May 24, 2005

LEE R. HEATH
CHIEF POSTAL INSPECTOR

SUBJECT: Audit Report – Postal Inspection Service Law Enforcement Vehicles (Report Number SA-AR-05-002)

This report presents the results of our self–initiated audit of the Postal Inspection Service Law Enforcement Vehicles (Project Number 03BN010SA000). Our overall objective was to determine whether the Postal Inspection Service was managing its vehicles in an efficient manner. Specifically, we determined whether policies and procedures for vehicle disposal were appropriate for optimal vehicle usage.

Postal Inspection Service officials followed its disposal criteria regarding vehicle age and/or mileage. However, opportunities exist to optimize vehicle usage and improve the overall management of Postal Inspection Service vehicles. Specifically, the Postal Inspection Service could modify policies and procedures to extend the service life of its vehicles. Also, preparing and maintaining vehicle analysis sheets, as required, could assist officials at division headquarters with making decisions on whether vehicles are suitable and serviceable to remain in the vehicle fleet. In addition, division personnel could improve procedures for monitoring and tracking vehicles Postal Inspection Service officials authorized to be reassigned to the Postal Service to decide whether to defer and/or avoid costs for new vehicles.

We recommended the Chief Postal Inspector implement procedures to extend the service life for Postal Inspection Service vehicles to seven years and/or 94,500 miles for an annual cost-avoidance of approximately $746,000, or $1.5 million over the additional two years. We also recommended the Chief Postal Inspector establish procedures to assure managers review policies and procedures regarding vehicle disposal periodically to achieve optimal vehicle usage, and assure the Inspection Service Manual is updated as appropriate. Extending the service life of Postal Inspection Service vehicles provides an opportunity for $1.5 million of funds put to better use. Finally, we recommended the Chief Postal Inspector assure that personnel at division headquarters prepare and maintain vehicle analysis sheets, and monitor and track vehicles approved for reassignment to the Postal Service.

1735 N Lynn St
Arlington, VA 22209-2020
(703) 248-2100
Fax: (703) 248-2256

Management agreed with recommendations 2 through 4 requiring managers to follow policies and procedures regarding vehicle disposal, implement procedures to assure the Inspection Service Manual is updated regarding vehicle disposal to achieve optimal vehicle usage, and implement procedures to assure officials at division headquarters prepare and maintain vehicle analysis sheets for each vehicle. Management's corrective actions taken or planned satisfy the intent of our recommendations. However, management disagreed with recommendation 1 requiring officials to implement procedures to extend the service life of its vehicles and the cost avoidance and recommendation 5 requiring officials at division headquarters to monitor and track vehicles approved by Postal Inspection Service officials for reassignment to the Postal Service. We do not plan to pursue recommendations 1 and 5 through the formal audit resolution process. Management's comments and our evaluation of these comments are included in the report.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have any questions or need additional information, please contact Sandra Bruce, Director, Oversight of Investigative Activities, or me at (703) 248-2300.

/s/ Mary W. Demory

Mary W. Demory
Deputy Assistant Inspector General
for Core Operations

Attachments

cc: Mary Anne Gibbons
James J. Rowan, Jr.
Steven R. Phelps

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Introduction

This report represents the results of our self-initiated audit of Postal Inspection Service Law Enforcement Vehicles. Our overall objective was to determine whether the Postal Inspection Service was managing its vehicles in an efficient manner. Specifically, we determined whether policies and procedures for vehicle disposal were appropriate for optimal vehicle usage.

Results in Brief

Postal Inspection Service officials followed its disposal criteria regarding vehicle age and/or mileage. However, opportunities exist to optimize vehicle usage and improve the overall management of the Postal Inspection Service vehicle program. Specifically, the Postal Inspection Service could modify its policies and procedures to extend the service life of its vehicles. Further, preparing and maintaining vehicle analysis sheets, as required, could assist division headquarters' officials with determining which vehicles are suitable and serviceable to remain in the vehicle fleet. Vehicle analysis sheets document vehicle mileage, average miles per gallon, vehicle repair cost, and other pertinent information. Postal Inspection Service officials replaced vehicles that had not reached optimal usage and could have been suitable and serviceable to remain in the vehicle fleet. Further, officials could realize a cost-avoidance of approximately $746,000[1] annually, or $1.5 million over the additional two years, by extending the service life of its vehicles, resulting in funds put to better use.

To illustrate, the majority of Postal Inspection Service vehicles disposed in fiscal years (FYs) 2003 and 2004 met the age criteria of five years; however, 70 percent of the vehicles had less than 75,000 miles. The average mileage for vehicles disposed in FYs 2003 and 2004 was 61,371 and 58,649, respectively.

Postal Inspection Service officials stated that they reassigned a significant number of vehicles to the Postal Service. However, we could not validate the number of vehicles reassigned because the officials did not effectively

[1] The annual cost avoidance is based on extending the life of 1,512 of the 2,220 vehicles for the Postal Inspection Service.

monitor and track those vehicles. Effective monitoring and tracking of vehicles transferred to the Postal Service assists with determining: (1) the overall effectiveness and efficiency of the Postal Inspection Service vehicle program, and (2) the benefits to the Postal Service when deferring and/or avoiding costs for acquiring new vehicles.

Additionally, Postal Inspection Service officials stated and we recognized that the Postal Inspection Service's replacement policies were consistent with agencies benchmarked. However, these agencies often continued to operate their vehicles beyond the established criteria due to financial constraints. Further, an informal survey conducted by the Michigan State Police showed that most police agencies replaced their vehicles with mileage between 60,000 and 100,000 miles and other police agencies replace their vehicles with mileage up to 150,000 miles.[2]

Summary of Recommendations

We recommended the Chief Postal Inspector implement procedures to extend the service life for Postal Inspection Service vehicles to seven years and/or 94,500 miles for an annual cost avoidance of approximately $746,000, or $1.5 million over the additional two years. In addition, we recommended the Chief Postal Inspector implement procedures to assure managers review vehicle disposal policies and procedures periodically to achieve optimal vehicle usage, and establish procedures to assure the Inspection Service Manual is updated appropriately.

Further, we recommended the Chief Postal Inspector implement procedures to assure officials at division headquarters prepare and maintain vehicle analysis sheets and assess the results before vehicle disposal and acquisition. Finally, we recommended the Chief Postal Inspector develop procedures to assure personnel at division headquarters monitor and track vehicles approved by Postal Inspection Service officials for reassignment to the Postal Service.

[2] In response to management's comments, OIG reviewed a 2003 Drug Enforcement Agency Study to determine additional agencies' vehicle disposal criteria.

Summary of Management's Comments

Management disagreed with our recommendation to implement procedures to extend the service life of Postal Inspection Service vehicles, including the cost-avoidance of approximately $746,000, or $1.5 million over the additional two years. Specifically management stated that extending the service life of its vehicles would put the safety of employees and anyone transported at risk. Management further stated the cost-avoidance did not reflect the number of vehicles transferred to the Postal Service. Additionally, management stated their replacement policies were consistent with the Postal Service and other agencies benchmarked.

Management agreed with our recommendations to require managers to periodically review vehicle disposal policies and procedures, assure the Inspection Service Manual is updated, and assure officials at division headquarters prepare and maintain vehicle analysis sheets and assess the results before vehicle disposal and acquisition. However, management offered usage of Postal Service (PS) Form 4587, Request to Repair, Replace, or Dispose of Postal Owned Vehicle, in conjunction with the repair limits in Handbook PO 701, Fleet Management, as an alternate solution to the vehicle analysis sheets.

Management disagreed with our recommendation to develop procedures to assure personnel at division headquarters monitor and track vehicles approved by Postal Inspection Service officials for reassignment to the Postal Service, stating usage of PS Form 4587 would provide the necessary documentation to track vehicles transferred to the Postal Service. Management's comments, in their entirety, are included in Appendix C of this report.

Overall Evaluation of Management's Comments

Management did not provide sufficient evidence to substantiate issues with safety. However, our analysis of over 2,000 nationwide vehicle complaints from the National Highway Traffic Safety Administration showed that less than five percent of the complaints were age related safety issues that would not be prevented by maintenance. Also, the General Motors manager, Safety Affairs and Regulations stated that vehicle age would not significantly impact vehicle safety and performance in vehicles that receive preventive and unscheduled maintenance.

Further, the Federal Bureau of Investigation (FBI) reported in its FBI Bulletin, dated August 2002, that there was no conclusive evidence regarding how long a vehicle will last or when safety related parts become dangerous. The bulletin further reported that maintenance and environment are two factors that determine the life expectancy of a vehicle.

