



March 29, 2008

MICHAEL J. DALEY
VICE PRESIDENT, PACIFIC AREA OPERATIONS

SUBJECT: Audit Report – Vehicle Management – Unsecured Trailers – San Francisco Processing and Distribution Center
(Report Number NL-AR-08-004)

This report presents the results of our audit concerning security deficiencies associated with U.S. Postal Service owned and leased trailers routinely stored on an unsecured lot near the San Francisco Processing and Distribution Center (P&DC) (Project Number 08XG019NL000). The Postal Service leased the lot from the San Francisco Port Commission in October 2001. We initially observed these deficiencies in May 2007 during other audit work and immediately reported them to management and the Postal Inspection Service. We initiated this review as a follow-up to our previous notifications and because of continuing deficiencies we observed on January 9, 2008. The audit addresses various strategic, operational, and financial risks. Refer to [Appendix A](#) for additional information about this audit.

Conclusion

The San Francisco P&DC is leasing an unsecured parking lot near the facility and improperly storing Postal Service owned and leased trailers and mail transport equipment in the lot, thereby placing these assets at an increased risk of loss.

Unsecured Trailers

The San Francisco P&DC improperly stores Postal Service owned and leased trailers on the unsecured lot. The lot has no fences, surveillance cameras, security guards, or other security measures and is open to high-traffic industrial activity along the waterfront, the public parklands along San Francisco Bay, and San Francisco city streets and public thoroughfares.

During our January 9, 2008, inspection, we observed 54 trailers stored on the lot. Many trailers were vandalized with graffiti or otherwise damaged, most trailers were unlocked, and San Francisco P&DC managers were improperly using the trailers to store pallets, mailbags, hampers, or other equipment. We estimated the unsecured trailers and equipment were worth approximately \$1.6 million. Our discussions with Postal Service

employees indicated transient or homeless people were using the lot, sleeping in Postal Service trailers, and using Postal Service equipment to improve their encampments. The conditions existed because officials did not fully consider or implement policies governing Postal Service image, trailer usage, protection of public resources, or safety and security.

We concluded the unsecured conditions diminished the Postal Service's image, reputation and brand; presented a danger to public safety and security; subjected Postal Service vehicles and equipment worth approximately \$1.6 million to theft; and exposed the Postal Service to unrecoverable financial loss. Refer to [Appendix B](#) for our detailed analysis of this issue.

We recommend the Vice President, Pacific Area Operations:

1. Take immediate action to secure Postal Service property and equipment stored on the unsecured lot near the San Francisco Processing and Distribution Center and have damaged or defaced trailers repaired or removed from operation.

Management's Comments

Management agreed with our recommendation and acknowledged that officials in all plant and delivery operations should secure and protect Postal Service owned property from vandalism and unauthorized use. Management stated:

- They were considering elimination of the unsecured lot to store equipment.
- Alternatively, they were considering constructing a security fence, and the San Francisco Port Authority had already authorized them to install such a fence.
- They would repair non-roadworthy trailers or remove them from the fleet in accordance with Postal Service policy.
- During the last week of February 2008, they had implemented a twice-daily lot inventory to ensure that trailers were locked and there was no vandalism, camping, or squatting.
- They would report any security issue to the Postal Police.
- The Postal Police were patrolling the lot 2 to 3 times a day.

Management disagreed that the estimated value of the unsecured trailers and equipment was \$1.6 million but did not specify their own estimate. Management's comments, in their entirety, are included in [Appendix C](#).

Evaluation of Management's Comments

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

We acknowledge management's disagreement with the estimated \$1.6 million value of the trailers and equipment improperly stored on the unsecured lot. Given the absence of reliable inventory records, the OIG used judgment in estimating the value of this equipment. This estimated value was included in the report to point out the potential dollar impact of the assets at risk.

The OIG considers the recommendation significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action is completed. The recommendation should not be closed in the follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

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

E-Signed by Colleen McAntee 
VERIFY authenticity with Approve!


