



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Vehicle Shuttling – Northeast Region

Audit Report

Report Number
DR-AR-16-004

May 24, 2016





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UNITED STATES POSTAL SERVICE

Highlights

Background

Shuttling is the scheduled movement of vehicles from a Post Office to a vehicle maintenance facility (VMF) or commercial vendor for maintenance. VMF managers decide whether to use Postal Service employees or commercial vendors for shuttling services. Shuttling labor costs are tracked through the Solution for Enterprise Asset Management (SEAM) system.

During fiscal years (FY) 2014 and 2015, the U.S. Postal Service spent almost \$32 million and \$43 million, respectively, on vehicle shuttling labor. The Northeast Region, with 38 VMFs, had the highest costs nationwide in FYs 2014 and 2015, spending \$8.6 million and over \$11 million, respectively. We judgmentally selected 25 of the 38 VMFs in the Northeast Region for review.

Our objective was to determine whether the Postal Service was cost effectively shuttling postal-owned vehicles in the Northeast Region.

What The OIG Found

Northeast Region fleet management did not cost effectively shuttle postal-owned vehicles at the 25 VMFs we reviewed. Specifically, 17 of 25 VMF managers did not perform cost

analyses to obtain the most cost-effective shuttling rates because there was no requirement to do so.

Our analysis showed that VMF managers paid commercial vendors anywhere from \$25 to \$250 per hour, plus various mileage and hookup fees, for shuttling services. When cost analyses are not required, inconsistent fees could result in overpayments for services going unnoticed.

Further, in FYs 2014 and 2015, commercial labor accounted for 87 and 83 percent, respectively, of total shuttling labor costs in the Northeast Region. In these 2 years, VMFs used 110,676 commercial workhours for vehicle shuttling. Using internal resources to better manage commercial shuttling workhours would have saved the Postal Service about \$2.1 million in FY 2014 and \$2.7 million in FY 2015.

In addition, employees at nine of the 25 VMFs did not reconcile commercial vendor shuttling invoices to the fiscal year budgeted amount in SEAM or to any documented shuttling service request. Managers at only two of these nine VMFs confirmed that shuttling services received matched their documented shuttling service requests. Two other VMFs did not use any commercial vendors for shuttling and, therefore, did not require reconciliations.



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Finally, management understated shuttling costs because labor hours were not accurately put into SEAM for any of the 25 VMFs in FY 2014 and for 23 of the VMFs in FY 2015.

These conditions occurred because the Postal Service's *Fleet Management Handbook* lacks specific policies and procedures for managing and overseeing shuttling services, such as vendor selection. The handbook specifies which account codes should not be used for vehicle shuttling. In addition, the handbook only provides guidance on entering data and reconciling costs for commercial vendors with national or local vehicle maintenance repair agreements.

Lack of standardized shuttling procedures for vendor selection, reconciliations, and shuttling rates and fees could result in the Postal Service not receiving the most cost-effective service and paying for questionable shuttling services.

In addition, inaccurate reporting in SEAM gives limited assurance that managers can rely on shuttling cost data to make operational decisions. Reducing commercial labor workhours could save the Postal Service about \$2.1 million in FY 2016 and \$2.7 million in FY 2017.

What The OIG Recommended

We recommended the vice president, Delivery Operations, direct Northeast Region fleet management to reduce commercial shuttling costs by using additional internal resources for shuttling services where available and necessary, develop and implement policies and procedures for managing and overseeing shuttling services, and ensure shuttling costs are accurately recorded in SEAM.

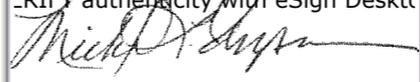
Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

May 24, 2016

MEMORANDUM FOR: EDWARD F. PHELAN JR.
VICE PRESIDENT, DELIVERY OPERATIONS

E-Signed by Michael Thompson
VERIFY authenticity with eSign Desktop


FROM: Michael L. Thompson
Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Audit Report – Vehicle Shuttling – Northeast Region
(Report Number DR-AR-16-004)

This report presents the results of our audit of Vehicle Shuttling in the Northeast Region (Project Number 15XG045DR000).

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.

Attachment

cc: Corporate Audit and Response Management

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Findings

Shuttling is the scheduled movement of postal-owned vehicles from a Post Office to a vehicle maintenance facility (VMF) or commercial vendor for maintenance or repair.

Introduction

This report presents the results of our self-initiated audit of vehicle shuttling in the Northeast Region¹ (Project Number 15XG045DR000). Our objective was to determine whether the U.S. Postal Service was cost effectively shuttling postal-owned vehicles in the Northeast Region. See [Appendix A](#) for additional information about this audit.

Shuttling is the scheduled movement of postal-owned vehicles from a Post Office to a vehicle maintenance facility (VMF) or commercial vendor for maintenance or repair. VMF managers have the discretion to use Postal Service employees, vendors associated with the national Vehicle Maintenance Repair Agreement (VMRA), or local vendors for this service. The Postal Service tracks shuttling labor costs through the Solution for Enterprise Asset Management (SEAM) system.

The Postal Service spent almost \$32 million in fiscal year (FY) 2014 and \$43 million in FY 2015 for vehicle shuttling labor costs nationwide. The Northeast Region, with 38 VMFs, had the highest costs in FYs 2014 and 2015; spending \$8.6 million and over \$11 million, respectively (see Table 1). We judgmentally selected 25 of the 38 VMFs² in the Northeast Region for review.

Table 1. FY 2014 and FY 2015 National Vehicle Shuttling Labor Costs³

Region	FY 2014			FY 2015		
	VMF Labor	Commercial Labor	Total Labor	VMF Labor	Commercial Labor	Total Labor
Capital Metro	\$1,709,653	\$2,107,567	\$3,817,220	\$3,548,713	\$2,955,417	\$6,504,130
Eastern	892,562	2,020,212	2,912,774	1,585,229	2,280,200	3,865,429
Great Lakes	836,061	2,339,371	3,175,432	1,847,719	2,649,096	4,496,815
Northeast	1,160,079	7,454,371	8,614,450	1,928,935	9,494,361	11,423,296
Pacific	466,946	2,400,688	2,867,634	744,793	2,621,042	3,365,835
Southern	1,390,728	6,291,032	7,681,760	2,380,475	6,965,275	9,345,750
Western	717,657	1,904,829	2,622,486	1,632,023	2,117,537	3,749,560
Total	\$7,173,686	\$24,518,070	\$31,691,756	\$13,667,887	\$29,082,928	\$42,750,815

Source: SEAM Vehicle Maintenance Cost Report in Dollars.