Postal Service policy stipulates that administrative vehicles, including law enforcement vehicles, should receive preventive maintenance inspections every 26 weeks and more frequently for higher mileage vehicles such as law enforcement vehicles. Preventive maintenance inspections should provide reasonable assurance that safety related parts could be replaced prior to excessive wear and that potential safety issues could be identified prior to any failures.

Additionally, our analyses showed that the majority of Postal Inspection Service vehicles disposed of in FYs 2003 and 2004 met the age criteria of five years, however, 70 percent of the vehicles had less than 75,000 miles. The average mileage for vehicles disposed of in FYs 2003 and 2004 was 61,371 and 58,649, respectively.

We recognized in this report that the Postal Inspection Service's replacement policies were consistent with agencies benchmarked. However, these agencies often continued to operate their vehicles beyond their established criteria due to financial constraints. Further, an informal survey conducted by the Michigan State Police showed that most police agencies replaced their vehicles with mileage between 60,000 and 100,000 miles and other police agencies replace their vehicles with mileage up to 150,000 miles.

Moreover, Inspection Service officials stated they reassigned a significant number of vehicles to the Postal Service. However, they did not provide any evidence to support the reassignments, nor could we obtain this information from Postal Service officials or the Vehicle Management Accounting System (VMAS). We do not plan to pursue this recommendation through the formal audit resolution process.

Management comments and planned corrective actions regarding recommendations 2 and 3 are responsive and satisfy the intent of our recommendations to require managers to periodically review vehicle disposal policies and procedures and update the Inspection Service Manual, as appropriate. Management comments regarding recommendation 4 are partly responsive. We agree effective use of PS Form 4587 will satisfy the intent of our recommendation to assure personnel prepare, maintain, and assess the results of vehicle analysis sheets prior to vehicle acquisition and disposal. However, the current maintenance reinvestment guidelines in Handbook PO 701 would not fully address the need to further optimize vehicle usage.

Specifically, the maintenance reinvestment guidelines in Handbook PO 701 stipulate that no costs be expended on maintenance for administrative vehicles with an age greater than five years. Postal Service officials recognized the need for a revision and are conducting analyses to extend the service life of administrative vehicles to ten years and/or 100,000 miles and increase the maintenance reinvestment guidelines. This revision would allow for suitable and serviceable vehicles to remain in the vehicle fleet longer and defer the acquisition of new vehicles. Therefore, the Postal Inspection Service should conduct analyses similar to the Postal Service to further optimize its vehicle management program. We do not plan to pursue this recommendation through the formal audit resolution process.

Management disagreed with recommendation 5. However, their proposed corrective action will satisfy the intent of our recommendation to assure personnel at division headquarters monitor and track vehicles approved by Postal Inspection Service officials for reassignment to the Postal Service. We do not plan to pursue this recommendation through the formal audit resolution process.

INTRODUCTION

Background

As a law enforcement and security arm of the United States Postal Service, the Postal Inspection Service is responsible for ensuring the integrity of the mail and the Postal Service by performing investigative, security and preventive services, and by enforcing approximately 200 federal laws that protect the mail, Postal Service employees, customers, and assets.

To help meet its wide-ranging responsibilities, the Postal Inspection Service maintains a fleet of approximately 2,220 vehicles with an asset value of approximately $42 million.[1] These vehicles are primarily used by Inspectors and Postal Police Officers for official business only and are considered for replacement at five years and/or 75,000 miles. The primary method of excessing vehicles is by auction. The Postal Inspection Service participates in two auction processes, one with the Vehicle Maintenance Facilities (VMF) and the other with the General Services Administration. The Postal Inspection Service purchased 467 vehicles for approximately $8.6 million in FY 2003, and 473 vehicles for approximately $9 million in FY 2004.

Vehicle information is maintained in three separate database systems: Vehicle Management Accounting System[4] (VMAS), Inspection Service Database Information System[5] (ISDBIS), and local databases[6] at each division. Additionally, these systems are managed by different functional groups within the Postal Inspection Service and the Postal Service. Vehicle maintenance clerks and general clerks at the Postal Service VMF manage VMAS, while Administrative Specialists and/or Vehicle Coordinators at the Postal Inspection Service divisions manage vehicle information within ISDBIS and the local databases.

[1] Figures reflect the number of vehicles and asset value as of October 2003.
[4] VMAS is the Postal Service system used to manage its fleet of vehicles. The system is intended to track maintenance cost of vehicles and document maintenance workload. It contains parts, vehicle, and fuel inventories.
[5] ISDBIS was the Postal Inspection Service's vehicle tracking system. Effective July 2004, ISDBIS was replaced by the Inspection Service Integrated Information System (ISIIS).
[6] Excel and/or Access software spreadsheets, which include vehicle information managed at each division by Administrative Specialists and/or Vehicle Coordinators.

Objective, Scope, and Methodology

Our objective was to determine whether the Postal Inspection Service was managing its vehicles in an efficient manner with specific emphasis on determining whether policies and procedures for vehicle disposal were appropriate for optimal vehicle usage.

To accomplish our objective, we interviewed Postal Inspection Service and Postal Service officials, including inspectors in charge, the Finance and Administrative Service Center manager, Vehicle Administrators, and managers at the vehicle maintenance facilities. We also interviewed officials from the National Highway Traffic Safety Administration[7] (NHTSA) and General Motors Corporation regarding whether vehicle age significantly impacts safety and performance. Additionally, we reviewed policies and procedures for official vehicles including Postal Service guidance, Inspection Service Manual, Postal Service Fleet Management Handbook PO-701, and applicable federal regulations.

We also reviewed and analyzed vehicle information contained in VMAS and ISDBIS. We reviewed information on disposed and new vehicles for FYs 2003 and 2004. Specifically, we analyzed the age and mileage for Postal Inspection Service vehicles as of October 2003 and vehicles disposed of in FYs 2003 and 2004. Further, we reviewed vehicle reassignment requests for FYs 2003 and 2004 to determine the total number of vehicles authorized by Postal Inspection Service officials for reassignment to the Postal Service.

Additionally, we reviewed and analyzed the Postal Service Make/Model and Component Cost report for fourth quarter,[8] FYs 1999-2003, to determine vehicle maintenance costs. We also reviewed the Kelley Blue Book to identify trade-in values for different types of Postal Inspection Service vehicles. Further, we prepared a life-cycle cash flow analysis of Postal Inspection Service vehicles purchased in

[7] National Highway Traffic Safety Administration is a government agency within the United States Department of Transportation. It has a legislative mandate under Title 49 of the United States Code, Chapter 301, Motor Vehicle Safety, to issue Federal Motor Vehicle Safety Standards and Regulations to which manufacturers of motor vehicles and equipment items must conform and certify compliance.
[8] Fourth quarter report is cumulative for the fiscal year.

2003 and for vehicles that were less than or equal to four years old. [9]

We also statistically sampled NHTSA vehicle complaints to assess the effects of retaining vehicles beyond the current five-year retention period. Specifically, we examined complaints for vehicles age six to nine years old that were typically driven by the Postal Inspection Service to determine whether the complaints identified age related safety issues that would not likely be prevented by maintenance actions. We also analyzed complaints for the same type of vehicles that were less than five years old to determine whether consumers' reported safety related issues similar to those reported in the older vehicles.

This sample included five of the Postal Inspection Service's seven most prevalent[10] vehicles that were age four years old or less as of October 2003 and new vehicles purchased in FY 2003, to determine whether vehicle age significantly impacts vehicle safety and performance. We did not assess the reliability of the computer-generated data from VMAS and ISDBIS, or the data from the NHTSA. However, the data was sufficiently reliable to support the opinions and conclusions in this report. Appendix B provides a detail summary of our analysis.

We benchmarked with the Air Force Office of Special Investigations, Drug Enforcement Administration, Federal Bureau of Investigation (FBI), and United States Secret Service to assess their criteria for vehicle disposal. We did not independently verify information received from these agencies and only used the information to show agency comparisons. We also reviewed the Postal Service and Postal Service Office of Inspector General's (OIG) vehicle disposal criteria.

This audit was conducted from November 2003 through May 2005 in accordance with generally accepted government auditing standards and included such tests of internal controls as were considered necessary under the

[9] Vehicles included in the universe of vehicles less than or equal to four years old were recorded in VMAS as of October 2003.
[10] Prevalent vehicle makes and models represented 57 percent of Postal Inspection Service vehicles.

circumstances. We discussed our observations and conclusions with management officials and included their comments, where appropriate.