Colleen A. McAntee
Deputy Assistant Inspector General
for Mission Operations

Attachments

cc: Patrick R. Donahoe
William P. Galligan
Susan M. Brownell
Anthony M. Pajunas
Dwight Young
Winifred G. Groux
Diana J. Torpey
Lynn A. Forness
Katherine S. Banks

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

The Postal Service trailer fleet includes trailers the Postal Service both owns and leases. Leased trailers include trailers the Postal Service acquires under the “National Trailer Lease” with Transportation International Pool (TIP), Inc., a wholly-owned trailer and equipment-leasing subsidiary of General Electric. The leased trailer fleet also includes other trailers the Postal Service dedicates exclusively to the distribution of mail transport equipment (MTE).

In October 2001, the Postal Service signed a lease with the San Francisco Port Commission for an unsecured parking lot near the San Francisco P&DC. P&DC officials explained they needed the lot to store trailers.



An MTE trailer and other trailers stored at the unsecured lot near the San Francisco P&DC on January 9, 2008.

On May 17, 2007, during our audit of the National Trailer Lease, we observed 45 trailers stored at the unsecured facility. Some trailers were defaced with graffiti, some had other damage, and most were unlocked. In many cases, the unlocked trailers were loaded with mailbags, hampers, pallets, over-the-road containers, and other MTE.

Postal Service policy requires officials, managers, and employees to properly secure Postal Service vehicles and equipment. Consequently, we immediately notified San Francisco P&DC officials of our observations. We subsequently spoke with P&DC employees who explained transient or homeless people frequented the unsecured lot and were sleeping in the unlocked trailers.

On June 7, 2007, we filed a “Security Deficiency Referral” with the U.S. Postal Inspection Service, San Francisco Division, and followed up with San Francisco P&DC officials. On June 18, 2007, we notified Postal Service Pacific Area officials and on June 20, 2007, we notified Postal Service San Francisco District officials. We recommended that officials correct the unsecured conditions, return unneeded trailers to the leasing contractor, and repair or dispose of damaged Postal Service owned trailers. San Francisco P&DC officials said they would consider installing a perimeter fence, consider other permanent security solutions, lock all trailers, and inventory trailers parked at the lot every day.



A severely damaged Postal Service owned trailer, stored at the unsecured lot on May 17, 2007.

Throughout the summer and fall of 2007, we continued to monitor and observe conditions at the unsecured lot; follow up with area, district, and P&DC officials; and follow up with the Postal Inspection Service. For example, on August 6, 2007, we followed up with the Postal Inspection Service; on August 7, 2007, we revisited the

unsecured lot to observe conditions; and on October 17, 2007, we conducted additional observations. As a result of our follow-up observations, we noted that P&DC officials had removed MTE, locked open trailers, and reduced the number of trailers stored on the lot. However, other security concerns continued to exist. For example, we noted both Postal Service owned trailers and National Trailer Lease equipment had been vandalized with graffiti, and we noted evidence that transient or homeless people were



A Postal Service owned trailer, covered with graffiti, on the San Francisco P&DC's unsecured storage lot August 7, 2007.

living on the Postal Service leased property. On December 19, 2007, and again on December 30, 2007, we followed up with the Postal Inspection Service to discuss our continuing observations.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this audit was to identify continuing unsecure conditions associated with Postal Service owned or leased trailers stored on the unsecured lot near the San Francisco P&DC.

We initially made these observations during our audit of the *National Trailer Lease Renewal – Pacific Area* (Report Number- NL-AR-07-009, dated September 28, 2007), and our ongoing audit, *Postal Vehicle Service (PVS) Transportation Routes – San*

Francisco Processing and Distribution Center (Project 07XG039NL000). For additional information on previous reports, see the Prior Audit Coverage section of this report.

