vehicles (vehicles that are more than 20 years old) until 2018, we believe it is critical that these

¹ An SPM usually includes a preventive maintenance inspection and any repairs needed to maintain the vehicle or meet safety and reliability standards.

vehicles receive SPMs in a timely manner. Click [here](#) to go to Appendix B for additional information about this issue.

We recommend the Vice President, New York Metro Area Operations, direct district managers to:

1. Require vehicle maintenance facility officials to immediately conduct all maintenance in arrears and properly record vehicle status if maintenance was not conducted.
2. Monitor and track key maintenance activities to ensure timely completion of all required scheduled maintenance and repairs.

Optimum Use of Resources

The New York Metro Area did not always optimize its resources to ensure that maintenance and repair funds were expended in the most efficient and cost-effective manner. Specifically, maintenance officials often used LCVs for vehicle maintenance and repairs when using VMF resources would have been more efficient and economical. Likewise, VMF resources were often used when LCVs would have been more efficient and economical. Additionally, VMF officials used maintenance employees to shuttle vehicles between facilities for maintenance and repairs when more economical means existed.

The following factors contributed to these conditions. Although VMF units had a vehicle maintenance plan, it did not fully consider:

- The optimal combination of VMF resources and LCVs for performing scheduled maintenance and repairs.
- The cost-effectiveness of using LCVs instead of VMF resources to shuttle vehicles between facilities for maintenance and repairs.

In addition, area officials' oversight was not effective in managing vehicle maintenance programs because they did not have sufficient performance data. We also found the vehicle maintenance organizational structure was not conducive to effective program management.² Click [here](#) to go to Appendix C for additional information on optimum use of resources.

As a result, the New York Metro Area expended more resources than necessary to complete vehicle maintenance and repairs. By optimizing its resources, the New York Metro Area could reduce operating costs by about \$2.5 million annually, or approximately \$25 million projected over 10 years. Click [here](#) to go to Appendix D for our detailed analysis of the monetary impact.

² This issue requires action by Postal Service Headquarters and will be addressed in the national capping report.

We recommend the Vice President, New York Metro Area Operations, direct district managers to:

3. Work with vehicle maintenance facility officials to:

- Maintain the most efficient combination of vehicle maintenance facility and commercial resources based on geographical location and costs.
- Make optimal use of the Postal Service's national vehicle shuttle agreement or other local commercial shuttle services, when cost-effective, for transporting vehicles to and from maintenance facilities.

Management's Comments

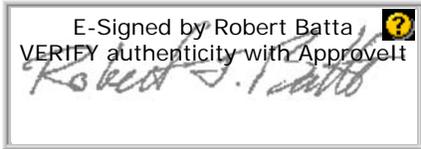
Management agreed with our findings and recommendations. Management will require all district managers to immediately develop a plan to complete all scheduled maintenances in arrears and maintain a current preventative maintenance status. Management will require district officials not meeting minimum goal performance levels for any of the key indicators to submit an action plan to the area office outlining the steps they will take to be compliant. Further, management will require vehicle maintenance managers to develop action plans to optimize VMF and LCV resources and perform service on vehicles within 50 miles of their respective VMF. Management stated that LCVs will perform SPM on vehicles located outside the 50-mile radius when the cost analysis shows a savings. In addition, management will require VMF managers to develop action plans that address shuttles for vehicles located between the Vehicle Perimeter Offices and the VMF when the one-way distance is over 20 minutes. Finally, management stated they could not commit to the actual dollar amounts specified in the audit report. However, in subsequent discussions, management agreed in principle with the potential monetary impact and capturing savings through improved efficiencies as they implement the recommendations. We have included management's comments, in their entirety, in [Appendix G](#).

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendations and management's corrective actions should resolve the issues identified in the report.

The OIG considers recommendation 3 significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. This recommendation should not be closed in the follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed. We will report \$25,287,093 of funds put to better use in our *Semiannual Report to Congress*.

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.



Robert J. Batta
Deputy Assistant Inspector General
for Mission Operations

Attachments

cc: Patrick R. Donahoe
William P. Galligan
Anthony M. Pajunas
Jordan M. Small
Wayne W. Corey
Katherine S. Banks

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

The Postal Service invested more than \$3 billion in vehicle assets for the purpose of transporting and delivering the mail. The vehicle inventory consists of 219,522 delivery, transport, and administrative vehicles, of which delivery and collection vehicles (see the examples in Figure 1) account for 195,211 or about 89 percent of the total fleet. The Postal Service acquired the majority of these vehicles between 1987 and 1994 and planned to maintain them for 24 years. About 7,700 of these vehicles purchased in 1987 are approaching the end of their useful life. However, the Postal Service recently stated that capital constraints now dictate that many of these vehicles must stay in service until 2018 - 7 years more than the planned lifespan.