Prior Audit Coverage

[redacted]

AUDIT RESULTS

Improved Vehicle Management Could Optimize Vehicle Usage

Postal Inspection Service officials followed their disposal criteria regarding vehicle age and/or mileage. However, opportunities exist to optimize vehicle usage and improve the overall management of Postal Inspection Service vehicles. Specifically, the Postal Inspection Service could modify policies and procedures to extend the service life of its vehicles. Also, officials at division headquarters could prepare and maintain vehicle analysis sheets, as required, to assist with making decisions to dispose of vehicles. In addition, division personnel could improve procedures for monitoring and tracking vehicles Postal Inspection Service officials authorized to be reassigned to the Postal Service.

As a result, Postal Inspection Service officials replaced vehicles that had not reached their optimal use and would have been suitable and serviceable to remain in the vehicle fleet. In addition, officials could realize a cost-avoidance of approximately $746,000[11] annually, or $1.5 million over the additional two years, by extending the service life of its vehicles to seven years and/or 94,500 miles. Appendix A provides a summary of assumptions, methodology, and calculations for the annual cost-avoidance.

Vehicle Disposal

Policies and procedures for vehicle disposal could be modified to further optimize vehicle usage. Specifically, Postal Inspection Service officials did not periodically assess its policies and procedures regarding vehicle disposal. For example, the majority of vehicles disposed of in FYs 2003 and 2004 met the age criteria of five years. However, about 70 percent of these vehicles had less than 75,000 miles. The chart on the next page depicts the number, percentage, and age of vehicles disposed of in FYs 2003 and 2004 with less than 75,000 miles.

[11] The annual cost avoidance is based on extending the life of 1,512 of the Postal Inspection Service's 2,220 vehicles.

Disposed Vehicles With Mileage Less Than 75,000

Description	FY 2003	FY 2004
Disposed Vehicles	463[12]	388[13]
Vehicles With Mileage Less Than 75,000	333	283
Percentage of Vehicles With Mileage Less Than 75,000	72[14]	74[15]
Average Age (Years)	5	5

Our analysis of the 463 and 388 vehicles disposed of in FYs 2003 and 2004, respectively, established an average of 232 miles per week per vehicle. The chart below depicts the overall average mileage and age for vehicles disposed in FYs 2003 and 2004.

Analysis of Age and Mileage for Disposed Vehicles

Description	FY 2003	FY 2004
Average Current Mileage	61,371	58,649
Average Yearly Mileage	12,025	12,132
Average Weekly Mileage	231	233

Based on Inspection Service Manual, Section 156.721, dated July 1, 2003, Postal Inspection Service vehicles will be considered for disposal on an individual basis when a vehicle has been in use for five years and/or driven 70,000 miles. In December 1996, the Deputy Chief Inspector, Administration, issued a memorandum to change the disposal criteria to five years and/or 75,000 miles.

Also, we benchmarked with four federal law enforcement agencies to assess their criteria for vehicle disposal. The chart on the next page depicts disposal criteria for the agencies benchmarked:

[12] Of the 463 vehicles, 3 did not have recorded mileage. Therefore, three vehicles were excluded from our computation to determine the percentage of vehicles with less than 75,000 miles.
[13] Of the 388 vehicles, 5 did not have recorded mileage. Therefore, five vehicles were excluded from our computation to determine the percentage of vehicles with less than 75,000 miles.
[14] Computation: 333/460.
[15] Computation: 283/383.

Benchmarking Results for Disposal of Vehicles

Federal Law Enforcement Agencies	# of Years	Mileage
Air Force Office of Special Investigations[16]	NA	NA
Drug Enforcement Administration	6	75,000
Federal Bureau of Investigations[17]	NA	NA
Secret Service	5	60,000

Although agencies benchmarked had disposal criteria similar to the Postal Inspection Service, they did not always dispose of their vehicles in accordance with the established criteria because of financial constraints. In fact, two of the agencies stated generally they disposed of their vehicles with mileage between 80,000 to 90,000 miles.

To identify a more cost effective usage of Postal Inspection Service vehicles, we further analyzed the mileage for Postal Inspection Service vehicles disposed of in FY 2003 by division. Our analyses showed that historically, the Postal Inspection Services' maximum annual average mileage per vehicle was 13,500 miles. Based on our analysis, we concluded that the Postal Inspection Service could extend the life of its vehicles to seven years and/or 94,500 miles (13,500 miles x 7 years), to optimize vehicle usage and realize a cost-avoidance of approximately $746,000 annually, or $1.5 million over the additional two years. In addition, this extension would be consistent with the Postal Service OIG vehicle disposal policies. See Appendix A for the methodology we used to determine the annual cost- avoidance.

We briefed our results to Postal Inspection Service officials during the audit. Although we demonstrated a financial advantage to extending the service life of its law enforcement vehicles, Postal Inspection Service officials stated that extending the life for its vehicles would jeopardize its mission. Further, current vehicle disposal policies were in place for safety reasons.

[16] Vehicles are disposed after predetermined maintenance costs are expended.
[17] Vehicles are disposed based on maintenance cost and request for new vehicles.

We interviewed the manager, Safety Affairs and Regulations, General Motors Corporation,[18] to determine whether vehicle age would significantly impact vehicle safety and performance in vehicles that were less than or equal to eight years and/or 108,000[19] miles. According to the manager, vehicle age would not significantly impact safety and performance if vehicles receive timely preventive and unscheduled maintenance.

Also, we statistically sampled 2,218 nationwide vehicle complaints from the NHTSA regarding Chevrolet Blazer, Chevrolet Impala, Chrysler Jeep Cherokee, Dodge Intrepid, and Ford Crown Victoria[20] with ages ranging from six to nine years. We analyzed complaints and determined whether vehicle age contributed to the issues identified in the complaint. Specifically, we examined complaints regarding newer model vehicles to determine whether similar problems occurred. If we found similar problems, we concluded the failure in the older vehicles was not attributed to an age related problem. Based on our analysis, we project no more than 4.75 percent (105 of 2,218) of the vehicle complaints failed for age related safety issues that would not be prevented by maintenance. Appendix B provides a detailed summary of our analysis.

Therefore, based on our interview with a General Motors official and review of nationwide complaints we concluded extending the service life of Postal Inspection Service vehicles to seven years and/or 94,500 miles would not significantly impact vehicle safety and performance. Furthermore, we reviewed the Postal Service and Postal Service OIG disposal criteria. The Postal Service disposed of its administrative vehicles after eight years and/or 72,000 miles. However, according to the Postal Service, manager, Delivery and Vehicle Operations, Postal Service officials are conducting analyses and studies to support extending the service life for administrative vehicles to ten years and/or 100,000 miles. The OIG revised its policies to extend the service life of its vehicles to seven years regardless of mileage.

[18] In FYs 2003 and 2004, General Motors vehicles represented 62 (290/467) and 58 (272/473) percent of new vehicles purchased by the Postal Inspection Service.
[19] 13,500 miles times eight years.
[20] These vehicles represent five of the Postal Inspection Service's seven most prevalent vehicles that were four years old or less as of October 2003 and new vehicles purchased in FY 2003.

The Postal Inspection Service officials should review vehicle policies and procedures to assure their vehicles reach optimal usage prior to disposal. Periodic reviews of policies and procedures are essential to achieve program efficiency and would assist the Postal Inspection Service in addressing the Postal Service's management challenge of managing costs.

Recommendation

We recommend the Chief Postal Inspector:

1. Implement procedures to extend the service life for Postal Inspection Service vehicles to seven years and/or 94,500 miles for an annual cost-avoidance of approximately $746,000, or $1.5 million over the additional two years.

Management's Comments

Management disagreed with our recommendation to implement procedures to extend the service life of its vehicles and the cost-avoidance, stating extending the service life of its vehicles would put the safety of employees and anyone transported at risk. Management further stated that: (1) the cost-avoidance did not reflect the number of vehicles transferred to the Postal Service, (2) their replacement policies were consistent with the Postal Service and other agencies benchmarked, and (3) the report did not consider the vehicles' long idling times, repeated engine start-ups and shutdowns, and high-speed operations.

Management further stated they contacted the General Motors official we interviewed and were provided contrasting information to what the OIG reported regarding vehicle safety. Additionally, management stated in their comments in an excerpt from the FBI's Bulletin, "Even with the best of care and detailed safety inspections, potential problems can be unresolved. While many parts failures are irritating at low speeds, at high speeds, they can be disastrous and even deadly."[21]

Evaluation of Management's Comments

We disagree with Postal Inspection Service management's assertion that extending the service life of Inspection Service vehicles would jeopardize the safety of employees or the public and affirm our cost-avoidance.

[21] FBI Law Enforcement Bulletin, August 2002.

