



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

**Vehicle Parts Inventory
Management – Capping**

Audit Report

March 26, 2014

Report Number DR-AR-14-005



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

HIGHLIGHTS

March 26, 2014

Vehicle Parts Inventory Management – Capping

Report Number DR-AR-14-005

BACKGROUND:

The U.S. Postal Service has 321 vehicle maintenance facilities (VMFs), or repair garages, nationwide to maintain its fleet of over 211,000 vehicles. The selected 33 VMFs in the five areas we reviewed, Capital Metro, Eastern, Great Lakes, Southern, and Western, maintained 34,118 vehicles. Two primary national suppliers provide the VMFs with vehicle parts ranging from motors and transmissions to nuts and bolts. VMFs can also purchase repair parts locally when the national suppliers are out of stock or have backordered parts.

In fiscal year 2013, management in these five areas spent over \$207 million to purchase vehicle parts. Each VMF maintains repair parts in a stockroom. Postal Service policies require regular inventories to ensure parts quantities are sufficient and accurate. Personnel must also safeguard these assets.

Our objectives were to determine whether VMF personnel were purchasing and maintaining vehicle parts at appropriate levels and management controls were adequate to safeguard inventory. This audit is the final in a series conducted by the U.S. Postal Service Office of Inspector General. We previously reviewed the Northeast and Pacific areas in September 2012 and April 2013, respectively.

WHAT THE OIG FOUND:

Managers at selected VMFs generally purchased and maintained parts inventories at the appropriate levels. At these selected VMFs, about 16 percent of on-hand parts balances were below the recommended levels because parts were either due in or on back order. Maintaining adequate supplies of parts is critical to ensuring vehicle repairs are conducted timely and economically.

Physical safeguards and inventory management controls over vehicle parts were not always adequate at selected VMFs. Managers at these sites were not always aware of security risks and policies regarding safeguarding assets and conducting physical inventories. Inadequate controls placed vehicle parts valued at over \$49 million at risk.

WHAT THE OIG RECOMMENDED:

We recommended the vice presidents, area operations, Capital Metro, Eastern, Great Lakes, Southern, and Western areas, direct district managers to re-emphasize physical security and inventory management policies and procedures. We also recommended implementing training for stockroom personnel and re-emphasizing purchasing and receiving policies and procedures.

[Link to review the entire report.](#)



March 26, 2014

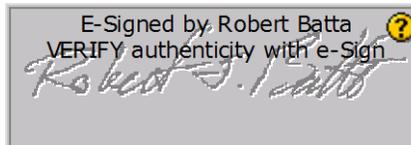
MEMORANDUM FOR: KRISTIN A. SEAVER
VICE PRESIDENT, CAPITAL METRO AREA

JOSHUA D. COLIN
VICE PRESIDENT, EASTERN AREA

JACQUELINE M. KRAGE-STRAKO
VICE PRESIDENT, GREAT LAKES AREA

JO ANN FEINDT
VICE PRESIDENT, SOUTHERN AREA

DREW T. ALIPERTO
VICE PRESIDENT, WESTERN AREA

An e-signature block for Robert Batta. It contains the text "E-Signed by Robert Batta" and "VERIFY authenticity with e-Sign" with a yellow question mark icon. Below the text is a handwritten signature in cursive that reads "Robert J. Batta".

FROM: Robert J. Batta
Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Audit Report – Vehicle Parts Inventory Management –
Capping (Report Number DR-AR-14-005)

This report presents the results of our audit of the Vehicle Parts Inventory Management – Capping (Project Number 13XG042DR000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Rita F. Oliver, director, Delivery and Post Office Operations, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

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Introduction

This report presents the results of our self-initiated audit of Vehicle Parts Inventory Management – Capping (Project Number 13XG042DR000). Our objectives were to determine whether vehicle maintenance facility (VMF) personnel were purchasing and maintaining vehicle parts at appropriate levels and management controls were adequate to safeguard inventory. This audit is the final in the series conducted by the U.S. Postal Service Office of Inspector General (OIG) and covers the Capital Metro, Eastern, Great Lakes, Southern, and Western areas.¹ We previously reviewed the Northeast and Pacific areas in September 2012 and April 2013, respectively. See [Appendix A](#) for additional information.