Figure 1.
Delivery and Collection Vehicles in VMFs for SPM



Source: Postal Service

Management established 190 main and 131 auxiliary VMFs to maintain these assets in a technically reliable, safe, clean, and neat condition for efficient mail transportation. Vehicle maintenance includes selecting and training maintenance technicians; providing garages, tools, and equipment; performing repairs; and monitoring and maintaining preventive maintenance standards. The geographic location of VMFs and auxiliary VMFs varies in each area as needed to support vehicle maintenance and reduce transportation costs. Auxiliary VMFs were established for situations where vehicle maintenance requirements exceed VMF resources or when shuttle time or geographical distances warrant the use of an auxiliary VMF.

Area officials are responsible for validating staffing requirements for vehicle-related positions and ensuring an adequate scheduled maintenance program. Vehicle maintenance managers have overall responsibility for oversight of all maintenance and repair services performed at VMF units, as well as any work contracted to commercial vendors. Although the VMF manager has overall responsibility for vehicle maintenance, vehicles are usually assigned to a VPO. VPOs can be post offices, branches, stations, associated offices, or other delivery and support facilities. Officials at VPOs can also contract with LCVs for maintenance and repair services, but they are required to

document the repairs and obtain the VMF manager’s approval for repairs and services costing more than \$250.

The Postal Service developed Handbook PO-701, *Fleet Management*, to assist operating personnel in maintaining the vehicle fleet in the most economical manner possible. The handbook requires a maintenance plan that provides for regular examination and service of Postal Service-owned vehicles. VMF managers must prepare a vehicle maintenance plan designating where and when each vehicle will receive scheduled maintenance. The handbook also emphasizes preventive or scheduled maintenance over reactive or unscheduled maintenance. (See [Appendix F](#), “Scheduled Maintenance Process,” for a flowchart.)

The Postal Service also established a Model Vehicle Maintenance Facility Performance Review program. The review program is an integral part of VMF operations, and is a key tool for determining the efficiency of a unit at a given time and for identifying areas that need corrective action. Districts must ensure that self-reviews are performed in all VMF’s on a quarterly basis. A VMF must achieve a score of 85 or more to be certified. The area must certify or recertify each unit at least every 3 years.

The Postal Service uses the Vehicle Management Accounting System (VMAS) to code and track costs. VMAS is a computer-based support system designed to collect, process, store, present, and communicate vehicle maintenance data. The table below shows VMF expenses, including commercial vendors’ expenses, for FY 2007.

Table 1. Maintenance Expenditures for FY 2007 by Area

Postal Service Area of Operation	VMF and Commercial Expenditures		
	Commercial Vendor Expenses in FY 2007	VMF Expenses in FY 2007	Total Expenses in FY 2007
Southeast	\$13,867,484	\$52,648,111	\$66,515,595
Great Lakes	15,152,866	46,536,525	61,689,391
Eastern	12,213,149	45,085,152	57,298,301
Western	10,382,055	45,808,493	56,190,548
Pacific	9,105,547	42,819,217	51,924,764
Northeast	10,821,346	37,860,317	48,681,663
New York Metro	12,433,942	36,814,803	49,248,745
Southwest	7,194,386	36,503,347	43,697,733
Capital Metro	7,643,667	32,808,458	40,452,125
Total	\$98,814,442	\$376,884,423	\$475,698,865

Source: Postal Service Category Management Center

OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of this audit were to assess whether the New York Metro Area accomplished all required scheduled maintenance and whether they integrated both VMFs and local commercial resources for optimum efficiency.

To accomplish the objectives, we randomly selected and reviewed vehicle service files from 10 of the 16 VMFs in the New York Metro Area. We documented the scheduled maintenance and number of SPMs required and whether they were conducted in a timely manner, and reviewed work order files to document whether SPMs performed were considered actual SPMs, based on the time required for maintenance. We reviewed the Web-Enabled Enterprise Information System (WebEIS) to analyze vehicles in “maintenance in arrears” status, and compared the number of SPMs completed to actual maintenance records.

We reviewed FY 2007 VMAS data for scheduled maintenance services for the selected New York Metro Area district VMFs (see [Appendix E](#)). We identified the number of Preventive Maintenance Inspections (PMI)³ to be performed at each auxiliary VMF, the VPOs where the vehicles were located, and the VPO’s distance from the VMFs, and documented the number of vehicle maintenance technicians assigned to each VMF.

We identified each VMF’s and LCV’s expenditures for scheduled maintenance. In discussions with VMF managers and reviews of maintenance records, we documented the number of SPMs and SPM inspections required for each location on a yearly basis. Using the VMAS vehicle work order history, we analyzed the average time to perform an SPM for the 10 VMF units in reviewed our sample.