Management did not provide sufficient evidence to substantiate issues with safety. However, our analysis of over 2,000 nationwide vehicle complaints from the National Highway Traffic Safety Administration showed less than 5 percent of the complaints were age related safety issues that would not be prevented by maintenance. Also, our interview with the General Motors, manager, Safety Affairs and Regulations, regarding the safety of law enforcement vehicles revealed that vehicle age would not significantly impact vehicle safety and performance in vehicles that receive preventive and unscheduled maintenance in a timely manner.

Further, the FBI reported in its Bulletin, dated August 2002, that there was no conclusive evidence regarding how long a vehicle will last or when safety related parts become dangerous. The article further stated, "With high-mileage vehicles, the most common reaction concerns the engine, transmission, and differential. While those objects represent the heart of the automobile and the highest cost items, they are the least likely affected overall by high mileage." Further, the article stated that engineers agree that two factors determine the life expectancy of a vehicle, environment and maintenance.

Postal Service Vehicle Maintenance Bulletin V-07-98, dated June 1, 1998, stipulates in part, that at a minimum, administrative vehicles should receive preventive maintenance inspections every 26 weeks and more frequently for higher mileage vehicles. Inspection Service policy stipulates that vehicle scheduled maintenance should be maintained in accordance with current maintenance bulletins and manufacturers' recommendations.[22] Preventive maintenance inspections provide reasonable assurance that safety related parts are replaced prior to excessive wear and that potential safety issues are identified prior to any failures.

Furthermore, our analysis of Inspection Service vehicles disposed for FYs 2003 and 2004 showed the majority of the vehicles disposed met the age criteria of five years. However, about 70 percent of these vehicles had less than

[22] Inspection Service Manual, Section 156.51, April 1, 2004.

75,000 miles. The overall average vehicle mileage for FYs 2003 and 2004 disposed vehicles was 61,371 and 58,649, respectively.

Also, we agree and recognized in the report that Postal Inspection Service replacement policies were consistent with other law enforcement agencies. However, agency officials stated they did not always dispose of their vehicles as required by established criteria because of financial constraints, and continued to drive the vehicles, resulting in additional miles up to 110,000. Further, we reviewed the Drug Enforcement Administration Motor Vehicle Fleet Maintenance and Replacement Study, dated May 7, 2003. Based on our review, we noted that DEA reported similar results regarding agencies' benchmarked vehicle disposal criteria and their actual compliance. According to the study, six of the seven agencies benchmarked were not able to meet their replacement standards due to budget constraints. Also, an informal survey conducted by the Michigan State Police showed that most police agencies replaced their vehicles with mileage between 60,000 and 100,000 miles and other police agencies replaced their vehicles with mileage up to 150,000 miles.

Although we requested information on the number of vehicles transferred to the Postal Service, Postal Inspection Service officials did not provide the information as requested. In fact, Postal Inspection Service officials stated they had records showing transfers, but their records were not validated and were for internal use only. Additionally, we contacted a Postal Service management official who stated the Postal Service does not have a tracking or reporting system to show the number of Postal Inspection Service vehicles transferred to the Postal Service. We also contacted VMF personnel who indicated they had not entered any information in VMAS regarding Inspection Service vehicles transferred or sold in FY 2004.

Recommendations	We recommend the Chief Postal Inspector: 2. Require managers to review Postal Inspection Service policies and procedures periodically regarding vehicle disposal to assure the policies and procedures are appropriate for optimal vehicle usage. 3. Implement procedures to assure the Inspection Service Manual is updated regarding vehicle disposal to achieve optimal vehicle usage.
Management's Comments	Management agreed with recommendations 2 and 3 to require managers to periodically review vehicle disposal policies and procedures to assure the policies and procedures are appropriate for optimal vehicle usage and implement procedures to assure the Inspection Service Manual is updated appropriately.
Evaluation of Management's Comments	Management's comments and planned corrective actions regarding recommendations 2 and 3 are responsive and satisfy the intent of our recommendations.
Vehicle Analysis Sheets	Postal Inspection Service officials at division headquarters did not prepare and maintain vehicle analysis sheets, as required. Vehicle analysis sheets document vehicle mileage, average miles per gallon, repair cost, and other pertinent vehicle information necessary for effective vehicle management. Based on Inspection Service Manual 156.722, replacement of each vehicle will be determined on an individual basis when Section 156.721 of the Inspection Service Manual has been met. Further, division headquarters must maintain an analysis sheet for each Postal Inspection Service vehicle including: • Total mileage through the close of the fourth accounting period of each fiscal year. • Average miles per gallon of gas. • Major and repetitive repairs. • A statement on the overall condition of the vehicle.

We requested vehicle analysis sheets for all vehicles disposed of in FYs 2003 and 2004. Officials stated they were not aware of the requirement for completing analysis sheets and generally considered vehicle age and mileage to identify vehicles for disposal. Vehicle analysis sheets could have assisted management with: (1) identifying vehicles that were suitable and serviceable to remain in the fleet and (2) deferring and/or avoiding the costs for acquiring new vehicles.

Recommendation

We recommend the Chief Postal Inspector:

4. Implement procedures to assure officials at division headquarters prepare and maintain vehicle analysis sheets for each Postal Inspection Service vehicle, as required, and assess the results before vehicle disposal and acquisition.

Management's Comments

Management stated they agreed with the intent of the recommendation, but offered an alternative methodology. Management stated they will use PS Form 4587, Request to Repair, Replace, or Dispose of Postal Owned Vehicle, in conjunction with the repair limits as outlined in Handbook PO 701. Management further stated the use of these tools would take the place of vehicle analysis sheets and would be required for each vehicle before disposal.

Evaluation of Management's Comments

Management's comments are partly responsive to our recommendation. We agree effective use of PS Form 4587 would satisfy the intent of our recommendation to assure personnel prepare and maintain vehicle analysis sheets and assess the results prior to acquisition and disposal. However, PS Form 4587 used in conjunction with the maintenance reinvestment guidelines in Handbook PO 701, would not fully address the need to further optimize vehicle usage.

Specifically, the maintenance reinvestment guidelines in Handbook PO 701 stipulate that no cost be expended on maintenance for administrative vehicles with an age greater than five years. Postal Service officials recognized the need for a revision to the handbook and are conducting analyses to extend the service life of administrative vehicles to ten years and/or 100,000 miles and increase the

maintenance reinvestment guidelines. This revision would allow for suitable and serviceable vehicles to remain in the vehicle fleet longer and defer the acquisition of new vehicles. Therefore, the Postal Inspection Service should conduct analyses similar to the Postal Service to further optimize its vehicle management program. We do not plan to pursue this recommendation through the formal audit resolution process.

Reassigned Vehicles Could Not Be Validated	Postal Inspection Service officials stated they reassigned a significant number of vehicles to the Postal Service. However, we could not validate the number of vehicles reassigned to the Postal Service because Postal Inspection Service officials did not effectively monitor and track vehicles they authorized for reassignment. Also, according to Postal Inspection Service officials, all reassignment requests were not forwarded to the Procurement and Administrative Service Center, as required. Inspection Service Manual, Section 156.74, requires Postal Service managers to direct their requests for Postal Inspection Service vehicles to the respective inspector in charge (INC). The INC should then forward the request, with recommendations, to the Procurement and Administrative Service Center[23] for final approval. We requested the total number of vehicles disposed of in FYs 2003 and 2004 that were reassigned to the Postal Service. Officials at the Procurement and Administrative Service Center provided a total of 39 email requests, 35 for FY 2003 and 4 for FY 2004. However, we were informed the emails provided did not represent the total number of vehicles reassigned to the Postal Service for FYs 2003 and 2004. Officials also stated that they were not aware of the total number of vehicles reassigned. Furthermore, vehicle assignment requests have typically been approved by personnel at the Procurement and Administrative Center, Inspectors in Charge, and personnel at the VMF. However, these personnel did not forward all requests to the Procurement and Administrative Service center for final approval, monitoring, or tracking. Additionally, officials stated that information on the total

[23] Formerly known as the National Headquarters, Finance, and Administrative Service Group.

number of vehicles reassigned for FYs 2003 and 2004 was provided to Postal Inspection Service headquarters' officials. We requested a copy of the information and were told the information was not validated, incomplete, and for internal use only. Therefore, we did not receive a copy of the information and could not validate the number of vehicles reassigned to the Postal Service.

Effective monitoring and tracking of reassigned vehicles is necessary to determine the overall effectiveness and efficiency of the Postal Inspection Service vehicle program and the benefits derived by assisting the Postal Service with deferring and avoiding of the costs for acquiring new vehicles.

Recommendation

We recommend the Chief Postal Inspector:

5. Develop procedures to require officials at division headquarters to monitor and track vehicles approved by Postal Inspection Service officials for reassignment to Postal Service.