- 1 In May 2015, the VMFs were realigned under Postal Service Headquarters and the fleet management restructuring created seven regions that do not conform to existing Postal Service area and district lines.
- 2 VMF locations excluded were Lynn, Boston, Chelsea auxiliary assistance (AUX), Manchester, Providence, Springfield, Pittsfield AUX, Staten Island, Brooklyn, Queens, Hicksville, New York (Manhattan), and New York (FDR).
- 3 The Postal Service converted to SEAM in 2014; therefore, shuttling costs were only available for FYs 2014 and 2015.

Northeast Region fleet management did not cost effectively shuttle postal-owned vehicles at the 25 VMFs we reviewed.

These conditions occurred because Postal Service policies lack specific procedures for managing and overseeing shuttling services, such as vendor selection.

Summary

Northeast Region fleet management did not cost effectively shuttle postal-owned vehicles at the 25 VMFs we reviewed. Specifically, 17 of 25 VMF managers did not perform cost analyses to obtain the most cost-effective shuttling rates because there was no requirement to do so.

Our analysis showed that VMF managers paid commercial vendors anywhere from \$25 to \$250 per hour, plus various mileage and hookup fees, for shuttling services. When cost analyses are not required, inconsistent fees could result in overpayments for services going unnoticed. Further, in FYs 2014 and 2015, commercial labor accounted for 87 and 83 percent, respectively, of total shuttling labor costs in the Northeast Region. In these 2 years, VMFs used 110,676 commercial workhours for vehicle shuttling. Using internal resources to better manage commercial shuttling workhours would have saved the Postal Service about \$2.1 million in FY 2014 and \$2.7 million⁴ in FY 2015.

In addition, employees at nine of the 25 VMFs did not reconcile commercial vendor shuttling invoices to the fiscal year budgeted amount in SEAM or to any documented shuttling service request. Managers at only two of these nine VMFs confirmed that shuttling services they received matched their documented shuttling service requests. Two other VMFs did not use any commercial vendors for shuttling and, therefore, did not require reconciliations.

Finally, management understated shuttling costs because labor hours were not accurately put into SEAM for any of the 25 VMFs in FY 2014 and for 23 VMFs in FY 2015.

These conditions occurred because Postal Service policies⁵ lack specific procedures for managing and overseeing shuttling services, such as vendor selection. This handbook specifies which account codes should not be used for vehicle shuttling. In addition, Handbook PO-701 only provides guidance on entering data and reconciling costs for commercial vendors that have a national or local VMRA.

Lack of standardized shuttling procedures for vendor selection, reconciliations, and shuttling rates and fees could result in the Postal Service not receiving the most cost-effective service and paying for questionable shuttling services. In addition, inaccurate reporting in SEAM gives limited assurance that managers can rely on shuttling cost data to make operational decisions. Reducing commercial labor workhours could save the Postal Service about \$2.1 million in FY 2016 and \$2.7 million in 2017.

Vehicle Shuttling Rates and Fees

Our audit determined that 17 VMF managers did not perform cost analyses to obtain the most cost-effective shuttling rates because there was no cost analysis requirement. Our analysis showed that 23 VMF managers⁶ paid commercial vendors anywhere from \$25 to \$250 per hour, plus various mileage and hookup fees, for shuttling services (see [Appendix B](#)). When cost analyses are not required, inconsistent fees among VMFs could result in overpayments for services going unnoticed.

⁴ Differences are due to rounding; the total amount equals \$4.9 million.

⁵ Handbook PO-701, *Fleet Management*.

⁶ VMFs in Puerto Rico paid a fixed shuttling rate for all local vendors because rates are established by the Puerto Rico Public Service Commission. This is an independent regulatory body whose mission is to ensure safe, reliable, quality utility service is provided at a fair and reasonable cost.

We found 22 of the 25 VMFs used local commercial vendors for shuttling services, one used a vendor under the national VMRA, and two⁷ did not use any commercial vendors for shuttling service. Of the 25 VMFs, two paid rates set by the local utility commission and another used PSEs. Shuttling costs for the VMF which used the national VMRA quadrupled from \$451,891 in FY 2014 to \$2,057,759 in FY 2015 (see [Appendix C](#)).

We also found that a VMF manager agreed to a dedicated service arrangement for shuttling which cost the Postal Service up to \$250 per hour when the national contract rate was \$35.57 per hour. The vendor parked at the VMF waiting for service requests and was paid for 10 hours of service per day. This vendor was also paid a higher rate for using three- and four-vehicle carriers when these carriers were not needed. At the same VMF, vehicles were shuttled up to 50 times in a 9-month period with no documented maintenance or repair service. Finally, under the dedicated service arrangement we found that:

- The vendor did not always submit monthly invoices and activity reports.
- Charges were submitted up to 20 months after the service date.
- Activity reports did not always contain vehicle numbers or pick-up and drop-off times.
- There was no evidence that delivery receipts were provided with each vehicle pickup and delivery. A comparison of five monthly activity reports to the VMF shuttle request logs found 87 percent of the vehicles the vendor billed to the VMF had no supporting documentation to confirm shuttle service requested.
- The vendor did not always show up to provide service or arrived late.

When a VMF manager uses the VMRA contract, there is a requirement to submit monthly invoices and activity reports in a timely manner. The reports should contain valid vehicle numbers, vehicle pick-up and drop-off times, and delivery receipts for each shuttle service provided.

In FYs 2014 and 2015, commercial labor accounted for 87 and 83 percent, respectively, of total shuttling labor costs in the Northeast Region. The 25 VMFs we reviewed used 110,676 in combined commercial workhours costing \$9.7 million for FYs 2014 and 2015. Using internal resources to better manage commercial shuttling workhours would have saved the Postal Service about \$2.1 million in FY 2014 and \$2.7 million in FY 2015.