We developed an optimization model that used the above operational data to establish a baseline, standards, key characteristics, shuttle usage and cost. Using this data, we established an optimum operating efficiency for each VMF. Based on the above analyses, assumptions, and constraints, we estimated that the New York Metro Area could increase overall VMF efficiency, and we projected the cost savings for the New York Metro Area’s universe of 16 VMFs. Click [here](#) to go to Appendix D, “Calculation of Cost Savings,” for the model and assumptions we used to compute monetary benefits.

We conducted this performance audit from November 2007 through September 2008 in accordance with generally accepted government auditing standards and included tests of internal controls that 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We relied on data from VMAS and WebEIS. We did not audit these systems, but performed a limited review of data

³ A PMI is that portion of required scheduled maintenance a vehicle must receive to determine if mechanical and safety systems are functioning properly.

integrity to support our reliance on the data. We discussed our observations and conclusions with management officials on August 14, 2008, and included their comments where appropriate.

PRIOR AUDIT COVERAGE

The OIG has issued seven reports related to our objectives in the last several years.

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Vehicle Maintenance Facilities – Scheduled Maintenance Service in the Pacific Area</i>	DR-AR-08-010	September 30, 2008	\$21,580,236
<i>Vehicle Maintenance Facilities – Scheduled Maintenance Service in the Great Lakes Area</i>	DR-AR-08-009	September 29, 2008	\$28,224,843
<i>Vehicle Maintenance Facilities – Scheduled Maintenance Service in the Western Area</i>	DR-AR-08-008	September 29, 2008	\$14,251,384
<i>Vehicle Maintenance Facilities – Scheduled Maintenance Service in the Southeast Area</i>	DR-AR-08-007	September 16, 2008	\$27,620,773
<i>Vehicle Maintenance Facilities – Scheduled Maintenance Service in the Southwest Area</i>	DR-AR-08-006	August 14, 2008	\$34,522,159
<i>Maintenance and Repair Payments to Commercial Vendors Using Postal Service Form 8230, Authorization for Payment</i>	DR-MA-07-005	September 21, 2007	\$1,571,517
<i>Management of Delivery Vehicle Utilization</i>	DR-AR-06-005	June 14, 2006	\$22,796,487

The previous 2008 audits, like this one of the New York Metro Area, are part of a series of audits on this topic. Like these audits, the New York Metro Area did not complete SPMs on all vehicles, and did not always integrate both VMF and LCV resources for

optimum efficiency. Management agreed with our findings, recommendations, and in principle with the monetary impact.

The 2007 audit concluded that using the Postal Service (PS) Form 8230, Authorization for Payment, process to pay commercial vendors for maintenance and repair services was not cost-effective and did not include controls to reconcile payments and ensure repair costs were reasonable. Management agreed with our findings, recommendations, and monetary impact.

The 2006 audit concluded the Postal Service officials made significant strides in reducing costs associated with delivery vehicle expenditures over the previous 3 years. However, delivery management officials could further improve the use of vehicles that support delivery operations. Management agreed with our findings, recommendations, and monetary impact.

APPENDIX B: SCHEDULED MAINTENANCE PERFORMANCE

The New York Metro Area completed 95 percent of their required SPMs during FY 2007. Four VMF units completed all of their required SPMs. The other five VMF units completed between 92 and 97 percent of their required SPMs, and one VMF unit completed only 74 percent of the required SPMs. (See Table 2.)

Table 2. Scheduled Preventive Maintenance Performed in FY 2007

VMF Location	Required in FY 2007	Performed	Percentage Performed
Hackensack	1,462	1,462	100
Hicksville	4,809	4,407	92
Manhattan	2,698	2,587	96
Newark	4,460	3,278	74
Paterson	2,527	2,444	97
Queens	2,610	2,524	97
Staten Island	847	784	93
Trenton	1,384	1,384	100
Westchester	2,961	2,961	100
Western Nassau	1,995	1,995	100
Total/Average	25,753	23,826	95

Source: VMAS and OIG optimization model

Reporting and Tracking Maintenance Activities. Management did not track and monitor missing or past due SPMs. VPOs had not provided documentation to verify that vehicles had been serviced by the local vendors as required. Further, even though we determined our sample VMFs performed the majority of their SPMs, the process of verifying scheduled maintenance performed proved difficult.⁴ One VMF included in our sample was unable to substantiate whether more scheduled maintenances were performed than recorded during FY 2007. This was in part because of multiple vehicle transfers, and the way SPMs are tracked for VMFs nationwide. Specifically, the maintenance process tracks the status of vehicles in arrears⁵ rather than number of SPMs performed. Vehicles in arrears is an indication of vehicles with incomplete scheduled maintenance, however, any adjustment to the SPM schedule has the impact of removing all vehicles in arrears.