The U.S. Postal Service has 321 VMFs nationwide to maintain a fleet of over 211,000² vehicles. VMF officials acquire parts via the parts consignment program³ from two primary national ordering agreement (NOA) suppliers: Wheeler Brothers, Incorporated and Jasper Innovative Solutions, Incorporated. These suppliers establish order point⁴ inventory levels for NOA parts, usually based on 12 months of average use, and jointly manage parts order points with VMF personnel. Facility personnel can also purchase repair parts locally. Each VMF has a stockroom to store and manage vehicle parts. Personnel at the facilities must perform regular inventories of vehicle parts to ensure purchases are entered correctly, quantities on-hand are recorded correctly, and discrepancies are investigated and corrected. Additionally, personnel must safeguard all assets.⁵

Conclusion

Managers at VMFs in selected areas⁶ generally purchased and maintained inventories for parts at the appropriate levels. At these selected VMFs, about 16 percent of on-hand parts balances were below the recommended levels. However, managers had placed orders to replenish these parts at the required levels. Physical safeguards and inventory management controls over vehicle parts at selected VMFs were not always adequate. Management at these sites was not always aware of security risks and policies regarding safeguarding assets and conducting physical inventory. Because of inadequate controls, vehicle parts valued at \$49 million were at risk. See [Appendix C](#) for additional information.

¹ We reviewed 33 randomly selected VMFs that maintained 34,118 vehicles.

² *United States Postal Service Fiscal Year 2013 Annual Report to Congress*.

³ Mandatory use of the Consignment of Vehicle Repair Parts Inventory Program for VMFs began in 1997.

⁴ The order point level is the on-hand quantity that triggers replenishment of parts to avoid adversely impacting maintenance and repair services. With implementation of the Solutions for Enterprise Asset Management (SEAM) application, maximum levels are no longer established for NOA parts.

⁵ *Vehicle Maintenance Bulletin* (VMB) 02-11, *Review of Stockroom Policy and Procedures*, April 15, 2011.

⁶ Capital Metro, Eastern, Great Lakes, Southern, and Western.

Vehicle Parts Purchases and Levels

Managers at selected VMFs purchased and maintained inventories of parts at the appropriate levels. Managers purchased 89 percent of parts from NOA suppliers and 11 percent from local vendors (see Table 1).

Table 1. Fiscal Year (FY) 2013 Vehicle Parts Purchases⁷

Area	Total Purchases	NOA Purchases	Percentage of NOA Purchases	Non-NOA Purchases	Percentage of Non-NOA Purchases
Capital Metro	\$14,457,539	\$12,742,278	88%	\$1,715,261	12%
Eastern	2,990,897	2,752,655	92%	238,242	8%
Great Lakes	581,733	542,593	93%	39,140	7%
Southern	4,723,053	4,124,165	87%	598,888	13%
Western	6,071,596	5,626,972	93%	444,624	7%
Total	\$28,824,818	\$25,788,663	89%	\$3,036,155	11%

Source: Enterprise Data Warehouse (EDW).

Further, at the time of our review, these facilities maintained inventories of 52,409 parts. Our analysis showed that 84 percent of the parts, totaling 43,877, were maintained within the required levels, and 16 percent of the parts, totaling 8,532, were below those levels. However, management had placed orders to replenish these parts to the required level.

Vehicle Parts Inventory Safeguards

Physical safeguards and inventory management controls over vehicle parts were not always adequate at some VMFs. Managers at these 33 sites were not always aware of security risks and policies regarding safeguarding assets and conducting physical inventories.

