



September 29, 2006

JERRY D. LANE
VICE PRESIDENT, CAPITAL METRO AREA OPERATIONS

SUBJECT: Audit Report – Vehicle Management – National Trailer Lease
Requirements – Capital Metro Area
(Report Number NL-AR-06-013)

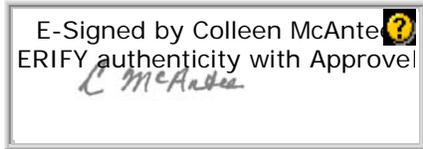
This report is one in a series and presents results from our self-initiated nationwide audit of trailer fleet management (Project Number 05YG001NL000). The objectives of our audit are to determine whether fleet management is effective and to identify opportunities to save money.

In September 2000, U.S. Postal Service Headquarters signed a National Trailer Lease to acquire 4,475 trailers to transport mail. The contract plus renewal option was for a 12-year period and would cost the Postal Service more than one-quarter billion dollars over that period. Headquarters officials allocated 150 national lease contract trailers to the Capital Metro Area. This report focuses on the Capital Metro Area and the 150 trailers allocated to it.

The Postal Service can more effectively manage the National Trailer Lease fleet by improving fleet management control. Because of fleet management control weaknesses, the Postal Service may have missed an opportunity to save \$402,478 by allocating more trailers to the Capital Metro Area than the area needed. However, the Postal Service has an opportunity to save \$1,514,170 by returning unneeded trailers. This represents \$402,478 in questioned costs and \$1,514,170 in funds put to better use, and will be reported as such in our *Semiannual Report to Congress*. We recommended that the Capital Metro Area improve management control and return unnecessary trailers to the control of Postal Service Headquarters for reallocation, or return them to the leasing contractor. Management agreed with our recommendations. Management's comments and our evaluation of these comments are included in the report.

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

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



Colleen A. McAntee
Deputy Assistant Inspector General
for Core Operations

Attachments

cc: Patrick R. Donahoe
William P. Galligan
Susan Brownell
Anthony M. Pajunas
Dwight Young
Steven R. Phelps

INTRODUCTION

Background

During fiscal year 2000, the U.S. Postal Service began a major, multiphased, corporate initiative to terminate local trailer contracts, centralize trailer acquisition at Postal Service Headquarters, and commit to a single national contractor.

In September 2000, the Postal Service signed a “National Trailer Lease” for 4,475 trailers with Transportation International Pool, Inc., a wholly owned trailer and equipment leasing subsidiary of General Electric. The anticipated cost of the 12-year agreement was more than \$250 million. Management stated the centralized national contract would reduce the average cost to lease a trailer from \$11.57 to \$10.21 per day and save the Postal Service more than \$2.2 million annually.

**National Trailer Lease
equipment leaving the
Washington Bulk Mail Center
June 4, 2004.**

**The National Trailer Lease
was intended to provide
trailers to transport mail and
equipment.**



In March 2002, the New York Metro Area requested 1,500 additional trailers under National Trailer Lease Phase II. The lease plus renewal option was again 12 years and the anticipated cost exceeded \$40 million. New York Area officials explained they were excluded when Postal Service Headquarters negotiated Phase I since their local contracts would not have expired for 3 years.

We audited National Trailer Lease Phase I and Phase II (see Appendix A) and concluded the Postal Service did not properly analyze the trailer procurement decision.

Specifically:

- The Postal Service did not adequately consider the number of trailers required and, consequently, may have leased more trailers than needed.
- The Postal Service could have saved money by purchasing needed trailers instead of leasing them.
- The acquisition decision was not supported by reliable data, necessary documentation, or adequate records.
- The acquisition decision did not comply with Postal Service policy or the analytical discipline commensurate with a \$250 million trailer acquisition.

We recommended that, in accordance with Postal Service policy controlling “major operating expense investments,” management prepare a Decision Analysis Report (DAR) and submit it to the Board of Governors for approval.