Without completing all required scheduled maintenance and repairs, some of the Postal Service vehicles are vulnerable to breakdowns, which may create mail delays and service problems. Further, the number of vehicle accidents could increase, which would raise costs and potentially affect the well-being of employees and the public. Since the Postal Service does not plan to begin replacing its current fleet of long life vehicles (vehicles that are more than 20 years old) until 2018, we believe it is critical that these vehicles receive the required maintenance.

⁴ The issue of more easily reporting and tracking scheduled maintenances requires action by Postal Service Headquarters and will be addressed in a national capping report on scheduled maintenance.

⁵ The “vehicles in arrears” status is a performance measure for VMFs.

APPENDIX C: OPTIMUM USE OF RESOURCES

The New York Metro Area did not always optimize its resources to ensure that maintenance and repair funds were expended in the most efficient and cost-effective manner. Specifically, maintenance officials sometimes used LCVs for vehicle maintenance and repairs when using VMF resources would have been more efficient and economical. Likewise, VMF resources were sometimes used when LCVs would have been more efficient and economical. Additionally, VMF officials used maintenance employees to shuttle vehicles between facilities for maintenance and repairs when more economical means existed.

Several factors contributed to these conditions.

- o Optimum Use of VMF and Local Commercial Resources. The vehicle maintenance plan did not consider an optimum combination of both VMF and local commercial resources.⁶ Generally, it is more cost-effective⁷ for the VMF to perform SPMs on vehicles stationed within 50 miles of the VPO. However, a local commercial vendor should perform SPMs on vehicles when the VPO is more than 50 miles from the nearest VMF. We determined that 5,011 SPMs should have been performed at the other site - either the VMF or the commercial facility. (See Table 3.)

Table 3. VMF and Local Commercial Vendor Resources

VMF Location	FY 2007 SPMs Performed by		Total SPMs Performed	SPMs Performed Inefficiently at Opposite Site		Total SPMs That Could Have Been More Optimally Performed by Either VMF or Local Vendors
	VMF	Local Vendors		VMF	Local Vendors	
Hackensack	1,388	74	1,462	462	0	462
Hicksville	1,604	2,803	4,407	1,025	300	1,325
Manhattan	2,587	0	2,587	80	0	80
Newark	1,332	1,946	3,287	411	235	646
Paterson	674	1,770	2,444	79	26	105
Queens	1,846	678	2,524	1,069	3	1,072
Staten Island	622	162	784	103	8	111
Trenton	1,384	0	1384	80	0	80
Westchester	1,186	1,775	2,961	498	147	645
Western Nassau	1,299	696	1,995	397	88	485
Total	13,922	9,904	23,826	4,204	807	5,011

Source: VMAS data and OIG optimization model

⁶ The VMAS does not track the number of SPMs accomplished. The OIG's efficiency and optimization model estimated the number completed by analyzing all work orders assigned to ██████ (scheduled maintenance), and with some adjustment, considered all work of at least 2 hours as an SPM. We confirmed the number of SPMs required and completed with VMF managers.

⁷ Cost-effectiveness is based on the overhead costs to transport vehicles between the VMF and the VPO using a vehicle maintenance technician or other VMF personnel.

- Vehicle Shuttling. In most cases, we found that the Postal Service’s national vehicle shuttle agreement or local commercial shuttling services were more cost-effective than using VMF maintenance technicians. The New York Metro Area used more than 11,785 workhours for vehicle maintenance technicians to shuttle vehicles rather than perform maintenance. The shuttle hours related to SPM were equivalent to more than six vehicle maintenance technician positions at a cost of \$507,239.⁸ (See Table 4.)

Table 4. Vehicle Maintenance Technician Hours Used for Shuttling

VMF Location	Number of Vehicle Maintenance Technicians Assigned	Estimated Scheduled Maintenance Hours Available	Total Shuttle Hours Used in FY 2007	Percentage of Direct Maintenance Hours Used for Shuttling	Shuttle Hours Used for Scheduled Maintenance	Equivalent Maintenance Technician Positions	Cost of Shuttle Hours Used by Maintenance Technicians
Hackensack	7	9,822	472	5	381.5	.22	\$16,419.76
Hicksville	35	49,112	3,287	7	1,600.5	.91	68,885.52
Manhattan	43	60,394	30.5	.1	0	0	0.00
Newark	21	36,834	3,458.2	9	854.4	.49	36,773.38
Paterson	10	14,032	1,625.8	12	1,313.9	.75	56,550.26
Queens	36	50,515	12,181	24	5,905.5	3.4	254,172.72
Staten Island	7	9,822	6.0	.1	6.0	0	258.24
Trenton	16	22,451	42.4	.2	0	0	0.00
Westchester	22	30,870	1,668.0	5	1,191.8	.68	51,295.07
Western Nassau	14	19,645	587.9	3	531.7	.30	22,884.37
Total/Averages	211	303,497	23,358.8	8	11,785.3	6	\$507,239.32