Physical Security Access Control

Managers did not always secure vehicle parts storage locations in accordance with Postal Service stockroom access and security⁸ policies at the following 10 VMFs:

- Bellmawr VMF: The stockroom back door, which is not visible to stockroom personnel, was unlocked during operating hours. We observed a sign posted on the door, which states doors must remain latched at all times (see [Figure 1](#)).

⁷ Numbers may differ due to rounding.

⁸ VMB 02-11 states, in part, that stockroom access should be physically limited to personnel designated to issue parts and tools.

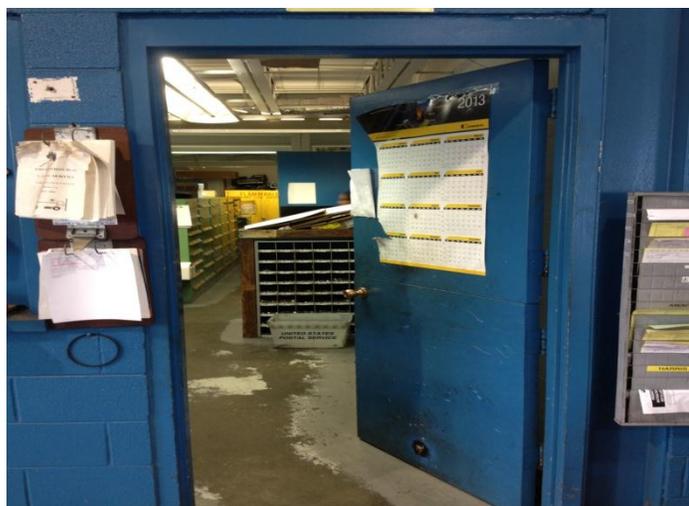
Figure 1. Stockroom Door Unlocked



Source: OIG photograph taken November 7, 2013.

- Hampton VMF: VMF management established an "open door" policy, which allows stockroom doors to remain open and unattended throughout the day. During our site visit, we noted the stockroom was not limited to personnel responsible for issuing parts and tools and we observed technicians without authorization entering the stockroom to obtain parts (see Figure 2).

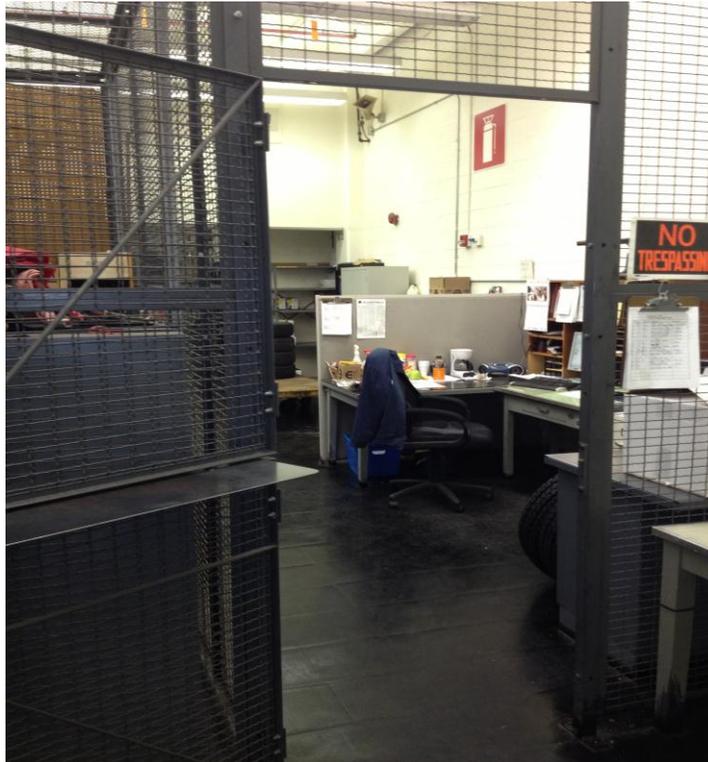
Figure 2. Open Stockroom Door



Source: OIG photograph taken November 6, 2013.