Management agreed that New York (National Trailer Lease Phase II) already had more trailers than needed, agreed to immediately return 300 trailers to suppliers, and estimated that returning trailers would save more than \$1 million annually. Management acknowledged that Postal Service computer data was unreliable and did not accurately capture all operational requirements, and stated they need a comprehensive analysis to determine if their decision regarding trailer leasing was appropriate. However, senior management explained that they did not want to prepare a formal DAR because such an analysis would require Board of Governors’ approval.

Regarding our conclusion that the Postal Service could save money by purchasing trailers instead of leasing them, senior management explained that at the time of the initial leasing decision, purchase was not feasible because the Postal Service was almost at the debt ceiling of \$15 billion and, due to concerns about debt, was not in a position to purchase trailers.

Senior management also explained the National Trailer Lease provided an advantage over purchased trailers because:

- The lease provided the flexibility to have a trailer inventory only when and where trailers were needed.
- Unlike purchased trailers, there was no obligation to maintain a specific number of trailers in inventory since unneeded trailers could be returned to the leasing contractor.

Trailer Allocation to the
 Capital Metro Area

After they signed the National Trailer Lease, Postal Service officials allocated 150 trailers to the Capital Metro Area, which subsequently allocated 118 to the Washington, DC, Bulk Mail Center (BMC). The Capital Metro Area allocated the remaining 32 Capital Metro Area trailers to the Dulles Processing and Distribution Center (P&DC) and the Richmond, Virginia P&DC as indicated below.

**Allocation of National Lease Trailers to the
 Capital Metro Area**

Facility	Percentage	Allocated Trailers
Washington BMC	79	118
Richmond P&DC	20	30
Dulles P&DC	<u>1</u>	<u>2</u>
Total	100	150

**Objectives, Scope,
 and Methodology**

The objectives of our audit were to determine whether national trailer lease fleet management was effective and to identify opportunities to save money. This report is one in a series and focuses on the Capital Metro Area.

Seventy-nine percent of the 150 trailers allocated to the Capital Metro Area were assigned to the Washington BMC. Because such a large percentage of the trailers assigned to the Capital Metro Area were located at the Washington BMC, we decided to limit our physical inspections and analysis of trailers to those at that facility.

During our work, we interviewed Postal Service officials at headquarters and in the Capital Metro Area and visited the Washington BMC and other Capital Metro Area facilities. We observed and photographed operations, inspected trailers, interviewed supervisors and employees, and examined applicable Postal Service policies and procedures. In addition, we examined the National Trailer Lease and other relevant Postal Service documents and records. We discussed our conclusions and observations with management officials and have included their comments where appropriate.

During our audit, we examined computer data in management's Transportation Information Management Evaluation System (TIMES) for the period March 1, 2003, to September 30, 2005, using computer-assisted analysis techniques. We did not audit or comprehensively validate the data; however, we noted several data quality weaknesses that constrained our work. For example, TIMES had missing or inaccurate records.

In addition, Washington BMC inventory records were not sufficient to allow us to readily identify the location and use of all trailers not physically present at that facility, or determine how long they had been deployed. As a result, we could not determine how management was using those trailers and whether they actually needed them.

Even though data limitations constrained our work, we were able to support our audit conclusions by applying alternate audit procedures, including source document examination, observation, physical inspection, and discussion with responsible officials. We also applied conservative principles to our monetary impact estimates. For more detailed information about our monetary impact methodology see Appendix B.

We conducted work associated with this report from September 2003 through September 2006, in accordance with generally accepted government auditing standards, and included such tests of internal controls as we considered necessary under the circumstances. Work on this audit was delayed because of other audit priorities.

Prior Audit Coverage

Our report, *Trailer Requirements – Northeast Area* (Report Number NL-AR-04-006, dated September 30, 2004), concluded that during the period January 1, 2002, through February 29, 2004, the Postal Service may have missed an opportunity to save more than \$2 million because it leased 250 trailers more than needed to transport mail. The report also stated the Postal Service could still save more than \$7.3 million over the remaining life of the National Trailer Lease plus renewal options by returning unneeded trailers. Our audit also concluded that unneeded trailers were leased because the area was using roadworthy trailers to store equipment and had not analyzed underlying transportation or storage requirements in accordance with Postal Service policy.