Source: VMAS and OIG optimization model

- Area Oversight. The Postal Service’s organizational structure⁹ was not conducive to effective management of vehicle maintenance. For example, the Area Vehicle Maintenance Program Analysts (VMPA) could be more effective and supportive if they attended delivery management meetings to have an influence in filling VMF vacancies. VMPAs are responsible for working directly with VMF officials to manage the vehicle maintenance program. However, each VMPA is aligned under the Area Manager of Maintenance Operations, who is responsible for the area’s mail processing plants, but has no direct line of authority to district vehicle maintenance functions or individual VMF operations.

⁸ This estimate of equivalent technician positions applies only to the hours used for shuttling. It does not relate to any actual reductions discussed in this report.

⁹ The organizational structure issue will be addressed in a national capping report to Postal Service Headquarters.

We found the New York Metro Area VMF managers and VMPAs to be proactive in managing vehicle maintenance and receptive to the intent of the audit and recommendations. Management officials did express concern that:

- VMFs may not always find cost-effective shuttle alternatives. They also raised the possibility of potential union concerns with using contractors instead of VMF personnel.
- The quality of maintenance performed by LCVs is often not at the same level of the VMFs, and they do not have staff and time to monitor LCV work.
- The new policies restricting the ability to fill existing vacancies caused by attrition and a reduction or elimination of overtime could compromise the VMFs' ability to capture cost savings.
- The New York Metro Area faces unique challenges due to the large and diverse geographical area they cover.

The OIG acknowledges the issues management raised and the challenges faced by the Postal Service that affect VMF operations. Notwithstanding these concerns and challenges, in our opinion, opportunities exist to become more efficient and potentially save money. Specifically, the New York Metro Area could lower overall VMF operating costs by an average of \$2.5 million annually. These efficiencies, when projected for the 16 VMFs in the New York Metro Area, could save an estimated \$25,287,093 over a 10-year period. (See [Appendix D](#).)

APPENDIX D: OIG CALCULATION OF COST SAVINGS

The OIG identified \$25,287,093 in funds put to better use over the next 10 years for the New York Metro Area’s 16 VMFs.¹⁰

Savings in Dollars

VMF Location	Average Annual Savings	Estimated Savings Over 10 Years
Hackensack	\$31,396	\$313,958
Hicksville	411,643	4,116,430
Manhattan	259,593	2,595,933
Newark	27,684	276,842
Paterson	1,649	16,492
Queens	389,130	3,891,300
Staten Island	20,950	209,497
Trenton	3,476	34,764
Westchester	273,736	2,737,360
Western Nassau	161,186	1,611,857
Totals	\$1,580,443	\$15,804,433
Projected Potential Savings Over 16 VMFs in New York Metro Area		\$25,287,093

Source: OIG optimization model

We calculated the savings based on the following methodology and assumptions.

- Each VMF has a list of VPOs for which it is responsible for vehicle maintenance. Each VPO has a number of Postal Service vehicles that require regular SPM. The number of SPMs that a vehicle requires is determined at the beginning of the year based on the demands that the assigned route places on the vehicle. All SPMs for a given year must be performed on each vehicle; however, the VMF may delegate some of this workload to commercial vendors that are near the VPOs. We refer to this contract labor as LCVs.
- The purpose of this audit was to determine the optimal use of the SPMs to be performed by the VMFs and LCVs. We took into consideration the mechanic labor costs and all relevant shuttling costs. As with the SPMs, VMFs may contract out shuttling. The Postal Service has a national vehicle shuttle agreement; the OIG used that rate in the analysis. However, VMFs can use a less expensive local shuttle contractor if one can be identified.

¹⁰ At a 95 percent confidence level, the OIG estimates the 10-year savings amount to range between \$13.8 and \$36.7 million. We used the mid point estimate of \$25.28 million in our statistical projection.