During our work, we interviewed Postal Service officials from the Pacific Area, the San Francisco District, the San Francisco P&DC, and the Postal Inspection Service. We interviewed P&DC managers, supervisors, and employees. We observed and photographed conditions at the unsecured lot, inspected trailers, and examined the lease between the Postal Service and the San Francisco Port Commission. We examined relevant Postal Service policies and procedures, including the *Postal Operations Manual*, dated July 2002, with revisions through April 2007; the Postal Service fleet management policy, dated March 1991; and a Memorandum of Policy from the Postal Service Senior Vice President, Operations, dated October 1, 2001. We also relied on our past vehicle fleet management work, particularly that work associated with fleet safety and security.



Vandals defaced this leased TIP trailer with graffiti. The Postal Service will incur unanticipated costs to repair the trailer before it can be returned to the leasing contractor. Photograph taken at the unsecured lot October 17, 2007.

We examined Postal Service computer-generated data and other records. We did not audit or comprehensively validate the data. However, we applied alternate audit procedures such as examining source documents, observation, physical inspection, and

discussions with appropriate officials. We also discussed our observations and conclusions with senior management officials throughout our work, considered their perspective, and included their comments where appropriate.

We conducted work associated with this performance audit report from May 2007 through March 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform audit work to obtain



Here is another view of the unsecured lot located adjacent to industrial activities and parklands along the San Francisco Bay. Photograph taken May 17, 2007.

sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusion based on our audit objective. We believe the evidence obtained provides a reasonable basis for our finding and conclusion based on our audit objective. We discussed our observations and conclusion with management officials on January 16, 2008, and included their comments where appropriate.

PRIOR AUDIT COVERAGE

Our report, *Vehicle Storage – Robert F. Kennedy Stadium, Washington, D.C.*, identified approximately 200 Postal Service vehicles stored at an unsecured Robert F. Kennedy Stadium parking lot in Washington, D.C. This report identified safety and security

concerns, evidence of vandalism and theft, and insufficient measures to prevent oil from leaking onto the asphalt surface.

Collectively, our reports on the National Trailer Lease identified missing trailers and other security concerns.

Management agreed with all of our prior audit recommendations. For additional information about these reports, see the table below.

Report Title	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Vehicle Storage – Robert F. Kennedy Stadium, Washington, D.C.</i>	NL-MA-04-001	January 13, 2004	Not applicable
<i>Vehicle Management – National Trailer Lease Requirements – Capital Metro Area</i>	NL-AR-06-013	September 29, 2006	\$1.9
<i>Vehicle Management – National Trailer Lease Renewal – Southwest Area</i>	NL-AR-07-005	June 15, 2007	\$4.7
<i>Vehicle Management – National Trailer Lease Renewal – Pacific Area</i>	NL-AR-07-009	September 28, 2007	\$7.5

APPENDIX B: DETAILED ANALYSIS

Unsecured Trailers

On January 9, 2008, we inspected the leased parking lot near the San Francisco P&DC, and observed 54 Postal Service owned or leased trailers that San Francisco P&DC managers had stored there. The lot was unsecured, many trailers were vandalized with graffiti or otherwise damaged, most trailers were unlocked, and San Francisco P&DC



This unlocked trailer was used to store Postal Service equipment. Security is an ongoing concern. This is the same graffiti covered TIP trailer shown on page 6. We took that photograph October 17, 2007, and this one on January 9, 2008.

managers had improperly used the trailers to store Postal Service equipment. We estimated the unsecured trailers and equipment were worth approximately \$1.6 million. We concluded the conditions reflected poorly on the Postal Service's brand or public image and presented a danger to public safety and security. The conditions existed because officials did not fully consider or implement policy governing Postal Service image, trailer usage, protection of public resources, or safety and security. For example:

- Image – Postal Service policy does not specifically address graffiti; however, it explains the Postal Service brand is the essence of customer perception, fleet appearance is an important part of a positive public image, and the Postal Service image is undermined when vehicles do not look professional, uncluttered, and clean.