National Trailer Lease equipment used for storage at the Springfield, Massachusetts BMC.

Headquarters officials explained that storing mail transport equipment in trailers was not in accordance with Postal Service policy.



Management agreed with our recommendations, agreed that they would continue to analyze trailer requirements, acknowledged that data contained in TIMES was flawed, and stated that they would return unneeded trailers. For additional prior audit coverage see Appendix A.

AUDIT RESULTS

Trailer Use

The Postal Service can more effectively manage the National Trailer Lease fleet by improving fleet management control. Because of fleet management control weaknesses, the Postal Service may have missed an opportunity to save \$402,478 by allocating more trailers to the Capital Metro Area than the area needed.

National Trailer Lease
equipment near the
Washington BMC
March 23, 2004.



We reviewed trailer usage during the period March 1, 2003, to September 30, 2005, and concluded the Capital Metro Area did not have the inventory control necessary to identify unneeded trailers so those trailers could be returned to the leasing contractor. However, we believe the Postal Service has an opportunity to save \$1,514,170 by taking advantage of the lease provisions that allow the Postal Service to return unneeded trailers.

Inventory Control

On September 29, 2003, we visited the Washington BMC and, in response to our inquiries, BMC officials:

- Could not account for 12 trailers, or about 10 percent of the 118 trailers allocated to them.
- Could not explain how management used the missing trailers.
- Could not verify that the missing trailers were actually needed to fill valid transportation requirements.

Officials could not locate the trailers because inventory records were incomplete. The unaccounted for trailers were worth about \$240,000. We subsequently located the trailers using alternative audit procedures, including analysis of TIMES data. According to the data, the 12 missing trailers were located at facilities throughout the Capital Metro Area, but had not been moved for an average of more than 7 months.

Missing Trailer Analysis – September 28, 2003

National lease trailers cost the Postal Service \$10.21 every day.	Trailer Number	Location	Last Moved	Days not Used
Washington BMC managers could not determine where these trailers were or for what they were used.	035627	Baltimore Processing P&DC	April 28, 2003	154
	072143	Baltimore P&DC	April 4, 2003	178
	072159	Southern Maryland P&DC	April 18, 2003	164
	20Z004	Suburban Maryland P&DC	November 14, 2002	319
	20Z005	Calvert Post Office	June 9, 2003	112
	20Z009	Suburban Maryland P&DC	June 7, 2003	114
	20Z014	Suburban Maryland P&DC	May 25, 2003	127
	20Z031	Calvert Post Office	June 9, 2003	112
If these trailers were not needed, the Postal Service incurred approximately \$27,000 in unnecessary costs	20Z037	Baltimore P&DC	February 21, 2002	585
	20Z058	Calvert Post Office	April 21, 2002	526
	20Z070	Baltimore P&DC	June 4, 2003	117
	20Z114	V Street Station, Washington	June 14, 2003	<u>107</u>
	Total days without use			2,615

On August 3, 2005, we again visited the Washington BMC and BMC transportation managers could not account for 36 (almost one-third) of their 118 trailers. The managers

Unused National Trailer Lease equipment located at the Washington BMC October 18, 2005.



told us they generally employed National Trailer Lease equipment locally, frequently used it to stage mail at the BMC, and required trailers deployed away from the BMC to be returned within 48 hours. According to TIMES data (as reflected in the chart below) 28 of the missing trailers had not been used for more than 10 days or had been idle for an average of more than 53 days and, during that period of inactivity, cost the Postal Service more than \$15,000.