- We developed the optimization model to find a least-cost solution based on performing all required SPMs. We used the VMFs' FY 2007 operational data. Any SPMs not currently performed by VMFs were considered to be completed by LCVs.¹¹ We restricted the scope of this audit to maintenance technicians' time spent performing scheduled maintenance and shuttling activities. This analysis draws no conclusions regarding the time dedicated to other activities or how maintenance technicians used the remainder of their time.
- We optimized the VMFs' scheduled maintenance and shuttling time for each of the next 10 years, assuming that the Postal Service would reduce the labor contingent by 5.1 percent per year, the historical New York Metro Area attrition rate.¹² This optimization gives the least-cost solution and specifies how the SPMs at each VPO should be distributed between the VMFs and the LCVs. The model shows which shuttling jobs should be done by both the VMFs by contractors. The model analyzes all costs and hours (for SPMs at VMFs, SPMs at LCVs, VMF shuttling, and contract shuttling). The model also shows the total SPMs currently performed by the VMF and local vendors to the total amount that could be more optimally performed by VMFs or LCVs.
- In these optimizations, we assumed that each VMF would operate at a standard efficiency. We used the sampled 10 VMFs' average time per SPM as a standard for the time it takes to complete an SPM in that area. If a particular VMF performed better than this standard, we assumed that the VMF maintained its current efficiency.
- The VMAS does not track the number of SPMs accomplished for each vehicle. The OIG's efficiency and optimization model estimated the number of SPMs completed by analyzing all work orders assigned to code 22 (scheduled maintenance), and with adjustments (i.e., new vehicles and commercial repairs) considered all work lasting at least 2 hours¹³ as an SPM. We explained the process to the VMF manager and then confirmed/adjusted the number of SPMs required and completed.

¹¹ We obtained the current number of SPMs performed by VMFs and LCVs from VMAS databases located at the VMFs and transmitted to the mainframe computer at San Mateo Information Technology and Accounting Service Center. Because a VMF may not perform all its required SPMs, we assumed LCVs would perform the remaining SPMs. In addition, in some cases, a VMF performed more SPMs than required at a VPO. We credited the VMFs with these additional SPMs and determined a comparable solution by reassigning these SPMs to the closest location with a shortfall. We accomplished this in part by assuming that the baseline case kept the scheduled maintenance hours and shuttling hours constant at current levels.

¹² The historical attrition rate for New York Metro Area maintenance technicians was determined by averaging the past 7 years (2001 - 2007) of data obtained from the WebEIS.

¹³ We used 2 hours because of the Postal Service's requirement for a "Type A and Type B" maintenance inspection prior to any repair work. These inspections require between 1.5 and 2.5 hours.

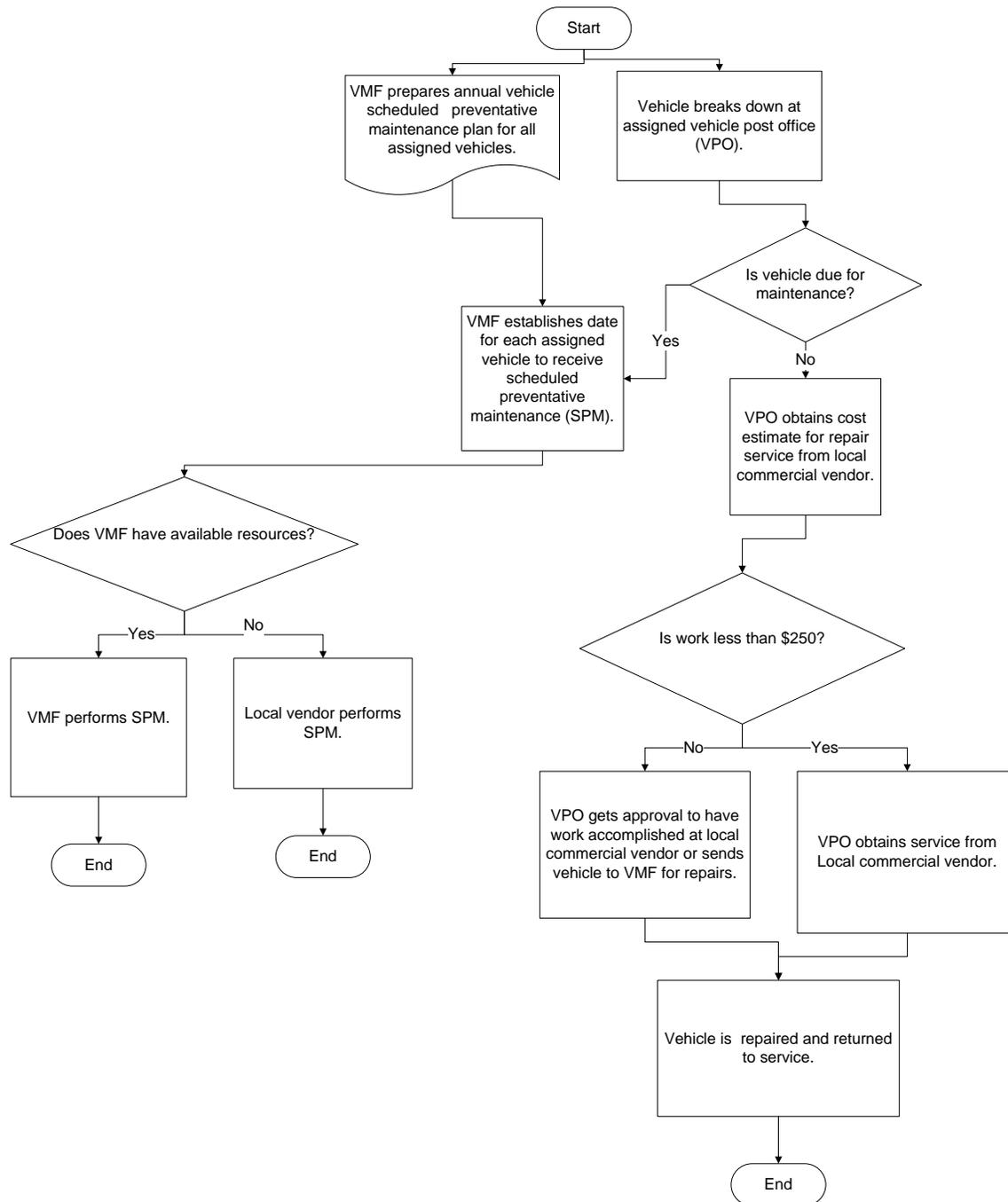
- We identified cost savings if the VMF was not efficiently using its shuttling time. We compared the VMF's total shuttling time to the aggregate time that should be needed to perform all of the VMF's shuttling, assuming that two vehicles were transported on each trip. The cost of any excess time was time that could have been saved, although the actual amount of time that could be saved was likely to be higher because the VMFs probably did not perform all of their own shuttling.
- For our model, we reviewed the minimum and maximum overtime hours per week from what the VMFs used during the first 6 months of FY 2008 determined from the Enterprise Data Warehouse system. The number of hours of straight time worked for each mechanic per year is 1,754.¹⁴
- Based on the above analyses and projections, we estimated that the New York Metro Area could reduce costs by using local commercial resources for shuttling and for SPMs when appropriate. When projected over the New York Metro Area's universe of 16 VMFs, we estimate a reduction of costs of approximately \$2.5 million annually, or more than \$25 million over a 10-year period. These savings include any reductions of vehicle maintenance technician positions through attrition over time.