Postal Service management must notify the local union that it is considering contracting out shuttling services;⁸ however, it can reduce outsourced commercial labor shuttling costs by using internal resources⁹ without any union ramifications.¹⁰ In FY 2015, one VMF reduced shuttling costs by adding two postal support employees (PSE) for shuttling services that provided resources to perform other duties generally assigned to mechanics. The Postal Service can add up to a maximum of 42 extra PSEs at the 25 VMFs in the Northeast Region (see [Appendix D](#)).

When the Postal Service uses VMF resources, such as postal employees and wreckers or trailers,¹¹ for shuttling services; it can better monitor and control costs. By reducing commercial labor workhours, the Postal Service could potentially save¹² about \$2.1 million in FY 2016 and \$2.7 million in FY 2017, based on FYs 2014 and 2015 (see [Table 2](#)).

⁷ Stamford and Western Nassau VMFs used in-house VMF labor for shuttling.

⁸ Handbook EL-912, *Agreement between United States Postal Service and American Postal Workers Union*, AFL-CIO 2010-2015, Article 32.

⁹ Internal resources such as postal support employees (PSE). The Postal Service created the PSE category in 2011 to provide flexibility with temporary non-career employees.

¹⁰ Handbook EL-912, Article 7, Section 1.B.6.

¹¹ There were 26 wreckers or transport trailers assigned to 19 of the 25 VMFs we reviewed.

¹² Savings based on the most conservative analysis of reducing only 50 percent of the commercial vendor shuttling workhours, since commercial shuttling is the only option for remote locations. We also considered Article 7 guidelines during our review.

Table 2. VMF Commercial Shuttling Workhour and Cost Reductions¹³

Name	FY 2014			FY 2015			Total Possible Commercial Labor Costs Reduction
	Actual Hours	Hour Reduction	Cost Reduction	Actual Hours	Hour Reduction	Cost Reduction	
Albany	13,022.5	6,511.3	\$407,931	10,605.0	5,302.5	\$311,098	\$719,029
Binghamton Aux-Of Albany	421.2	210.6	15,933	915.0	457.5	32,789	48,722
Brockton	5,277.5	2,638.7	190,385	5,626.0	2,813.0	191,762	382,148
Buffalo	5,107.2	2,553.6	119,763	4,279.0	2,139.5	91,827	211,591
Edison	404.7	202.3	19,859	558.0	279.0	26,273	46,132
Elmira Aux-Of Buffalo	354.9	177.4	9,874	448.0	224.0	11,574	21,448
Fall River	2,479.8	1,239.9	82,950	2,455.0	1,227.5	77,234	160,185
Framingham	1,746.3	873.2	58,414	1,509.0	754.5	47,473	105,887
Hackensack	48.3	24.2	1,538	74.1	37.0	2,210	3,748
Hartford	3,105.0	1,533.0	249,436	3,559.0	1,780.0	278,808	528,244
Kearny	2.9	1.4	318	22.0	11.0	2,375	2,693
New Haven	3,401.5	1,700.7	131,496	1,296.7	648.3	47,547	179,044
Newark	1,339.9	670.0	102,184	1,964.0	982.0	145,871	248,055
Paterson	0.0	0.0	0	17.0	8.5	786	786
Ponce Aux-Of San Juan	1.9	0.9	80	0.4	0.2	14	94
Portland, Me	1,801.8	900.9	122,209	2,106.0	1,053.0	138,649	260,857
Rochester	2,047.2	1,023.6	115,819	2,415.0	1,207.5	131,823	247,642
San Juan	0.9	0.4	38	0.0	0.0	0	38
Stamford	0.0	0.0	0	0.0	0.0	0	0
Syracuse	3,865.8	1,932.9	152,022	3,981.0	1,990.5	148,631	300,653
Utica Aux-Of Albany	93.8	46.9	3,079	11.0	5.5	339	3,419
Waterbury	901.0	450.0	31,818	1,667.0	833.0	55,560	87,379
Westchester	3,224.5	1,612.2	202,576	14,595.0	7,297.5	887,887	1,090,463
Western Nassau	0.0	0.0	0	0.0	0.0	0	0
Worcester	1,971.8	985.9	109,088	1,953.0	976.5	104,163	213,251
Total	50,620.3	25,290.2	\$2,126,811	60,056.1	30,028.1	\$2,734,694	\$4,861,506

Source: U.S. Postal Service Office of Inspector General (OIG) analysis of VMF shuttle rates and commercial labor costs from SEAM for FYs 2014 and 2015.

¹³ We based cost reductions on an estimated average hourly shuttle rate (varied by site) multiplied by the hour reduction. Column totals may vary slightly due to rounding differences.

Reconciliations in SEAM only compare costs entered from the invoice to the amount paid.

Reconciliations

Employees at nine of the 25 VMFs we reviewed did not always reconcile commercial vendor shuttling invoices to the fiscal year budgeted amount in SEAM or to any documented shuttling service request at the VMF or vehicle post office (VPO). Only two of these nine VMFs confirmed that shuttling services they received matched those they requested. Two other VMFs did not use any commercial vendors for shuttling and, therefore, were not required to perform any reconciliation.

Reconciliations in SEAM only compare costs entered from the invoice to the amount paid. There is no policy that requires VMFs to reconcile shuttle services rendered (from the invoice) to those requested by the VMF or VPO. Some VMF employees used in-house manual sheets or logs to track shuttle requests, but not to reconcile invoices.

Solution for Enterprise Asset Management Input

Labor costs for VMF and commercial vendor shuttling time were understated in SEAM because the 25 VMFs did not always use the correct account code (AC) and VPOs did not always send commercial shuttling invoices to the VMF to put into SEAM.

According to Postal Service guidelines,¹⁴ AC 28 (Shuttle Time) reflects labor costs for shuttling vehicles for scheduled maintenance and repair purposes only. Employees should not use AC 28 for road calls, accidents, vandalism, and other purposes noted in blue (see Table 3).

Table 3. SEAM ACs

AC	Description
22	Scheduled Maintenance
23	Road Calls
24	Unscheduled Repairs
25	Accident Repairs
28	Shuttle Time
29	Vandalism
30	Fleet Servicing
42	Maintenance and Repair Chargeable to Others
91	Maintenance and Repair of Postal-Owned Equipment

Source: Handbook PO-701.