Trailer Use Analysis – August 3, 2005

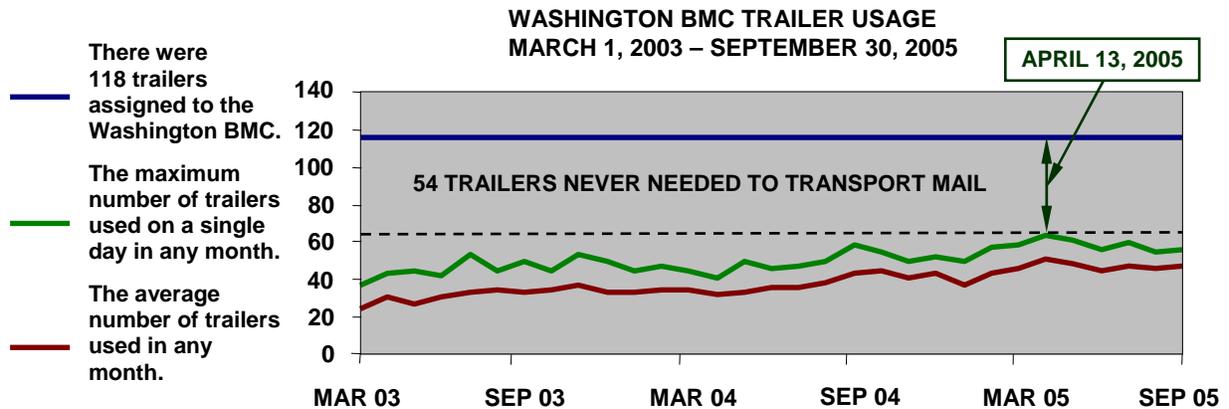
	Trailer Number	Location	Last Moved	Days not Used
Senior Postal Service officials explained that one benefit of the National Trailer Lease was that unused trailers could be returned to the leasing contractor.	20Z001	Curseen Morris P&DC	July 22, 2005	12
	20Z004	Suburban P&DC Annex	May 28, 2005	67
	20Z011	Suburban P&DC Annex	May 29, 2005	66
	20Z012	Baltimore Airmail Center	May 22, 2005	73
	20Z015	Suburban P&DC	May 16, 2005	79
	20Z018	Curseen Morris P&DC	July 16, 2005	18
	20Z020	Suburban P&DC	June 1, 2005	63
	20Z040	Southern Maryland P&DC	April 7, 2005	118
	20Z043	Baltimore P&DC	May 27, 2005	68
	20Z045	Suburban P&DC Annex	July 1, 2005	33
The Capital Metro Area did not have the controls needed to identify unused trailers.	20Z057	Suburban P&DC Annex	July 23, 2005	11
	20Z060	Curseen Morris P&DC	July 13, 2005	21
	20Z061	Suburban P&DC	June 23, 2005	41
	20Z063	Suburban P&DC	June 29, 2005	35
	20Z065	Curseen Morris P&DC	July 21, 2005	13
	20Z071	Suburban P&DC Annex	July 9, 2005	25
The trailers identified in the chart at the right were not used for a total of at least 1,502 days and caused the Postal Service to unnecessarily spend more than \$15,000.	20Z078	Suburban P&DC Annex	July 15, 2005	19
	20Z081	Unknown – could not locate	July 20, 2005	14
	20Z082	Southern Maryland P&DC	April 7, 2005	118
	20Z083	Curseen Morris P&DC	July 23, 2005	11
	20Z084	Suburban P&DC	June 7, 2005	57
	20Z087	Curseen Morris P&DC	April 25, 2005	100
	20Z088	Suburban P&DC	July 19, 2005	15
	20Z090	Curseen Morris P&DC	July 16, 2005	18
	20Z112	South Jersey P&DC	July 18, 2005	16
	389416	Baltimore P&DC	March 29, 2005	127
389433	V Street Station, Washington	July 24, 2005	10	
389523	Curseen Morris P&DC	November 22, 2004	<u>254</u>	
Total days without use				1,502

Trailer Usage

In addition to analyzing trailer inventory, we analyzed trailer usage. As depicted by the chart on the following page, Postal Service TIMES data indicated:

- On average, only 40 trailers (or less than one-half of the total 118 trailers allocated to the Washington BMC) were used every day.