¹⁴ Source: Finance Memorandum dated March 6, 2006, "Workhour Rates for Fiscal Years 2005 - 2007."

**APPENDIX E: SELECTED DISTRICTS AND
 VEHICLE MAINTENANCE FACILITIES**

District	VMF
Northern New Jersey	Hackensack
Long Island	Hicksville
New York	Manhattan
Northern New Jersey	Newark
Northern New Jersey	Paterson
Triboro	Queens
Triboro	Staten Island
Central New Jersey	Trenton
Westchester	Westchester
Long Island	Western Nassau

APPENDIX F: SCHEDULED MAINTENANCE PROCESS¹⁵



¹⁵Source: Postal Service Handbook PO-701, *Fleet Management*, March 1991.

APPENDIX G: MANAGEMENT'S COMMENTS

VICE PRESIDENT, AREA OPERATIONS
NEW YORK METRO AREA



September 23, 2008

LUCINE WILLIS
DIRECTOR, AUDIT OPERATIONS
OFFICE OF INSPECTOR GENERAL

SUBJECT: Response to Draft Audit Report – Vehicle Maintenance Facilities (VMFs)
Scheduled Maintenance Service in the New York Metro Area
(Report Number DR-AR-08-DRAFT)

We have reviewed the above referenced report, including the recommendations to complete all required scheduled maintenances, monitor and track key maintenance activities, and maintain the most efficient combination of VMF service and commercial support based upon geographical location, cost, and staffing.

We are in agreement that opportunities exist to improve efficiencies and determine a better balance between contracting and VMF work. Completing all vehicle scheduled maintenance services is in the best interests of the organization, our employees, and the public.

We will commit to capturing savings through improved efficiencies, though we cannot commit to the dollar amounts specified in the audit.

We are in concurrence with the recommendations and will take the necessary steps to address those recommendations as follows:

Recommendation 1: Require vehicle maintenance facility officials to immediately conduct all maintenance in arrears and properly record vehicle status if maintenance was not conducted.

Response: The New York Metro Area agrees with this recommendation. The Vice President, Area Operations, New York Metro Area, will direct all District Managers to require District Managers to immediately develop a plan for completion of all scheduled maintenances in arrears, including how they plan to maintain a current preventative maintenance status. Area and District Finance Managers will ensure that sufficient funding is provided to accomplish a non-delinquent status through the use of vehicle maintenance employees and contracting, where necessary, following the contracting provisions of the APWU national agreement. The Vehicle Maintenance Programs Analyst will monitor compliance with this recommendation.

Recommendation 2: Monitor and track key maintenance activities to ensure timely completion of all required scheduled maintenance and repairs.