Management's Comments

Management disagreed with our recommendation and stated that the usage of PS Form 4587 would provide the necessary documentation to track vehicles transferred to the Postal Service. Management further stated they would explore the possibility of PS Form 4587 being completed online and a copy sent to the Procurement and Administrative Service Center.

Evaluation of Management's Comments

Management's proposed corrective action to use PS Form 4587 would satisfy the intent of our recommendation to monitor and track vehicles they approve for reassignment to the Postal Service. However, for effective monitoring and tracking, management should assure the forms are completed online and copies are sent to the Procurement and Administrative Service Center. These procedures will produce the necessary documentation for personnel at the

Procurement and Administrative Service Center to effectively monitor and track vehicles approved by Inspection Service officials for reassignment to the Postal Service.

APPENDIX A. COMPARATIVE COST ANALYSIS METHODOLOGY

Objective

To estimate the amount of potential cost avoidance to the Postal Service if Postal Inspection Service law enforcement vehicles are used for longer than five years, specifically for seven and eight years.

Scope

The universe is 1,512 law enforcement vehicles nationwide that are four years old or younger. The analysis covers up to eight years of life cycle.

The following depicts the universe:

Model Year	Vehicle Count
2000	443
2001	326
2002	287
2003	456
Total	**1,512**

Methodology

The comparative discounted cash flow analysis based on Postal Service guidelines is used to estimate the potential cost avoidance.

Option 1 (Baseline): Use for Five years – Five-year cash flow under the existing situation.

Option 2: Use for Seven years – Seven-year cash flow.

Option 3: Use for Eight years – Eight-year cash flow.

Net Present Value

The Net Present Value (NPV) of cash flow of each scenario is determined by discounting net cash flows at the prevailing discount rate in 2000 (the year in which the oldest vehicles were acquired). To have consistency for the four acquisitions (2000-2003), the known discount rate in 2000 is used for analyzing all three options.

Net Present Value Comparison

When comparing alternatives using NPV, the time horizon for all alternatives must be the same. Since the time frame of each option is not the same in this case, we applied the Equivalent Annual Annuity method. This method requires three steps:

- Calculate the NPV for each alternative.
- Find the annuity for each alternative over its specific time horizon.
- Compare the annuity of each.

The following are the factors for eight years.

Period (year)	Factor
1	0.90909090
2	0.82644628
3	0.75131480
4	0.68301345
5	0.62092132
6	0.56447393
7	0.51315811
8	0.46650738

Sum of Present Value Factors

The following are the sum of the above factors for five, seven, and eight years.

- Five years: 3.790786769
- Seven years: 4.868418818
- Eight years: 5.334926198

Annuity Value Calculation

The annuity value of the cash flow is calculated by dividing the net present value of the cash flow by the sum of the present value interest factors. The annuity values of Option 2 and Option 3 are compared with that of the baseline (Option 1).

Assumptions

Acquisition program for four years started in 2000.
Salvage value: historical ratio of purchase price and resale value.
Maintenance cost: weighted average actual cost for years one through eight.

Cash Flow Items

The following identifiable cost items are used in the analysis.

- Purchase price
- Maintenance cost
- Residual value (resale price)

Maintenance Costs Analysis

The audit team obtained Postal Inspection Service Division maintenance costs from Postal Service's Make, Model and Component Cost Report, Report Number AEL302P11, for all Postal Inspection Service vehicles in inventory in each maintenance year examined. For each division and for each of five recent years of data

(maintenance years FYs 1999 through 2003), we had maintenance costs by vehicle model year. All costs listed were applicable to the cash flow analysis except for the depreciation term. For each combination of vehicle age and maintenance year, we summed the maintenance costs across all Postal Inspection Service divisions, subtracted the depreciation amounts, and calculated the average maintenance cost per vehicle. We then compared the average costs among the maintenance years for each age vehicle and found them to be reasonably consistent within each vehicle age group. There were some fluctuations but there was no particular pattern to them: the average cost within a vehicle age group was not, for example, steadily increasing or decreasing. Therefore, we used an average cost across the five maintenance years to represent the average maintenance cost for all vehicles in an individual vehicle age group. This produced a curve of increasing maintenance costs as a function of vehicle age, with the average, per vehicle, maintenance costs shown in Table 1 below. For the cash flow analysis, we used the "smoothed" values also indicated in the table.

Table 1. Average Vehicle Maintenance Cost as a Function of Vehicle Age

Vehicle Age, years	Average Maintenance Cost, $ per year	Smoothed Maintenance Cost, $ per year
12	2,296	2,200
11	2,048	2,175
10	2,138	2,150
9	1,947	2,125
8	2,085	2,100
7	2,167	2,050
6	2,061	2,000
5	1,794	1,920
4	1,783	1,840
3	1,760	1,760
2	1,541	1,540
1	1,194	1,195

Resale Value Analysis

For this analysis, we used the current fleet of Postal Inspection Service vehicles to determine the primary models of vehicles for which we needed resale values. We used the 2004 Kelley Blue Book values to determine resale values. First we established, based on Postal Inspection Service division usage, two average-mileage-per-year categories to establish mileages for five, seven, and eight-year-old vehicles. For a few low-mileage districts, we used 9,000 miles per year. For the others we used 13,500 miles per year. We noted that a few individual vehicles were driven much more than that, but we were interested in typical usage for this analysis. For each mileage group and vehicle model, we used the current (2004) Kelley Blue Book value for that model as though it had been purchased five, seven, or eight years ago, with the total mileage changing accordingly. In total, we determined current resale values for a total

of 194 model, year, and total mileage combinations. We used these in the cash flow analysis to represent future resale values for the Postal Inspection Service vehicle inventory mix.

Escalation
Maintenance cost is not escalated.

Discount Rate
Postal Service Discount Rate of 10 percent. (Effective March 25, 2000.)

Data Collection
The audit team collected and provided the data for analysis.

APPENDIX B. STATISTICAL SAMPLING AND PROJECTIONS FOR REVIEW OF COMPLAINTS WITH POTENTIAL AGE-RELATED SAFETY ISSUES

Purpose of the Sampling

One of the objectives of this audit was to assess the effects of retaining vehicles beyond the current five-year period. In support of this objective, the audit team employed a stratified random sample of complaints in the NHTSA database to consider the possibility that longer retention of vehicles would result in an unsafe condition. The sample design allows statistical projection of the fraction of vehicles experiencing age-related safety issues that would not likely be prevented by maintenance actions. We also made separate projections for each of the five vehicle models examined with this test.

Definition of the Audit Universe

The audit universe included five vehicle models, representing five models that are prevalent in the Postal Inspection Service fleet. The overall NHTSA complaints universe as of June 1, 2004, was obtained by United States Postal Service OIG, Information Technology team. From the overall file for the five models, we created a calculated column of "date of incident" minus "vehicle model year," thus establishing an age-at-incident for use in this analysis. If the incident date field was blank, we excluded the vehicle from our analysis. For the five models, this process resulted in a total of 2,218 vehicle incidents for which the vehicle involved was six to nine years old at the time of the incident. Specifically, the audit universe included: 363 Ford Crown Victoria vehicles, 668 Jeep Cherokee vehicles, 715 Chevrolet Blazer vehicles, 451 Dodge Intrepid vehicles, and 21 Chevrolet Impala vehicles.

Sample Design and Modifications

The sample size was based on a simple random sample design of complaints (incidents) within each vehicle model group in case we needed to make separate projections by model. Because we expected a low occurrence rate of incidents for the test condition, we calculated the sample size on a one-sided confidence interval, and, because we wanted a high degree of reliability in our finding, we assumed a desired risk of over-reliance of only 5 percent (corresponding to the Government Accountability Office (GAO) recommendation to use a 95 percent "confidence level" for compliance testing). Using a 5 percent allowable upper error limit (tolerable error) for precision, also as recommended in the GAO Financial Audit Manual for compliance testing, we determined a sample size of 59 based on the binomial distribution methodology. Applying the finite population correction for each model group, we calculated a sample size of 50 to 55 for each group. Because the Impala group contained only 21 cases, we

included all 21. The overall sample size for the stratified total sample was, therefore, 231 cases.

All selections for inclusion in the sample were made using the “randbetween” function in Excel to assign random numbers to the items on the universe listing.

Assessment

For the sample of incidents, the team members reviewed and evaluated the incident description for all of the components involved. Some incidents included multiple components, some involved only one. The team gave a yes-or-no rating to each component regarding whether it was a safety-related and age-related failure item that would not have been avoidable by maintenance action (that is, something that would not have been detected as wearing or starting to fail, something that would give no warning). For any “yes” evaluations, the team then examined the data to see whether newer models also showed similar problems; if there were instances of similar problems in “younger” cars, the team changed the preliminary assessment of “age-related” to a “no” evaluation.