- In more than 2 years, the maximum number of trailers used on a single day was 64 and that was achieved only on April 13, 2005.
- Consequently, 54 trailers (or more than 45 percent of the 118 trailers allocated to the Washington BMC) were never needed to move mail.



Trailer Requirements

The National Trailer Lease was intended to provide trailers for the transportation of mail and equipment. The Washington BMC had more national lease equipment than needed for transportation because officials allocated the 118 trailers without properly analyzing underlying transportation requirements to determine how many trailers were actually necessary for that purpose.

- Capital Metro Area officials explained that, instead of analyzing underlying transportation requirements, the method for allocating trailers assumed the existence of a locally leased trailer in place before the National Trailer Lease implied a valid need. Consequently, management replaced locally leased trailers one-for-one. Officials also stated that records supporting the need for the previous inventory of locally leased trailers were not available.
- The Washington BMC Manager explained the BMC was initially allocated 80 trailers and then given 38 more in February 2003. The manager explained the BMC did not request the additional trailers, did not need them, and had no supporting documents to justify them. The 38 unnecessary trailers cost the Postal Service more than \$140,000 every year.

National lease trailers are “roadworthy” and cost \$10.21 per day. Because Postal Service officials allocated more trailers to the Washington BMC than needed, the BMC used the trailers for other than “over-the-road” purposes when more cost-effective alternatives might have saved the Postal Service money. For example:

Equipment Storage – Our inspections of National Trailer Lease equipment in the yard at the Washington BMC identified trailers loaded with equipment. However, a policy letter from Postal Service Headquarters dated August 11, 2004 (see Appendix C) pointed out that the practice of

This national lease trailer was loaded with pallets, cardboard containers, and trash on February 3, 2005.

Storing equipment in roadworthy trailers is unnecessarily costly.

Equipment can be stored in non-roadworthy trailers at less cost, or in old “Postal Service-owned” trailers at no cost.



storing equipment in trailers leased for transportation was excessive and costly. The letter stipulated that any trailer storage requirement be analyzed and validated in accordance with Postal Service policy and that it was Postal Service policy to fill storage requirements with non-roadworthy trailers at lower rates.

Staging mail for BMC operations – Washington BMC managers told us that because of space constraints within the BMC plant, trailers were needed in the yard to temporarily hold mail to be processed. They explained that trailers used for staging mail did not need to be roadworthy, but said using roadworthy trailers provided flexibility since employees could use the same trailers “over-the-road”. The Washington BMC did not have records to indicate how many trailers were needed for staging mail, but the information provided was consistent with information about mail staging that we obtained in other Postal Service areas where officials explained trailers were needed as an extension of the plant. Consequently, we believe the Postal Service has an opportunity to save money if management analyzes mail staging requirements and officials consider less costly options, such as using non-roadworthy trailers or any other mail staging alternatives that may be available.

Exit Briefings and
Subsequent Events

On May 22, 2006, we met with Capital Metro officials and on June 1, 2006, we met with headquarters Supply Management officials. The purpose of the meetings was to discuss our audit findings and recommendations. At the headquarters meeting, management acknowledged trailer fleet inventory control weaknesses and said the individual areas had not fully analyzed how many trailers they needed. However, management explained that they were in the final stages of negotiating a 6-year lease renewal and that the new lease would probably reduce the \$10.21 per day cost and improve inventory control by requiring each trailer to be equipped with a satellite tracking device.

On June 23, 2006, management notified the U.S. Postal Service Office of Inspector General (OIG) that the new 6-year National Trailer Lease would:

- Reduce lease cost to \$10.07 per trailer per day.
- Terminate all local contract terms and be effective nationwide as of the contract date.
- Require the contractor to fully install satellite trailer tracking systems on all trailers by November 1, 2006.

- Include 4,757 trailers, but allow management to expand or reduce the trailer fleet depending on operational requirements.

As of the date of our report, the National Trailer Lease renewal had not yet been finalized. Management agreed that they would provide a copy of the renewal as soon as it was finalized so we could examine its provisions.