- Trailer Usage – Postal Service equipment storage policy explains that the practice of storing MTE in roadworthy trailers is excessive and costly. The policy also specifies that any trailer storage requirement be analyzed and validated and that it is Postal Service policy to fill storage requirements with non-roadworthy trailers at lower rates.
- Protecting Resources – Postal Service vehicle policy requires that when vehicles are not in use, they must be locked and secured at all times; that plant managers must inventory and account for all vehicles every day; and that plant managers must report incidences of theft or vandalism. Federal standards also stipulate that managers must protect assets and other resources from unauthorized use.
- Public Safety and Security – Postal Service vehicle policy explains that the Postal Service fleet is a recognized presence in cities and communities nationwide and enjoys high public trust; warns that criminal elements may use Postal Service vehicles to take advantage of the high public trust; and stipulates that, in light of recent terrorist activity, there are no exceptions to vehicle security requirements.

Our January 9, 2008, inspection of the parking lot identified an area open to high-traffic industrial activity along the waterfront, including an active maritime operation, a waste recycling facility, and an electric power plant. The area is also open to public parklands along San Francisco Bay and has free access from San Francisco city streets and



A non-Postal Service tractor-trailer and tractor without a trailer passing through the unsecured lot on May 17, 2007.

public thoroughfares. Because of the industrial activity, traffic patterns routinely included tractor-trailers, tractors without trailers, and other commercial vehicles not engaged in Postal Service operations. As a result of this commercial traffic pattern, we concluded that it would not raise suspicion to see a commercial tractor hooking up to a

Postal Service owned or leased trailer and hauling it away and that criminal elements could easily steal an unsecured trailer and Postal Service equipment.

Our discussions with Postal Service employees and managers also identified concerns about unauthorized use of Postal Service property, with transient or homeless people sleeping in the parking lot, seeking protection from the elements inside the open trailers, and using Postal Service pallets, mailbags, hampers, or other equipment to improve their encampments. In addition, on August 7, 2007, we observed what appeared to be a family setting up their camper on the unsecured lot. Postal Service employees expressed concern that if someone were injured on or by Postal Service property there could be legal action and unrecoverable financial loss.



A family setting up camp on the Postal Service leased lot, potentially to take advantage of adjacent parklands along San Francisco Bay. August 7, 2007.

During our January 9, 2008, inspection, we also observed both Postal Service owned and leased trailers defaced with graffiti. In addition to reflecting poorly on the Postal Service, the vandalized trailers required repair. Provisions associated with the Postal Service National Trailer Lease require that the Postal Service repair any damage to leased trailers before returning them to TIP. The Postal Service would incur similar unnecessary costs repairing Postal Service owned trailers.

Despite open commercial and public access to the leased parking lot and obvious damage to the trailers and equipment stored there, we observed no security measures in place. For example, there were no fences, surveillance cameras, or security guards. As previously noted, on June 19, 2007, San Francisco P&DC managers advised us that they were considering a security fence, but as of our January 9, 2008, inspection, they had not installed a security fence and had no plans to do so. On May 17, 2007, P&DC

managers also explained that the Postal Police periodically patrolled the lot, but our inquiries to the Postal Police and the Postal Inspection Service identified no reported incidents of graffiti, trespassing, vandalism, or other security deficiencies.

On January 16, 2008, we advised the Vice President, Pacific Area Operations, of our observations and explained we would follow up with a written audit report. The Vice President explained he would take immediate action to address the problem by contacting appropriate officials.



MTE stored in an unlocked trailer places Postal Service equipment at risk of theft, damage, and unauthorized use because it provides material for transient people to improve their encampments. Photograph taken at the unsecured lot on January 9, 2008.

On February 11, 2008, officials from the San Francisco P&DC contacted us. The officials acknowledged they had not followed their security procedures or reported incidences of vandalism or unauthorized use. However, they stipulated that they had reinstated daily trailer inventory, would lock trailers that were unlocked, and would report future incidences of vandalism or unauthorized access to both the Postal Police and Postal Inspection Service. The officials also explained they had contacted the San Francisco Port Commission on January 25, 2008, about installing a security fence, and that indications were the Port Commission would authorize the Postal Service to install such a fence. Finally, the officials explained that they repainted graffiti-vandalized trailers at the San Francisco Vehicle Maintenance Facility and tracked those repair costs as a separate item.