We then used the component evaluations from the team to assign an overall vehicle attribute: if the vehicle had one or more involved components rated as "yes," we rated the vehicle as a whole as a "yes" occurrence of the test condition.

Statistical Projections of the Sample Data

Methodology

For projection of the number of compliant items, we observed that, as expected, the sample contained very low occurrence rates of the test condition. Because of the extremely low occurrence rates, we were not able to use the normal approximation to the binomial to calculate occurrence limits. Instead, we analyzed the upper occurrence limits using the cumulative binomial methodology, as used in past GAO Financial Audit Manual work to generate the table “Statistical Sampling Results Evaluation Table for Compliance Tests.” As planned, we used a 5 percent risk of over-reliance (beta risk). The tabulated values for the upper occurrence limits were adjusted by appropriate finite population correction factors because the universe size was small. We combined the results from the individual strata by combining the variance terms and calculating an upper occurrence limit for the combined universe of 2,218 incidents.

Results

Overall (2,218 vehicles in audit universe)

Based on projection of the sample results, we are 95 percent confident that, in the combined universe of 2,218 vehicles, no more than 105 vehicles (4.75 percent) failed because of a safety- and age-related item failure that would not have been avoided through maintenance action. The point estimate is that 33 vehicles (1.54 percent) were in the stated failure condition.

Dodge Intrepid (451 vehicles in audit universe)
Based on projection of the sample results, we are 95 percent confident that no more than 39 [calculated 39.2] vehicles (8.7 percent of the 451 vehicles in the review universe) failed because of a safety- and age-related item failure that would not have been avoided through maintenance action. The point estimate is that nine vehicles (2.0 percent) were in the stated failure condition.

Chevrolet Blazer (715 vehicles in audit universe)
Based on projection of the sample results, we are 95 percent confident that no more than 56 [calculated 57.9] vehicles (8.1 percent of the 715 vehicles in the review universe) failed because of a safety- and age-related item failure that would not have been avoided through maintenance action. The point estimate is that 13 [calculated 12.9] vehicles (1.8 percent) were in the stated failure condition.

Jeep Cherokee (668 vehicles in audit universe)
Based on projection of the sample results, we are 95 percent confident that no more than 54 vehicles (8.1 percent of the 668 vehicles in the review universe) failed because of a safety- and age-related item failure that would not have been avoided through maintenance action. The point estimate is that 12 vehicles (1.8 percent) were in the stated failure condition.

Ford Crown Victoria (363 vehicles in audit universe)
Based on projection of the sample results, we are 95 percent confident that no more than 20 [calculated 19.6] vehicles (5.4 percent of the 363 vehicles in the review universe) failed because of a safety- and age-related item failure that would not have been avoided through maintenance action. The point estimate is that no vehicles (0.0 percent) were in the stated failure condition.

Chevrolet Impala (21 vehicles in audit universe)
Because all vehicles were reviewed, rather than a sample, no projection is necessary. The assessment resulted in no vehicles identified as being in the stated failure condition.

APPENDIX C. MANAGEMENT'S COMMENTS

UNITED STATES POSTAL INSPECTION SERVICE

DEPUTY CHIEF INSPECTOR – HEADQUARTERS OPERATIONS

December 13, 2004

MARY W. DEMORY
DEPUTY ASSISTANT INSPECTOR GENERAL
FOR CORE OPERATIONS

SUBJECT: Response to Draft Audit Report - Postal Inspection Service Law Enforcement Vehicles (Report Number SA-AR-05-Draft)

We have had the opportunity to review the draft audit report of the Postal Inspection Service Law Enforcement Vehicles (Report Number SA-AR-05-Draft) dated November 12, 2004, to Chief Postal Inspector, Lee R. Heath. This memorandum represents our formal response.

Summary of Management Response
We appreciate the opportunity to provide input to you in this regard. In summary, with respect to the recommendations made to the Chief Postal Inspector, we disagree with recommendations one (cost avoidance and vehicle disposal criteria and five (procedures to monitor vehicles transferred to the Postal Service). We agree with recommendations two, three and four and have initiated actions to ensure periodic vehicle reviews are performed.

Overall, we object to several of the conclusions stated in the draft audit report which are without apparent merit. For example, the cost avoided figures cited in recommendation one were generated using a methodology that disregarded material facts. What makes this omission material and in our opinion invalidates some of the conclusions reached is the fact that Inspection Service representatives provided these material facts to the OIG auditors at the discussion draft report meeting on August 12, 2004, and while there may be disagreement with the findings of the draft report, the draft report fails to even mention whether this material was considered.

Notwithstanding some of the findings contained in the report, the vehicle disposal criteria of the Postal Inspection Service is line with the Postal Service, other major federal law enforcement agencies and state as well as local law enforcement agencies. The overriding concern behind all of these policies is employee safety. A disturbing facet of this draft report is the apparent lack of concern for employee safety. The draft report goes to great lengths to attempt to show that ONLY 105 Inspection Service law enforcement vehicles "failed because of a safety- and age-related failure that would not have been avoided through maintenance action."[1] The Inspection Service and Postal Service cannot and will not compromise in any manner the safety of its employees.[1]

[1] OIG Draft Audit Report No. SA-AR-05-Draft, Page 17

475 L'ENFANT PLAZA SW – ROOM 3010
WASHINGTON DC 20260-2170
TELEPHONE: 202-268-5425
FAX: 202-268-4563

We are particularly concerned about the apparent misleading statements contained in the draft report. For example, the report intimates two federal law enforcement agencies generally do not dispose of their vehicles until they have between 80,000 to 90,000 miles. When we inquired about specific information in this regard, the OIG auditors performing this review acknowledged no further analysis was performed. We do not understand how these types of statements can be left in this report given the lack of factual validation. Further, the draft report fails to recognize another salient fact which has an effect on some of the conclusions offered, specifically, that the Inspection Service routinely transfers its law enforcement vehicles to the Postal Service for further administrative use. This practice was not factored into the cost analysis. It would appear these omissions and a failure to include such a relevant factor is not in accordance with government auditing standards.

As discussed more fully below, the report also does not address the type of usage incurred by these vehicles. Although for the most part the vehicles utilized are available to the general public[2], the usage is considered severe and more akin to commercial use, such as by taxicabs, which have a shorter useful life span. The severe use, i.e. long periods of engine idling and consecutive use hours during surveillances has a detrimental effect on the vehicles, both in terms of vehicle life and resale value.

OIG Recommendation No. 1:
Implement procedures to extend the service life for Postal Inspection Service vehicles to seven years and/or 94,500 miles for an annual cost avoidance of approximately $746,000 or $1.5 million over the next two years.

Management Response:

We do not agree with this recommendation as it would put the safety of our employees and anyone else being transported in one of our official vehicles at risk. In addition, the methodology used to calculate the annual cost avoidance figure is flawed and misleading. Finally, we believe any criteria utilized should be reasonable, attainable and relevant to the specific matters being examined. We do not believe this was applied in the first finding of the draft report.

Employee Safety

As correctly noted in the draft report[3], the mission of the United States Postal Inspection Service is to protect the U.S. Postal Service, its employees and its customers from criminal attack, and protect the nation's mail system from criminal misuse. The Inspection Service utilizes Law Enforcement Vehicles (LEVs) in support of this mission.

---

[2] Excluding those with "Law Enforcement" packages.
[3] OIG Report, p 2.

An LEV is defined in The Code of Federal Regulations, Title 41, Volume 3 in the following manner:

> Law enforcement motor vehicle means a passenger automobile or light truck that is specifically approved in an agency's appropriation act for use in apprehension, surveillance, police or other law enforcement work or specifically designed for use in law enforcement.

Due to the nature of our law enforcement activities involving LEVs, the vehicles are subject to increased and accelerated wear and tear. The draft report fails to consider the types of driving conditions on a geographic scale, as well as the related law enforcement activities. These factors play an important role in any discussion of how long a vehicle will provide useful and economically efficient service. The nature of law enforcement work subjects Inspection Service LEVs to long idling times, repeated engine startups and shutdowns, and high speed operation. These activities are most often associated with surveillances and vehicle pursuits.

The Inspection Service's current replacement policy of five years and/or 75,000 miles is consistent with other federal, state and local law enforcement agencies we surveyed.

Agency/Department	Years	Mileage	Notes
USSS	5	60,000	
DEA	6	75,000	
FBI	3	60,000	
BICE		60,000	
15 local/state law enforcement		70,800	Mean average
Federal regulations	3	60,000	Minimum

The following excerpt from an article entitled Fleet Management, FBI Law Enforcement Bulletin, August 2002 is instructive in this regard:

> Most information states that the optimum mileage for rotation stands anywhere between 50,000 and 70,000 miles. Mechanical repairs go up quite substantially after a vehicle reaches an average of 70,000 to 75,000 miles. Law enforcement agencies should give specific consideration to not exceeding a 70,000- to 75,000-mile vehicle rotation policy. Agencies should place the safety of the men and women operating the vehicles above any other considerations.