Recommendation	We recommend the Vice President, Capital Metro Area Operations: <ol style="list-style-type: none"><li data-bbox="615 680 1414 749">1. Strengthen inventory control over National Trailer Lease equipment allocated to the Capital Metro Area.
Management's Comments	Management agreed with our finding and recommendation. They stated that all managers with custody of National Lease trailers would report the status of the trailers to the Capital Metro Area every day. Management also explained they had acquired the Vehicle Transportation Analysis and Performance System to monitor trailers at the Washington BMC. Management's comments, in their entirety, are included in Appendix E.
Recommendation	We recommend the Vice President, Capital Metro Area Operations: <ol style="list-style-type: none"><li data-bbox="615 1241 1386 1381">2. Analyze the number of trailers needed to transport mail and equipment and return unneeded trailers to the control of Postal Service Headquarters for reallocation or return to the leasing contractor.
Management's Comments	Management agreed with our finding and recommendation. They stated they were currently undertaking a study to determine the specific number of leased trailers required, and would return any excess trailers to the control of Postal Service Headquarters.
Recommendation	We recommend the Vice President, Capital Metro Area Operations: <ol style="list-style-type: none"><li data-bbox="615 1766 1386 1824">3. Analyze storage requirements and procure storage space in the most cost-effective manner.

Management's Comments	Management agreed with our finding and recommendation. They explained that they were developing both long and short term solutions which included replacing National Trailer Lease equipment with less costly non-roadworthy trailers with savings they estimated at more than \$580,000 over 10 years.
Recommendation	We recommend the Vice President, Capital Metro Area Operations: 4. Analyze mail-staging requirements and procure needed staging capacity in the most cost-effective manner.
Management's Comments	Management agreed with our finding and recommendation. They explained that it was not their practice to stage mail on trailers for extended periods of time, that their analysis of Washington BMC determined sufficient staging capacity currently existed, and that the use of trailers for long-term staging was not required.
Other Management Comments	Management stated that they were in general agreement with all of our findings, but stipulated they could not validate the monetary impact of our findings until they conducted all the analyses we recommended.
Evaluation of Management's Comments	Management's comments are responsive to our findings and recommendations. We consider management's actions, taken or planned, sufficient to address the recommendations we made in our report.

APPENDIX A. PRIOR REPORT COVERAGE

This appendix identifies our various reports on the National Trailer Lease Phase I and Phase II, which, either collectively or individually, concluded the Postal Service did not properly analyze the trailer procurement decision. The purpose of this appendix is to cross-reference the specific issues to our various reports.

“The Postal Service did not adequately consider the number of trailers needed for operations and, consequently, may have leased more trailers than needed.”

- *New York Metro Area Operational Use of Trailers* (Report Number TD-MA-03-001, dated January 29, 2003).

“The Postal Service could have saved money by purchasing needed trailers instead of leasing them.”

- *Trailer Lease Justification* (Report Number TD-AR-02-002, dated March 29, 2002).
- *New York Metro Area Trailer Acquisition – Lease Versus Buy* (Report Number TD-AR-03-009, dated March 31, 2003).

“The acquisition decision was not supported by reliable data, necessary documentation, or adequate records.”

- *Trailer Lease Justification* (Report Number TD-AR-02-002, dated March 29, 2002).
- *New York Metro Area Trailer Acquisition – Lease Versus Buy* (Report Number TD-AR-03-009, dated March 31, 2003).

“The acquisition decision did not comply with Postal Service policy or the analytical discipline commensurate with a \$250 million trailer acquisition.”

- *Trailer Lease Justification* (Report Number TD-AR-02-002, dated March 29, 2002).
- *New York Metro Area Trailer Acquisition – Lease Versus Buy* (Report Number TD-AR-03-009, dated March 31, 2003).