APPENDIX C MANAGEMENT'S COMMENTS

MICHAEL J. DALEY
VICE PRESIDENT, PACIFIC AREA OPERATIONS



March 25, 2008

JOHNSON JOHN
DIRECTOR, AUDIT REPORTING (A)
USPS OFFICE OF INSPECTOR GENERAL
1735 NORTH LYNN STREET
ARLINGTON, VA 22209-2020

SUBJECT: Draft Audit Report - Vehicle Management – Unsecured Trailers – San Francisco
Processing and Distribution Center Pacific Area (Report Number NL-AR-08-Draft)

This letter is in response to the subject OIG Audit Report (NL-AR-08) of the San Francisco Processing and Distribution Center Vehicle Management Audit conducted during FY08. While the Pacific Area agrees with the recommendation that postal officials in all plant and delivery operations should secure and protect postal-owned property from vandalism and unauthorized use, we do not agree that the equipment in question is valued at \$1.6M or that the documentation in Appendix B provided sufficient supporting documentation to substantiate this claim.

In addition, processing and distribution centers nationwide periodically rely on the use of trailers to store equipment in efforts to free workroom floors of congestion so as not to impede mail flow. In the case of San Francisco, they use trailers to store empty equipment that is needed to support the plant operations at the P&DC, the San Francisco AMC and the North Peninsula DDC where there is insufficient space to store excess trailers or equipment. San Francisco is presently pursuing the elimination of the pier parking lot for this purpose; however, should this not occur, they plan to move forward with the construction of a fence to secure postal property at the pier location as outlined in item # 4 below.

Much of the empty equipment stored in trailers during the audit was due to the large military operation in San Francisco that processes mail in support of our troop deployments. The mail volume and the equipment needed to support this operation picks up substantially during the fall and peak mail seasons and as a result requires some time to normalize and redistribute.

Recommendation: *Take immediate action to secure Postal Service property and equipment stored on the unsecured lot near the San Francisco Processing and Distribution Center and have damaged or defaced trailers repaired or removed from operation.*

In addition to following up with the San Francisco Processing and Distribution Center management on the various activities they outlined in their teleconference with the OIG on February 11, 2008 as outlined below, the topic of securing postal equipment will be addressed at upcoming management meetings scheduled in the near future.

1. Identified and repaired the road worthy trailers. The non-road worthy trailers will be processed to remove from the fleet in accordance with Postal Service procedures. *The San Francisco VMF & Transportation staff is assessing the total cost of repairs for the damaged trailers.*

11255 RANCHO CARMEL DR
SAN DIEGO CA 92197-0100
858-674-3100
FAX: 858-674-3101
www.usps.com

2. The last week of February implemented a twice daily review and inventory of the leased Pier parking lot to insure that the trailers are locked, there is no vandalism, and there is no camping or squatting in the leased area. The observation of the review is in log maintained by the Transportation and Networks office. *The PPO patrols the Pier 2-3 times a day and maintains a daily log on these patrols.*
3. Any incidences of vandalism or unauthorized access will be reported to the Postal Police.
4. Contacted the San Francisco Port Authority January 28, 2008 for authorization to install a security fence. Since this is a lease contracting issue, San Francisco P&DC management has received approval from the Port Authority to proceed with installation. San Francisco management has developed estimates and has turned the project over to the Facility Service Office to initiate the project once the final approval is given.

If you need additional information, please contact David Minshew, A/Networks Manager, at (510) 292-2463.


Michael J. Daley

cc: William P. Galligan
Susan M. Brownell
Anthony M. Pajunas
Dwight Young
Winifred G. Groux
James L. Larkin
Diana J. Torpay
Lynn A. Forness
Katherine S. Banks
Joe Oliva (OIG)
Drew T. Aliperto
Evelyn J. Murphy
David A. Minshew