Response: The New York Metro Area agrees with this recommendation. Districts not meeting the minimum goal performance levels for any of the key indicators will be required to submit an action plan to the Area outlining the steps they will take to be compliant. The Vehicle Maintenance Programs Analyst will monitor compliance of this recommendation. (see attached memorandum).

142-02 20th Avenue, Room 318
Flushing, NY 11351-0001
718-321-5823
FAX: 718-321-7150

Recommendation 3a: Maintain the most efficient combination of vehicle maintenance facility and commercial resources based on geographical location and costs.

Response: The New York Metro Area agrees with this recommendation. The Vehicle Maintenance Managers will develop an action plan in accordance with Appendix C to schedule all Scheduled Preventive Maintenance (SPM) on vehicles within 50 miles of their respective VMF serviced at the VMF. SPM on vehicles located outside the 50 miles will be scheduled to be performed by local commercial vendors (LCV) when the cost analysis shows a savings if the LCV is used. As the cost per hour at LCVs for the large fleet (tractors and cargo vans) averages \$125.00 per hour, and the VMF labor rate is approximately \$43.00 per hour, it is the NYMA's position to have the SPM for the Postal Vehicle Service (PVS) fleet performed in-house when it is economically feasible and resources are available.

Recommendation 3b: Make optimal use of the Postal Service's national vehicle shuttle agreement or other local commercial shuttle services, when cost-effective, for transporting vehicles to and from maintenance facilities.

Response: The New York Metro Area agrees with this recommendation. Vehicles located within the 20-minute radius would not justify the use of the National Shuttling Agreement. Vehicle Maintenance Managers will develop action plans that address shuttles between Vehicle Perimeter Offices (VPOs) and the VMF for vehicles that are over 20 minutes one-way distance from their respective VMFs. A simple justification of expenses will be performed by the VPO and, when deemed economically feasible and in accordance with Article 32 of the APWU national agreement, the VMF can elect to utilize either the National Shuttle Agreement or local alternative shuttle service to shuttle vehicles to and from the VMF and VPO.

We do not believe there is any Freedom of Information Act exempt information in the draft report or our response.



Steven J. Forte
Attachment

VICE PRESIDENT, AREA OPERATIONS
NEW YORK METRO AREA



September 23, 2008

DISTRICT MANAGERS

SUBJECT: OIG Audit Report: Scheduled Preventive Maintenance Service in the New York Metro Area

A recent national audit of Vehicle Maintenance Facilities (VMFs) concluded that in FY 2007, New York Metro Area VMFs did not complete scheduled preventative maintenance (SPM) on all vehicles and did not always integrate both VMF and local commercial vendors for optimum use of available resources.

A sampling of ten VMFs indicated that New York Metro Area VMFs completed nearly all required SPM during fiscal year 2007. However, we currently have 650 SPMs in arrears (see attached table).

Within 30 days, District Managers must provide this office with an action plan addressing the requirements below and included an expected completion date:

1. VMF managers must complete all required scheduled maintenance and immediately conduct any missing or past due maintenance. Plans must include how VMFs intend to stay current. Sufficient staffing and funding needs to be provided to accomplish and maintain a non-delinquent status.
2. Districts not meeting minimum goal performance levels for any of the Vehicle Maintenance Indicators are required to submit an action plan to the Area Vehicle Maintenance Programs Analyst outlining the steps they will take to be compliant.
3. District Managers must work with VMF managers to:
 - a. Maintain the most efficient combination of vehicle maintenance facility and commercial resources based on geographical location, cost, and staffing. Review the maintenance operation to determine if there is a more efficient and cost effective means of completing required scheduled maintenance.
 - b. Make optimal use of the Postal Service's national vehicle shuttle agreement or other local commercial shuttle services, when cost effective, for transporting vehicles to and from maintenance facilities. All locations not presently using contract shuttle must explore the feasibility of using a contractor to perform vehicle shuttle.

Please contact [REDACTED] if you have any questions or concerns.

Steven J. Forte

cc: L. Willis
W. Schnaars
J. Branco
C. Fede
S. Mundy
T. Hayes
B. Roughley

147.02 20th Avenue, Room 318
Flushing, NY 11351-0801
718-329-5823
FAX: 718-321-7150

DISTRICT	VMF	SPMS in ARREARS
CARIBBEAN	SAN JUAN	0
NNJ	PATERSON	84
	HACKENSACK	0
	DVD	23
	NEWARK	58
CNJ	TRENTON	0
	KILMER	1
	LAKEWOOD	0
NY	MANHATTAN	5
	BRONX	0
WESTCHESTER	WHITE PLAINS	260
TRIBORO	JAMAICA	0
	BROOKLYN	0
	STATEN ISLAND	102
LONG ISLAND	HICKSVILLE	117
	WESTERN NASSAU	0