Shuttle times used for scheduled maintenance (AC 22), unscheduled repairs (AC 24), and fleet servicing (AC 30) were entered separately in SEAM, but without using AC 28. According to Handbook PO-701, VMF managers should review maintenance records for accuracy before approving them for their facility. The Postal Service relies on SEAM to manage shuttling services and costs.

VPOs did not always send invoices for shuttling service to the VMFs for input into SEAM, resulting in unreported costs in AC 28. The VPOs usually pay for shuttling services with a Voyager Fleet credit card and process them through the eFleet Card System, a web-based application in the Fuel Asset Management System (FAMS). VMFs use SEAM to track shuttling labor and towing

¹⁴ Handbook PO-701.

costs; however, shuttling costs from FAMS are not captured in SEAM unless the invoices are sent to the VMFs for input. Because coding of shuttling service was inaccurate, \$1.6 million in shuttling costs were not reported in SEAM for the 25 VMFs in the Northeast Region.

These conditions occurred due to the lack of Postal Service policies and inadequate oversight of shuttling services at VMFs. Specifically, there is no:

- Requirement for VMFs to perform cost analysis when selecting shuttling vendors.
- Policy requiring the reconciliation of vendors' invoices to documented VMF or VPO shuttle requests.
- Policy for VPOs to send shuttle invoices to VMFs to put into SEAM.
- Requirement that management evaluate whether costs under the VMRA are reasonable.
- Management assurance that vendors adhere to the national VMRA contract.
- Oversight to ensure that employees enter consistent and accurate shuttling account codes and costs into SEAM.¹⁵

Other Matters

During our site visits, we found unsecured new vehicle parts outside a VMF. We estimated 13 engines and three transmissions outside the facility had a value of \$33,871. Exposure to the elements can damage or destroy assets and they are also subject to theft (see Figure 1).

Figure 1. Unsecured Vehicle Parts



Source: OIG photograph taken October 21, 2015.

Corrective Action Taken

VMF managers moved the unsecured vehicle parts inside and secured them nightly when the facility closed; therefore, we did not make a recommendation on this issue.

¹⁵ This occurred at all 25 VMFs we reviewed.

Recommendations

We recommend the vice president, Delivery Operations, direct Northeast Region fleet management to:

1. Reduce commercial shuttling costs by using additional internal resources for shuttling services where available and necessary.
2. Develop and implement policies and procedures for managing and overseeing shuttling services to include: performing cost analysis for internal and commercial shuttling services, reconciling invoices to shuttle service requests, directing vehicle post offices to submit shuttle invoices to vehicle maintenance facilities, and reassessing national Vehicle Maintenance Repair Agreement vendor guidelines.
3. Ensure shuttling costs are accurately recorded in the Solution for Enterprise Asset Management system.

Management's Comments

Management disagreed with the report's analysis, findings, and recommendations.

In response to the audit, management stated that:

- The savings analysis relies on violating the American Postal Workers' Union (APWU) National Labor Agreement (NLA) by using PSEs from Function 1 and 4 to perform Function 3 work, as well as exceeding the 10 percent cap of PSEs in the motor vehicle craft. Furthermore, it is extremely unlikely that the Postal Service could realize a 50 percent reduction in shuttling contract work even if the Vehicle Maintenance group has a separate cap.
- The OIG assumes PSEs would have the necessary skills and qualifications for loading and towing vehicles with heavy equipment. Comparing a PSE hourly rate to a fully loaded commercial labor rate charged for performing towing service is an unrealistic comparison.
- The assumption that the Postal Service could save \$2.7 million based on reducing commercial workhours by 50 percent is completely arbitrary and without merit. The audit implies that the commercial hourly rate has no basis and can be replaced with the hourly rate of a PSE employee. The hourly rate is based on a professional driver with a commercial driver's license hauling up to three vehicles an hour. The audit fails to recognize the driver's license requirement, cost of equipment, and wear and tear on the vehicle being driven.
- The report claims there is no requirement to evaluate the financial impact for contracting out work while there clearly is an obligation to do so under Article 32 of the NLA and VMB 01-12, *Vehicle Maintenance Repair Agreement for Shuttling Service*.
- The OIG also claims that shuttle time cannot be determined in SEAM, which provides redundant methods of identifying shuttle time.
- Only 27 percent of the five PSEs' workhours are attributed to shuttling. Based on the 10 percent district cap of PSEs, only 30 additional PSEs could be hired at these sites, as opposed to the 42 that the OIG claims. If management could hire PSEs to the cap — with an ambitious rate of 35 percent of the hours being contributed to shuttling — the OIG audit savings of 30,028 hours would be reduced by about half.

- Management takes exception to the audit making a specific reference to a VMF manager who Fleet Management previously referred to the OIG investigation team for improper contractor management. Most frustrating is that management coordinated with the OIG's Office of Investigations (OI) for nearly 2 years to address this issue; however, now, the OIG is criticizing management's failure to correct the problem.

In response to recommendation 1, management disagreed with using additional internal resources to reduce commercial shuttling costs due to a hiring cap. However, they will use internal resources that do not violate the national agreement.

In response to recommendation 2, management disagreed that they need to develop and implement policies and procedures for managing and overseeing shuttling services, based on two cited resources. Management stated that they will provide greater oversight under their new Fleet Management structure.

In response to recommendation 3, management agreed to reinforce the accurate recording of shuttling costs in SEAM.

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

Evaluation of Management's Comments

The OIG does not consider management's comments responsive to the recommendations in the report.