APPENDIX B. COST OF EXCESS TRAILERS NOT USED TO TRANSPORT MAIL AND EQUIPMENT

The Postal Service may have missed the opportunity to save \$402,478 because it leased more trailers than the Washington BMC needed:

Capital Metro Contract 207AL Term: March 15, 2001, to March 14, 2007 (6 years)
Renewal option period for Capital Metro: July 1, 2006, to June 30, 2012*

Number of trailers at Washington BMC from March 2003 to present: 118

Cost of leased trailer per day: \$10.21

Trailers leased at the Washington BMC:	118
Minus highest number of trailers with recorded use on any 1 day between March 1, 2003, to September 30, 2005:	<u>64</u>
Minimum excess number of trailers leased:	54

Number of days during 2 year missed opportunity period: ***	730
\$10.21 per day x 54 trailers x 730 days =	\$402,478

The Postal Service has an opportunity to save \$1,514,170 during the next 10 years of the National Trailer Lease by returning unneeded trailers:

Cost of leased trailer per day: \$10.07

Trailers leased at the Washington BMC:	118
Minus maximum number of trailers with recorded use on any 1 day between March 1, 2003, to September 30, 2005:	<u>64</u>
Minimum excess number of trailers leased:	54

Potential 10 year savings from July 1, 2006,* through June 30, 2016

\$10.07 per day x 54 trailers x 365 days x 10 years =	** \$1,984,797
Present value of savings using the Postal Service Finance discount rate of 5.25% =	<u>\$1,514,170</u>

* July 1, 2006, is the beginning of a new National Trailer Lease negotiated by Postal Service Headquarters replacing the current lease.

** Any associated costs to replace national lease trailers with alternative storage methods for material and equipment will affect the potential savings for the remaining life plus renewal optional of the lease.

***OIG policy limits calculations for missed opportunity to a 2-year period. The data analyzed covered a 31 month period.

APPENDIX C

POLICY FOR EQUIPMENT STORED IN LEASED (SERVICE) TRAILERS

MANAGER, LOGISTICS



August 11, 2004

MANAGERS, DISTRIBUTION NETWORKS (AREA)

SUBJECT: Policy for Equipment Storage in Leased (Service) Trailers

As you know, previous audits conducted by the Office of Inspector General (OIG) cited inefficient management and misuse of the service trailer fleet. In April 2001, we provided you with a summary of the deficiencies reported in the OIG audit and shared management's response to the recommendations for corrective action.

In a recent OIG audit completed in June 2004 to revisit this issue, the practice of using leased (service) trailers for transportation to store mail transport equipment (MTE) continues to be excessive and costly. To ensure that the Postal Service honors its commitment to improve fleet utilization and reduce expenses, the following policy is established to clarify guidelines for appropriate use of leased (service) trailers for storage:

- *Leased (service) trailers may be acquired to store equipment and materials when area storage space is not available. This instruction is in accordance with Handbook AS-701, Material Management, Section 385 – Policy on Trailers for Storage.*
- *When storage space for MTE is required, space requirements must be initially coordinated with the serving Distribution Network Office. Analyze and validate trailer requirements as described in Handbook AS-701, Section 384.22, Identifying Detailed Elements. The area Distribution Network specialist will forward all requests to headquarters Manager, MTE Program, who will, along with the manager of Material Distribution, review the request.*

Acquisition of trailers for storage will be evaluated based on best value for the operation. It is the policy of the Postal Service to award contracts for storage use by acquiring non-road worthy trailer equipment to obtain lower rates.

For assistance in acquiring trailers for storage, please contact Jack Mitchell at (202) 268-4655, Surface Mail Transportation Category Management Center or Gregorio Garcia, Surface Operations (202) 268-5954.

A handwritten signature in black ink, appearing to read "Tony Pajunas".