We agree with this assessment and are adamant in our position with respect to the safety of our employees being placed above all other considerations in designing and implementing a vehicle replacement policy.

The draft report utilizes a statistical and mechanical approach with respect to the safety of Postal Inspectors who are on a routine basis involved in the surveillance, apprehension and transport of criminal suspects. The following provides an example of this approach:

> Based on the projection of the sample results, we are 95 percent confident that in the combined universe of 2,218 vehicles no more than 105 vehicles (4.75 percent) failed because of a safety- and age-related item failure that would not have been avoided through maintenance action. [4]

Unfortunately, by using this methodology, the draft report is unable to provide any reliable guidance with respect to predicting which vehicles and when failures may occur. Certainly, prolonged and severe law enforcement use can only accelerate this likelihood.

In an attempt to respond to our concerns about vehicle safety, the draft report notes:

> Thus, we interviewed the Manager, Safety Affairs and Regulations, General Motors Corporation, to determine whether vehicle age would significantly impact vehicle safety and performance in vehicles that were less than or equal to eight years and/or 108,000 miles. According to the manager, vehicle age would not significantly impact safety and performance if vehicles receive timely preventive and unscheduled maintenance.[5]

On December 6, 2004, we interviewed the General Motors Corporation Manager who provided this information to the OIG evaluators. Specifically, we asked for an in depth explanation for this apparently broad assertion. We were advised many different factors can influence the useful life of a vehicle. The manager agreed as we noted earlier that the manner in which the vehicle is driven (ie., idling time, repeated starting and stopping, frequent engine startups, adverse weather conditions, repeated periods of rapid acceleration, etc.) greatly affects the useful service life of a vehicle. This individual acknowledged he did not know nor was he advised the manner in which Inspection Service LEVs were either operated or serviced. He added he could not support a general statement regarding how a vehicle's age affects its service life, safety or performance without much more detailed use and service information.

---

[4] *Statistical Projections of the Sample Data,* OIG Report, p. 17.
[5] Ibid, p. 7.

The Federal Bureau of Investigation has experienced this same dilemma noting:

> Even with the best of care and detailed safety inspections, potential problems can be undiscovered. While many parts failures are irritating at low speeds, at high speeds they can be disastrous, even deadly.[6]

Putting to risk, in any manner, the safety of our employees, other law enforcement agents, postal managers, individuals apprehended and taken into custody, confidential informants, and the general public as inferred by the report is simply an unacceptable recommendation. We pride ourselves in making the safety of our law enforcement personnel our top priority. Our concern for the safety of our personnel extends to those taken into custody as well.

Inaccurate cost analysis

We were advised the OIG developed their annual cost avoidance of approximately $746,000 or $1.5 million over the next two years by using a comparative discounted cash flow analysis for the following Postal Inspection Service vehicle universe:

Model Year	Vehicle Count
2000	443
2001	326
2002	287
2003	456
Total	1,512

The methodology employed calculated the five, seven and eight year cash flows using purchase price, maintenance cost and residual value for these vehicles. Then a comparison was made with respect to the discounted cash flows for each year and calculated cost avoidance.

One of the main assumptions in this analysis is the fact that at the end of each period (five, seven or eight years), the vehicles are sold. This assumption is simply erroneous.

[6] *Fleet Management*, FBI Law Enforcement Bulletin, August 2002.

Within the years of the cost analysis (model years 2000 – 2003) the Postal Inspection Service participated in the Postal Service's vehicle replacement program in accordance with Postal Service policy as outlined in the Handbook PO 701, Fleet Management, Section 221.222:

> Office of Inspector General or Postal Inspection Service (OIG/IS) surplus vehicles are vehicles that are no longer required for OIG/IS use or that are no longer suitable for law enforcement applications. When a genuine need exists, the MVM may reassign serviceable and suitable surplus OIG/IS vehicles to the non-mailhauling fleet to defer or avoid acquiring replacement vehicles.
>
> Special agents-in-charge (SAC) should notify the OIG vehicle control officer (VCO) at Headquarters of surplus or unsuitable vehicles. Postal Service inspectors-in-charge should notify the MVM when surplus or unsuitable vehicles are available. When the OIG VCO or a Postal Service inspector-in-charge releases surplus vehicles, VMF personnel should move the surplus OIG/IS vehicles to a VMF to facilitate their processing. If surplus vehicles are not needed for reassignment locally, the MVM must first notify the area VMPA of their availability for possible transfer to other clusters. If the area VMPA determines that there is no need for the surplus vehicles, the MVM must dispose of them in accordance with chapter 7.

The number of vehicles (1,512) is one of the key components of the analysis utilized. If the number of vehicles available (sold vehicles) for this analysis decreases, then the amount of cost avoidance also decreases. Based on the most current information available in the Vehicle Management Accounting System (VMAS), the Inspection Service transferred the following number of vehicles to the Postal Service for continued use in the non-mail hauling fleet or for disposal.

Fiscal Year	Total No. of LEVs transferred to USPS	No. transferred to USPS non-mail hauling fleet	Vehicles sold by USPS	Destroyed
2003	460	219	173	1
2004	384	114		4

Using the information for FY 2003 the following analysis was developed. FY 2003 was used because it is the most comprehensive of the current year's data available in VMAS. Although we do not agree with the OIG recommendation of seven years and/or 94,500 miles, we used it in this analysis in order to be as conservative as possible in our conclusions, 35 vehicles met this criteria.

Vehicles sold by USPS	173
Less: LEVs meeting OIG criteria	35
Applicable LEVs	138
Percent of applicable LEVs to sold/transferred vehicles (138/392)	36

Applying the 36 percent developed above to the annual cost avoided ($746,000) reduces the stated annual OIG cost avoidance to $268,560. This amount ($268,560) is further reduced by the depreciation expense the Postal Service avoids by transferring LEVs to the non-mail hauling fleet. This transfer not only reduces annual operating expenses, but further optimizes the use of the vehicle after its lifespan as a law enforcement vehicle has been realized.

Average cost per vehicle	$17,000
Years	8
Depreciation expense/vehicle/year	$2,125
Number of LEVs	219
Total depreciation expense/year	$465,375

Thus, the methodology used to calculate the annual cost avoidance figure is flawed. We therefore disagree with the conclusion and dollar amount ($746,000) recommended in the draft report.

In addition, the Postal Service avoids $3,723,000 in capital expenditures ($17,000 x 219). Since the vehicles were transferred to the Postal Service and not sold the Postal Service did not have to expend capital funds to replace vehicles in their non-mail hauling fleet.

The Inspection Service is in agreement with the Postal Service's vehicle service life and maintenance reinvestment guidelines. As shown below, the service life of a USPS administrative vehicle is eight years or 72,000 miles based on 9,000 miles driven per year. As noted in the draft report, the average yearly mileage for

Inspection Service vehicles disposed of in Fiscal Years 2003 and 2004 was 12, 075[7]. This would translate to a 5 to 6 year service life for Inspection Service LEVs.

Service Life and Maintenance Reinvestment Guidelines

		Mileage (000)		Maintenance Reinvestment Threshold as Percentage of Vehicle Contract Price According to Age in Years											
Vehicle Type	**Life (Years)**	**Total**	**Annual**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
Light Delivery															
(LLV*)	24	120	5	50	46	43	40	37	34	31	28	26	24	22	20
(1/4)	8	40	5	50	45	40	35	30	25	20	15	10	5	0	0
(1/4 Electric)	10	50	5	50	45	40	35	30	25	20	15	10	5	0	0
(1/2)	8	56	7	50	45	40	35	30	25	20	15	10	5	0	0
Intermediate															
(1 ton)	15	150	10	50	47	44	40	37	34	30	27	24	20	17	15
(1 ton gasoline)	8	80	10	50	45	40	35	30	25	20	15	10	5	0	0
(2 ton)	15	150	10	50	47	44	40	37	34	30	27	24	20	17	15
Cargo Van															
(5 ton)	9	270	30	50	47	44	40	37	33	29	24	19	12	9	5
(7 ton)	9	270	30	50	47	44	40	37	33	29	24	19	12	9	5
Tractor															
(S/A)	8	360	45	50	45	40	35	30	25	20	15	10	5	0	0
(T/A)	8	360	45	50	45	40	35	30	25	20	15	10	5	0	0
Spotter	8	N/A	N/A	50	45	40	35	30	25	20	15	10	5	0	0
Trailer	12	N/A	N/A	50	47	44	40	37	33	29	24	19	12	9	5
Service Trucks															
(VMF)	8	72	9	50	45	40	35	30	25	20	15	10	5	0	0
(Plant Maint.)	8	72	9	50	45	40	35	30	25	20	15	10	5	0	0
Administrative	8	72	9	50	40	30	20	5	0	0	0	0	0	0	0
***Note:** LLV chart starts over after the twelfth year due to power-train retrofit.*															

[7] OIG Report, p. 6.