- The OIG's savings analysis does not violate the 10 percent PSE cap in the labor agreement. We used staffing information provided by management to calculate the maximum number of PSEs, based on 10 percent of the total number of career motor vehicle craft employees in each district, less any PSEs on the roster. This report does not mention using PSEs from Function 1 and 4 to perform work in Function 3. Commercial labor accounted for 87 and 83 percent of total shuttling labor costs in the Northeast Region during FYs 2014 and 2015, respectively. Reducing shuttling labor by 50 percent would still leave contractors to perform over 30 percent of shuttling. When vehicles need to be shuttled, using commercial labor should not be automatic when the Postal Service could use their trailers and wreckers or seek alternative internal solutions through training, certification, or transfers.
- PSE employees must have a valid driver's license, safe driving record, and at least 2 years of unsupervised experience driving passenger cars or larger. There is no commercial driver's license requirement for driving vehicles for scheduled maintenance.
- The OIG based its savings calculation on a conservative analysis of reducing only 50 percent of commercial vendor shuttling workhours, since commercial shuttling is the only option for remote locations. As the Postal Service looks for ways to become a more lean and efficient organization, VMFs should seek to do the same by reducing unreasonable/unnecessary shuttling expenses. If the VMF cannot shuttle a particular type of vehicle for a specific reason, then establishing controls to perform a cost benefit analysis could ensure efficient use of funds. We based our cost reductions on an estimated average hourly shuttle rate by site, since not all vehicle shuttles consist of multiple vehicles.
- Article 32 of the NLA requires union notification when considering contracting out services that will have a significant impact on bargaining work; however, commercial shuttling is not part of a VMF mechanic's bargaining work. Contracted shuttling can be brought in-house under Article 7 of the NLA, which allows reduction of outsourced commercial labor without union ramifications. VMB 01-12 also states that the VMF manager's decision must comply with NLA Article 32.

- We do not claim that SEAM cannot determine shuttle time, merely that labor costs for VMF and commercial vendor shuttling time were understated in SEAM. The audit disclosed that VMFs did not always use the correct account code and VPOs did not always send their commercial shuttling invoices to the VMF to put into SEAM.
- Our analysis identified a “maximum” of 42 PSEs for the 25 VMFs reviewed. We based this on 10 percent of the total number of career motor vehicle craft employees in each district, minus any PSEs on the roster. SEAM did not accurately reflect all hours used for shuttling; therefore 27 percent of the PSEs’ workhours may be under-represented. We based the 30,028 of workhour savings on reducing 50 percent of all the commercial labor recorded in AC 28 (shuttling) in SEAM for FY 2015. This is a conservative estimate, considering the Postal Service did not report an additional 12,088 workhours in FY 2015 for shuttling services in AC 28. PSEs are only guaranteed 2 hours of work and can provide flexibility with scheduling and operations management.
- We followed OIG policy requiring notification to OI at the beginning of the audit and coordinated with OI throughout the audit, as appropriate. In addition, OI has not been investigating the matter highlighted in the audit for 2 years and we are not aware of any communication between OI and the Postal Service that would prevent management from taking action to address the issue.

Management disagreed with recommendation 1 to reduce commercial shuttling costs by using additional internal resources. We considered Article 7 of the NLA, which allows use of additional PSE employees when contracted work is brought in-house. One VMF has been successfully using PSE Garageman staff for shuttling services. In calculating the maximum number of PSEs allowed by district, we used complement data provided by management for our analysis. We used a conservative estimate of potential savings on a program with limited oversight. Additionally, our audit uncovered an issue that could lead to fraud and cause the Postal Service to continue to expense funds unnecessarily.

Management also disagreed with recommendation 2 to develop and implement policies and procedures for managing and overseeing shuttling services. As stated earlier, we reviewed NLA Article 32 and VMB-01-12 guidelines which pertain to contracted commercial vendors. Management stated that their new Fleet Management Group would ensure compliance and oversight for local VMFs and the most cost effective use of contractors. Management’s action should resolve the issue identified in the report.

Recommendations 1 and 2 require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. We view the disagreements on the recommendations as unresolved and do not plan to pursue them through the formal audit resolution process.

Regarding recommendation 3, management’s actions should resolve the issue identified in the report. We consider recommendation 3 closed with the issuance of this report.

Appendices

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Appendix A: Additional Information

Background

Shuttling is the scheduled movement of postal-owned vehicles from a Post Office to a VMF or commercial vendor for maintenance or repair. VMF managers have the discretion of using Postal Service employees, vendors associated with the national VMRA, or local vendors.

In FY 2014, the 25 VMFs had 361 full-time employees and one PSE. During FY 2015, staffing increased to 378 full-time employees and five PSEs (see [Appendix D](#)).

The Postal Service uses commercial labor to shuttle drivable vehicles for routine scheduled maintenance or repair; however, some VMFs have wreckers that do not require a commercial driver's license (see Figure 2). There were 26 wreckers or transport trailers assigned to 19 of the 25 VMFs we reviewed (see [Appendix E](#)).

Figure 2. Postal-Owned Wreckers Used for Shuttling



Source: OIG photograph taken November 3, 2015.

The Postal Service uses SEAM to track shuttling labor costs. AC 28 captures VMF labor hours assigned to perform shuttle service, along with shuttling services provided by commercial vendors. Regardless of payment type, all labor hours and costs for shuttling postal-owned vehicles for scheduled maintenance and repair should be recorded in SEAM. See [Appendix F](#) for a flowchart of the Postal Service's shuttling process.

Objective, Scope, and Methodology

Our objective was to determine whether the Postal Service was cost effectively shuttling postal-owned vehicles in the Northeast Region. We judgmentally selected 25 of the 38 VMFs in the Northeast Region for review. To accomplish our objective, we:

- Reviewed and evaluated criteria and procedures related to vehicle shuttling.
- Met with the Postal Service Headquarters manager, Fleet Operations, and senior fleet operations specialist to gain a better understanding of the vehicle shuttling process.

- Consulted with the OIG Operations research expert to determine the sample size and cost-saving methodology.
- Obtained, reviewed, and evaluated SEAM data for FYs 2014 and FY 2015.
- Analyzed shuttling contracts for national VMRA and local vendors.
- Conducted site visits at 23 VMFs and interviewed VMF managers at 25¹⁶ sites about their shuttling process, obtained supporting documentation, and reviewed shuttle invoices.
- Discussed results of the audit with Postal Service management, including the vice president, Delivery Operations; the manager, Fleet Operations; and the Northeast Region fleet manager.

We assessed the reliability of computer-generated data by reviewing source documents and interviewing agency officials knowledgeable about the data. We relied on existing Postal Service criteria and documentation available on the Postal Service intranet and shuttling agreements provided by the Postal Service. We determined that the data were sufficiently reliable for the purposes of this report.