Tony Pajunas

cc: Ms. Martin
Ms. Van Soest
Mr. Sykes

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-7100
202-268-4948
FAX: 202-268-8647
WWW.USPS.COM

APPENDIX D

ACRONYMS USED IN THIS REPORT

BMC	Bulk Mail Center
DAR	Decision Analysis Report
FOIA	Freedom of Information Act
OIG	U.S. Postal Service Office of Inspector General
P&DC	Processing and Distribution Center
TIMES	Transportation Information Management Evaluation System

APPENDIX E. MANAGEMENT'S COMMENTS

MANAGER, OPERATIONS SUPPORT
CAPITAL METRO OPERATIONS



September 27, 2006

Kim H. Stroud
Office of Inspector General
Director, Audit Reporting
1735 North Lynn Street
Arlington, Virginia 22209-2020

SUBJECT: Transmittal of Draft Audit Report – Vehicle Management – National
Trailer Lease Requirements – Capital Metro Area
(Report Number NL-AR-06-DRAFT)

The Capital Metro Area has reviewed the subject Draft-Audit-Report and is in general agreement with the report findings and recommendations; however, we cannot validate the monetary impact at this time until we have completed our analysis. Our responses to the specific findings of the subject Draft Audit Report are outlined below:

Finding/Recommendation: *Strengthen inventory control over National Trailer Lease equipment allocated to the Capital Metro Area.*

Response: The Capital Metro Area is in agreement with this recommendation and has taken the following steps in addressing this area of opportunity:

1. All National Leased Trailers are being monitored daily for inventory control and utilization. All clusters with custody of National Lease Trailers are required to report the status of these trailers daily to the Capital Metro DNO office.
2. The Capital Metro DNO Office has acquired the Vehicle Transportation Analysis and Performance System (VTAPS) in order to closely monitor the utilization of the largest portion of the leased fleet located at the Washington Bulk Mail Center.

Finding/Recommendation: *Analyze the number of trailers needed to transport mail and equipment and return unneeded trailers to the control of Postal Service Headquarters for reallocation or return to the leasing contractor.*

Response: The Capital Metro Area is in agreement with this recommendation and is currently undertaking a study to determine the specific number of leased trailers required to support mail processing in the Washington BMC Service Area. Any trailers identified as excess to the needs of the operation will be returned to USPS Headquarters for disposal.

Finding/Recommendation: *Analyze storage requirements and procure storage space in the most cost-effective manner.*

MAILING ADDRESS
18501 SHADY GROVE ROAD
GAITHERSBURG, MD 20888-9998
301 548-1415
FAX: 301 548-1471

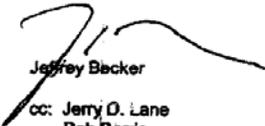
PHYSICAL ADDRESS:
6 MONTGOMERY VILLAGE AVENUE
SUITE 655
GAITHERSBURG, MD

- 2 -

Response: The Capital Metro Area is in agreement with this recommendation and is developing both long- and short-term solutions for this opportunity. In the short-term, our strategy will be to replace road-worthy trailers that had previously been utilized for storage with non road-worthy trailers which are roughly one third the cost. We currently estimate that roughly 20-25 trailers are utilized for this purpose on a daily basis. If used alone, this strategy would net \$580,143 in savings over the next ten years. Long-term solutions for storage will also be assessed for the P&DC operations in the Capital and Baltimore performance clusters, where these vans were held from circulation for local storage use.

Finding/Recommendation: Analyze mail-staging requirements and procure needed staging capacity in the most cost-effective manner.

Response: The Capital Metro Area agrees with this recommendation. It is not our practice or desire to stage mail on trailers for periods longer than eighteen hours at any given P&DC or BMC; however, short term staging of both inbound and outbound loads on trailers are integral to the processing strategy of the BMC, and to a lesser extent the P&DC's. Any anomalies that would necessitate the staging of mail on trailers beyond eighteen hours would be addressed through strategies geared towards improving thru-put and/or redirecting mail volume. Presently, the average trailer unload time at the Washington BMC is less than four hours. Moreover, our analysis of the Washington Bulk Mail Center operations has determined that sufficient staging capacity for mail processing needs currently exist at the site and the use of trailers for the long-term staging of mail is not required.



Jeffrey Becker

cc: Jerry D. Lane
Bob Borris