Furthermore, the Maintenance Reinvestment Guidelines shown above specify that at five years, the repair threshold for administrative vehicles is five percent and for year six is zero.

Application of this guideline to LEVs is shown below.

Year	FY 2004 Average LEV Contract Price	Percentage	Maintenance reinvestment threshold
5	$18,416	5	$921
6	$18,416	0	$0

According to the draft report, the average maintenance costs for LEVs used in the Maintenance Costs Analysis, for years 5 and 6 were $1,794 and 2,061 respectively[8]. In a telephone conversation with the OIG auditors on December 6, 2004, we asked what percentage of the average maintenance costs ($1,794 and 2,061) represented preventative maintenance and what percentage represented one-time repair costs that could be analyzed using the above repair criteria for vehicle replacement. The response was this information was unavailable and no analysis in this regard was performed.

In our opinion, the personnel performing this audit did not fully comprehend the nature of the program being examined. Even though the OIG, as well as the Inspection Service are specifically mentioned in Handbook PO 701 as being able to (and should) transfer applicable LEVs to the Postal Service for further use in the non-mail hauling fleet, this factor was not incorporated into the OIG's cost analysis.

On August 12, 2004, representatives of the Inspection Service met with and discussed the issue of vehicle transfers with the OIG auditors. At this meeting, the auditors were apprised of the fact the Inspection Service routinely transfers LEVs to the Postal Service for continued administrative use. Although this information was timely provided, this salient factor was apparently ignored, and not incorporated in either planning the audit and resulting cost analysis.

We believe any criteria utilized should be reasonable, attainable and relevant to the specific matters being examined. The failure to incorporate vehicle transfer information dramatically alters the results of the cost analysis and overall audit. It is also our opinion greater effort should have been expended to gather evidence that is sufficient, competent and relevant. According to the draft report:

> During our preliminary meeting to discuss the discussion draft report, Postal Inspection Service officials stated they reassigned a significant number of vehicles to the Postal Service. However, we could not validate the number of vehicles reassigned to the Postal Service because Postal Inspection officials

[8] OIG Report, p. 14.

did not effectively monitor and track vehicles they authorized for reassignment.[9]

The data contained in this Management Response was gathered from the Postal Service VMAS database. The OIG has access to these same databases and in fact used some of the data in the Maintenance Cost Analysis. For reasons still unknown to us, Inspection Service employees were asked to gather audit evidence for OIG staff from the Postal Service VMAS database. Any information in this regard we use for internal Inspection Service purposes and should not be considered audited data. Also not known is why OIG staff failed to include data that was certainly relevant to their recommendation. The draft report identifies the Manager, Procurement and Administrative Service Center as allegedly not providing information to the OIG. We find the naming of a specific individual in the audit report to be unnecessary and unprofessional.

Overall, the draft report contains a number of unaudited, inaccurate and misleading statements including:

1. Comments concerning General Motors Corporation Manager interview and conclusions[10], for reasons stated previously in this response.

2. On page 5 of the draft report under the section "Improved Vehicle Management Could Optimize Vehicle Usage" states:

   As a result, Postal Inspection Service officials replaced vehicles that had not reached their optimal use and would have been suitable and serviceable to remain in the vehicle fleet.

   As noted, the Inspection Service furnishes LEVs to the Postal Service for their continued use in the non-mail hauling fleet or for disposal. This continued use optimizes the cost of the vehicles while at the same time saving the Postal Service from procuring new vehicles.

3. The draft report includes the following data and statement[11] dealing with benchmarking with other agencies:

Federal Law Enforcement Agencies	# of Years	Mileage
Air Force Office of Special Investigations	NA	NA
Drug Enforcement Administration	6	75,000
Federal Bureau of Investigations	NA	NA
Secret Service	5	60,000

[9] OIG Report, p. 10
[10] OIG Report, pp. 7-8.
[11] OIG Report, p. 7.

> Although, agencies benchmarked had disposal criteria similar to the Postal Inspection Service, they did not always dispose of their vehicles in accordance with the established criteria, because of financial constraints. *In fact, two of the agencies stated generally they disposed of their vehicles after 80,000 to 90,000 miles.*

Although the draft report clearly states Inspection Service disposal criteria is in line with the agencies the OIG benchmarked against, the draft report comments two agencies generally disposed of their vehicles with additional mileage. We questioned the auditors concerning the basis for this statement, specifically, the percentage of the two agency's vehicles incurring the additional mileage? The response we received was that the auditors did not ask the agencies for that information. The lack of appropriate supporting data to properly analyze this information undermines the audit value of this statement and renders it misleading.

In order to obtain a better understanding, we contacted officials from the Federal Bureau of Investigation. According to a FBI fleet manager, the official vehicle replacement cycle is three years or 60,000 miles. Additionally, the Deputy Assistant Administrator, Office of Administration, Drug Enforcement Agency, recommended:

> "Maintaining a safe and effective fleet is essential to the safety of DEA's workforce…DEA, at a minimum; retain the policy of identification of OGVs (Official Government Vehicles) for replacement at the 75,000 mile threshold."[12]

4. Further, the draft report notes:

> "The Postal Service disposed of its administrative vehicles after eight years and/or 72,000 miles. *However, according to the Postal Service, Manager, Delivery and Vehicle Operations, Postal Service officials are conducting analyses and studies to support extending the service life for administrative vehicles to ten years and /or 100,000 miles."*[13]

The above statement is the same statement used in the OIG's discussion draft issued on July 15, 2004. Since the issuance of the discussion draft, the Postal Service reaffirmed its Service Life and Maintenance Reinvestment Threshold Guidelines in the Postal Bulletin, dated July 22, 2004 (shown above).
Once again, we fail to see the significance the inclusion of the Postal Manager's statement, especially in view of the fact that the official policy was affirmed before the draft report was issued.

---

[12] *Motor Vehicle Fleet Operations*, Drug Enforcement Administration, April 15, 2003.
[13] SEE, Benchmarking Results for Disposal of Vehicles, p. 8.

OIG Recommendation Nos. 2, 3, 4:

2) Require managers to follow Postal Inspection Service policies and procedures periodically regarding vehicle disposal to assure the policies and procedures are appropriate for optimal vehicle usage.

3) Implement procedures to assure the Inspection Service Manual is updated regarding vehicle disposal to achieve optimal vehicle usage.

4) Implement procedures to assure officials at division headquarters prepare and maintain vehicle analysis sheets for each Postal Inspection Service vehicle, as required and assess the results before vehicle disposal and acquisition.

Management Response:
We agree with OIG Recommendations 2, 3, 4. As part of addressing the Postal Service's challenge of managing costs we will:

Ensure that Inspection Service managers follow the vehicle disposal procedures as outlined in the Inspection Service Manual (ISM).

We are currently in the process of updating the ISM. As part of this process we will include new instructions for vehicle disposal.

While we agree with the spirit of OIG recommendation no. 4, we offer a different methodology. As part of the new ISM instructions for vehicle disposal, we would begin the use of PS Form 4587, Request to Repair, Replace, or Dispose of Postal-Owned Vehicles, as a guide. We would use PS Form 4587 in conjunction with the repair limits as outlined in Handbook PO 701. The use of these tools would take the place of vehicle analysis sheets and would be required for each LEV before disposal. As much as practical Inspection Service division managers or their designees would seek assistance from the Vehicle Maintenance Facility managers in this process. However, the maximum mileage limit for vehicle replacement would continue to be 75,000 miles regardless of the results of a maintenance analysis.

OIG Recommendation No. 5:
Develop procedures to require officials at division headquarters monitor and track vehicles approved by Postal Inspection Service officials for reassignment to Postal Service.

Management response:
We disagree with this recommendation. We believe the effective use of PS Form 4587 will provide the necessary documentation to track vehicles transferred to the Postal Service. We will explore the possibility of PS Form 4587 being completed online and a copy sent to the Procurement and Administrative Service Center. Any further documentation should be available through the Postal Service VMAS database.

Again, we appreciate the opportunity to provide comments to this report. Please feel free to contact me at 202-268-5425, if you have any questions.

James J. Rowan, Jr.

cc: Lee R. Heath