We conducted this performance audit from September 2015 through May 2016, in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on March 8, 2016, and included their comments where appropriate.

Prior Audit Coverage

We did not identify any prior audits or reviews related to the objective of this audit.

¹⁶ We contacted management at the Puerto Rico VMFs by telephone.

Appendix B: Shuttling/Towing Rates and Fees

Selected VMFs	Hourly Rate	Hook-up Fee	Mileage Rate	Comments
ALBANY	\$75 - \$80			
BINGHAMTON AUX-OF ALBANY	\$90			
BROCKTON			\$28 flat rate for first 5 miles, then \$1.30 per mile.	
BUFFALO		\$45	\$1.75 per mile	
EDISON		\$20 - \$30	\$1.50 per mile	
ELMIRA AUX-OF BUFFALO	\$70			
FALL RIVER		\$25 - \$35	\$1.50 to \$1.75 per mile	
FRAMINGHAM		\$25	\$1.50 per mile	
HACKENSACK	\$78			Most shuttling costs recorded in wrong account code 22.
HARTFORD	\$75 - \$150	\$40 - \$80	\$1.50 to \$4.50 per mile	
KEARNY	\$234			Shuttling used only for heavy duty vehicles and spotters.
NEW HAVEN	\$60 - \$225	\$50	\$5.00 per mile	Rates change based on the type of vehicle and vendor.
NEWARK	\$65 - \$100		\$1.75 per mile over 5 miles \$3 per mile over 10 miles	
PATERSON	\$60 - \$75		\$4.00 per mile after 5 miles	
PONCE AUX-OF SAN JUAN		\$30	\$3.00 per mile	Government sets rate.
PORTLAND			\$100 - \$200 flat rate for first 50 miles \$2.16 - \$2.74 per mile over 50 miles, plus \$20 additional for multiple stops, plus 23% fuel surcharge.	
ROCHESTER			\$25 - \$150 flat rate plus \$1.50 - \$3 per mile plus other fees for other tows.	
SAN JUAN		\$30	\$3.00 per mile	Government sets rate.
STAMFORD				No commercial labor used.
SYRACUSE	\$75 - \$125			
UTICA AUX-OF ALBANY	\$80			
WATERBURY	\$60 - \$100	\$40 - \$88	\$1 to \$5 per mile	
WESTCHESTER	\$75 - \$250			Plus 13.53 % Admin. Fee for National Contractor.
WESTERN NASSAU				No commercial labor used.
WORCESTER	\$150	\$30 - \$40	\$2.00 to \$2.50 per mile	

Source: Postal Service VMF managers.

Appendix C: Shuttling Labor Costs for 25 Vehicle Maintenance Facilities

Selected VMFs	FY 2014			FY 2015		
	VMF Labor	Commercial Labor	Total Labor	VMF Labor	Commercial Labor	Total Labor
ALBANY	\$37,532	\$1,002,735	\$1,040,267	\$160,783	\$816,622	\$977,405
BINGHAMTON AUX-OF ALBANY	36,786	37,910	74,696	31,988	82,426	114,414
BROCKTON	0	456,503	456,503	46,365	486,710	533,075
BUFFALO	21,698	312,815	334,513	34,569	262,127	296,696
EDISON	0	45,524	45,524	145	62,831	62,976
ELMIRA AUX-OF BUFFALO	1,840	24,841	26,681	14,542	31,396	45,938
FALL RIVER	255	201,486	201,741	114,906	199,481	314,387
FRAMINGHAM	457	141,888	142,345	1,692	122,617	124,309
HACKENSACK	0	3,769	3,769	670	5,778	6,448
HARTFORD	306,616	543,434	850,050	278,652	622,856	901,508
KEARNY	79,754	678	80,432	109,413	5,153	114,566
NEW HAVEN	44,385	311,804	356,189	51,456	118,863	170,319
NEWARK	1,357	223,596	224,953	4,022	327,776	331,798
PATERSON	8,946	0	8,946	6,562	1,908	8,470
PONCE AUX-OF SAN JUAN	0	186	186	0	35	35
PORTLAND	3,540	270,274	273,814	22,635	316,001	338,636
ROCHESTER	4,921	261,015	265,936	21,528	308,005	329,533
SAN JUAN	26,028	88	26,116	40,406	0	40,406
STAMFORD	67,647	0	67,647	138,905	0	138,905
SYRACUSE	161	359,518	359,679	23,834	370,233	394,067
UTICA AUX-OF ALBANY	52,709	7,505	60,214	57,915	950	58,865
WATERBURY	112,073	76,562	188,635	128,154	141,672	269,826
WESTCHESTER	468	451,423	451,891	14,435	2,043,324	2,057,759
WESTERN NASSAU	884	0	884	27,845	0	27,845
WORCESTER	7,919	246,471	254,390	22,466	244,242	266,708
Total	\$815,976	\$4,980,025	\$5,796,001	\$1,353,888	\$6,571,006	\$7,924,894

Source: SEAM Vehicle Maintenance Cost Report in Dollars.

**Appendix D:
Vehicle Maintenance
Facility Staffing**

District	Selected VMFs	FY 2014				FY 2015				FY 2016
		Mechanic	Garagemen	PSE	Total	Mechanic	Garagemen	PSE	Total	Additional PSEs Allowed ¹⁷
CARIBBEAN	SAN JUAN	12	2		14	10	3		13	2
	PONCE AUX-OF SAN JUAN	4			4	3			3	
GREATER BOSTON	WORCESTER	13			13	14			14	2
	FRAMINGHAM	8			8	9			9	1
	BROCKTON	15	1		16	17	1	1	19	2
NORTHERN NEW ENGLAND	PORTLAND	14	1	1	16	15	1	1	17	3
CONNECTICUT VALLEY	FALL RIVER	7	2		9	9	3		12	1
	HARTFORD	32			32	31			31	4
	NEW HAVEN	18	2		20	20	2		22	2
	WATERBURY	14			14	14			14	2
	STAMFORD	13			13	14			14	2
NORTHERN NJ	NEWARK	21	2		23	25	2		27	3
	KEARNY	12	1		13	11	1		12	1
	PATERSON	9			9	12	1		13	2
	HACKENSACK	9			9	7	1		8	1
	EDISON	21	1		22	25	1		26	3
WESTCHESTER	WESTCHESTER	17	1		18	17	1		18	2
LONG ISLAND	WESTERN NASSAU	17	3		20	18	3		21	2
ALBANY	ALBANY	23			23	22		2	24	1
	BINGHAMTON AUX-OF ALBANY	5			5	5			5	
	UTICA AUX-OF ALBANY	4	1		5	3	1		4	
	SYRACUSE	15			15	16		1	17	1
WESTERN NEW YORK	BUFFALO	22			22	20			20	3
	ELMIRA AUX-OF BUFFALO	3			3	3			3	
	ROCHESTER	16			16	17			17	2
Total		344	17	1	362	357	21	5	383	42

Source: SEAM VMF Employee Roster report.

¹⁷ PSEs were calculated using March 2016 staffing information provided by postal management. The maximum number of PSEs was based on 10 percent of the total number of career motor vehicle craft employees within each district, minus any PSEs on the roster. All 38 VMFs in the Northeast Region were included in the analysis; however, only PSEs applicable to the 25 VMFs, included in the audit, are noted.

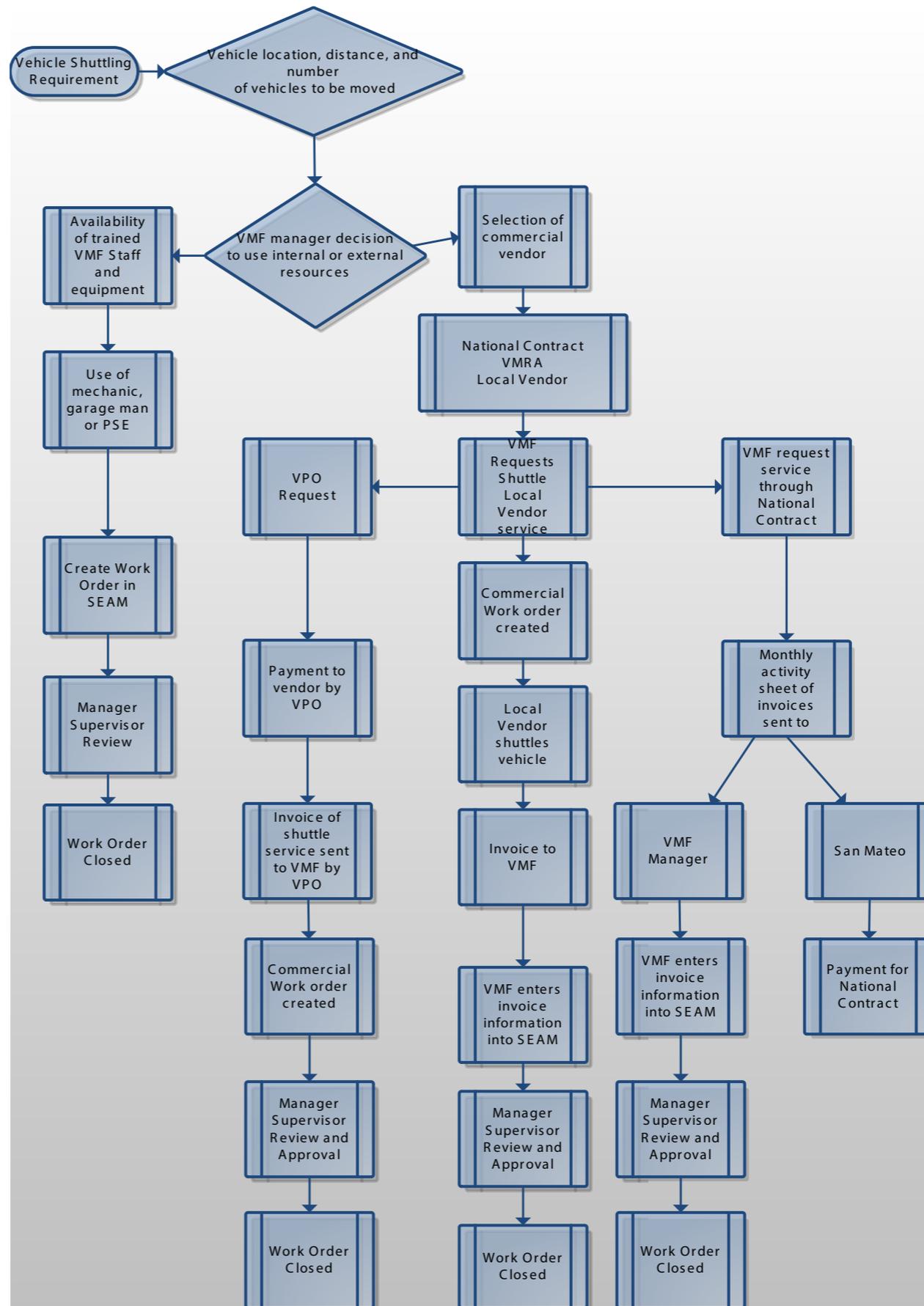
**Appendix E:
Vehicle Maintenance
Facility Vehicle Count**

Selected VMFs	FY 2014		FY 2015	
	Wrecker/ Transport Trailer	Other ¹⁸	Wrecker/ Transport Trailer	Other
ALBANY	1	982	1	1,039
BINGHAMTON AUX-OF ALBANY	1	236	1	265
BROCKTON	1	834	1	845
BUFFALO		1,245		1,259
EDISON	3	1,060	3	1,052
ELMIRA AUX-OF BUFFALO		184		191
FALL RIVER		483		490
FRAMINGHAM		588		587
HACKENSACK	1	744	1	738
HARTFORD	2	1,320	2	1,312
KEARNY	1	269	1	235
NEW HAVEN	1	930	1	898
NEWARK	2	1,873	2	1,880
PATERSON	1	948	1	946
PONCE AUX-OF SAN JUAN		190		162
PORTLAND	1	807	1	863
ROCHESTER	1	860	1	875
SAN JUAN	3	751	3	765
STAMFORD	1	737	1	659
SYRACUSE	1	647	1	710
UTICA AUX-OF ALBANY	1	241	1	242
WATERBURY	1	643	1	673
WESTCHESTER	2	1,661	2	1,667
WESTERN NASSAU	1	855	1	857
WORCESTER		643		647
Total	26	19,731	26	19,857

Source: SEAM VMF *Vehicle Count* report.¹⁸

¹⁸ Non-shuttling postal vehicles assigned to the VMF.

Appendix F: Flowchart of Vehicle Shuttling Process



Source: OIG analysis.

Appendix G: Management's Comments

EDWARD F. PHELAN, JR.
VICE PRESIDENT, DELIVERY OPERATIONS



April 11, 2016

LORI LAU DILLARD
DIRECTOR
AUDIT OPERATIONS

SUBJECT: Response to Draft Audit Report – Vehicle Shuttling –
Northeast Region (Report Number DR-AR-16-DRAFT)

Below is managements' response to this audit.

The USPS disagrees with the analysis, findings and recommendations of the Vehicle Shuttling Report audit based on the significant quantity of flaws referenced in the report. The OIG cost savings analysis relies on USPS violating the current National Agreement with the APWU in utilizing PSEs from Function 1 and Function 4 to perform shuttling work in Function 3, as well as exceeding the 10 percent cap of PSE's in the Motor Vehicle craft. The district cap in the Motor Vehicle craft for PSEs is 10 percent and this is primarily used by the Postal Vehicle Service (PVS) function. Even if the Vehicle Maintenance group had a separate cap it is extremely unlikely that a 50 percent reduction of shuttling contract work could be realized. The OIG also assumes that a PSE would have the necessary skills and qualifications for loading and towing vehicles with heavy equipment similar to the commercial companies that are performing this work. Therefore, comparing a PSE hourly rate to a fully loaded commercial labor rate charged for performing towing service is an unrealistic comparison. This audit recommends a cost analysis be performed before making a decision to contract out work, however, we could find no such analysis or rationale used to determine a 50 percent reduction of commercial hours is realistic. Also, filling mechanic vacancies has been challenging, particularly in the Northeast part of the country. Given the choice of having existing skilled mechanics perform maintenance work or shuttling work, the logical choice is to have mechanics perform maintenance work and contract out the shuttling work.

The OIG projects that reducing commercial labor work hours could save the Postal Service \$2.7 Million based on a 50 percent reduction of commercial work hour cost. This assumption appears to be completely arbitrary and without merit.

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This audit implies the commercial hourly rate variance has no basis and can all be replaced with the hourly rate of a PSE employee. In fact the higher hourly rate is based on commercial vehicle operation's hauling up to three vehicles by a professional driver with a commercial driver's license. The audit fails to recognize the drivers' requirements and cost of equipment to perform these functions as well as mileage and wear and tear on vehicles being driven rather than towed.

We take exception to the OIG audit making specific reference to a VMF manager that was previously identified by Fleet Management to the OIG Investigation Team for improper contractor management. The audit contains nearly a full page of improper practices performed by this VMF manager that were known to Fleet Management and reported to the OIG. This one site contributed 31 percent of the total commercial labor costs for Shuttling in FY 2015. Most frustrating, is management activities to address this issue have been coordinated with the OIG investigators for nearly two years while they continue their work. Now the OIG auditors criticize management's failure to correct the problem. It has been extremely frustrating to allow improper practices contributing to enormous contractor payments to continue while the OIG fraud division, continue their lengthy and tedious investigation. However, we totally understand and have cooperated. It seems the two factions of the OIG failed to communicate with each other and now an audit criticizes USPS for inaction, which is totally inaccurate and disingenuous.

This report claims there is no requirement to evaluate the financial impact for contracting out work while there is clearly an obligation to do just this under Article 32 of the National Agreement. Also, VMB 01-12 clearly outlines the policies and procedures for utilizing the national shuttle contract.

There is also a claim that shuttle time cannot be determined in SEAM which is not accurate. SEAM provides a redundant method of identifying shuttle time in the event that A/C 28 is not used to record shuttle time.

In reviewing the work order hours for the five PSEs on this report, only 27 percent of their work order hours are attributed to shuttling. Based on the 10 percent District cap of PSEs, only 30 additional PSEs could be hired at these sites as opposed to the 42 positions the OIG claims. This assumes PVS has not exceeded their 10 percent which again has not been accurately reflected in this audit. If we were able to hire PSEs to this cap, considering an ambitious rate of 35 percent of the hours being contributed to shuttle, the OIG audit savings of 30,028 hours would be reduced by about half.

This audit as written does not assist the USPS in any way.

Recommendation 1: Reduce commercial shuttling costs by using additional internal resources for shuttling services where available and necessary.

Disagree. While the OIG suggest using additional internal resources, they *clearly* mean using PSEs from other functions and hiring PSEs in the VMF to the detriment of the MVS as there is a combined hiring cap. Vehicle shuttles are performed internally but given the choice of having our skilled mechanics perform maintenance work or shuttle vehicles we want them performing maintenance. If the opportunity presents itself to use internal resources without violating the national agreement we will do so.

Recommendation 2: Develop and implement policies and procedures for managing and overseeing shuttling services to include; performing cost analysis for internal and commercial shuttling services, reconciling invoices to shuttle service requests, directing vehicle post offices to submit invoices to vehicle maintenance facilities, and reassessing national Vehicle Maintenance Repair Agreement vendor guidelines.

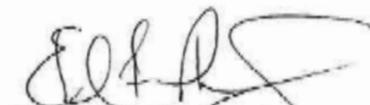
Disagree. The National Agreement Article 32 and VMB 01-12 clearly outline policies and procedures. The two resources are available to the OIG should they want to review them for clarification. The new Fleet Management structure has a built in resource for compliances and will provide greater oversight to ensure local VMF management will utilize the most cost effective contractors.

Recommendation 3: Ensure shuttling costs are accurately recorded in the Solutions for Enterprise Asset Management system.

Agree. In our opinion, for an audit, this is not a recommendation since the policy already exists. We will ensure that this topic is reinforced on the next Fleet Management quarterly SEAM "quick hits" tutorials in the May-June 2016 timeframe.

Target Implementation Date: Completed

Responsible Manager: Philip F. Knoll, Jr.



Edward F. Phelan, Jr.

cc: CARM



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