- Houston, Kalamazoo, Lancaster, and Saint Paul VMFs: The stockrooms were not limited to personnel designated to issue parts and tools. During our observations, the stockroom doors were not locked and we saw technicians without authorization enter the stockrooms to obtain parts and tools (see Figure 3).

Figure 3. Open Stockroom Door, Kalamazoo VMF



Source: OIG photograph taken November 21, 2013.

- Johnstown VMF: On the day of our visit, a stockroom door, which was not visible to stockroom personnel, was unlocked. The stockroom contained engines and tires.
- Lehigh Valley VMF: The stockroom door that contained all inventory parts was not locked.
- Reno VMF: The door to the storage shed located behind the facility containing engines, tires, tire rims, and transmissions was open and unlocked.
- Topeka VMF: Stockroom doors were not closed or locked.

Inventory and Purchasing Procedures

Our analysis of inventory records showed management did not always ensure mandatory inventories were conducted. Also, management did not always ensure separation of duties for purchasing and receiving stock items as required by policies and procedures for mandatory or interim monthly inventories.⁹ Specifically:

- Thirty of the 33 VMFs consistently conduct monthly mandatory inventories.
- Thirteen of the 30 VMFs that conducted monthly inventories did not always use two people to conduct them.
- Twenty-three of the 30 VMFs that conducted monthly inventories did not always use non-stockroom personnel to assist in physical counts to ensure separation of duties.
- Seventeen of the 33 VMFs did not establish separation of duties for purchasing and receiving stock items.¹⁰ See [Appendix B](#), Inventory and Purchasing Procedures.

The main factors that contributed to inadequate physical safeguards and inventory management controls were:

- Managers not being aware of physical security or access control weaknesses.
- Managers not being aware of, or not enforcing, required procedures to maintain a separation of duties for monthly inventory accounting and for purchasing and receiving stock items.

Inconsistent mandatory inventories and a lack of separation of duties increase the likelihood of loss and theft of vehicle parts. Because of inadequate inventory controls, assets valued at \$49,211,277 were at risk.

⁹ VMB 02-11 requires mandatory or interim inventories be performed each month, with specific part numbers identified to be counted. The inventory team must consist of two people, including a person not assigned to the stockroom.

¹⁰ VMB 02-11 requires facility managers to prepare *Standard Operating Procedures* identifying the alternative process for the requester or purchaser to receive goods and services. Handbook AS-709, *Purchase Card Policies and Procedures for Local Buying*, states the purchase card can only be used by the purchaser. No other person can be authorized to use the card account number to make a purchase.

Recommendations

We recommend the vice presidents, area operations, Capital Metro, Eastern, Great Lakes, Southern, and Western areas, direct district managers to:

1. Re-emphasize stockroom management policies and procedures on physical security and inventory management, including conducting mandatory inventories at vehicle maintenance facilities.
2. Implement training for stockroom personnel on security and inventory procedures and processes.
3. Re-emphasize stockroom management policies and procedures on purchasing and receiving duties.

Management's Comments

Management generally agreed with the findings and recommendations.

Regarding recommendation 1, Capital Metro Area officials stated they communicated to VMF management to maintain separation of duties to properly account for all inventories and the importance of maintaining stockroom security at all times. They also stated they locked down the Hampton VMF to limit access to assigned individuals and provided service talks on February 5, 2014. Eastern Area officials stated they will continue to coordinate efforts to ensure VMF managers and craft employees are adequately trained. Management will provide documentation to the OIG by April 30, 2014. Great Lakes Area officials stated they will develop standard operating procedures for locations where stockroom personnel are not available during hours of operation to ensure the same level of security as facilities with full-time personnel. They will also communicate the policies and procedures to district managers and the districts will develop stand-up talks with an implementation date of April 2014.

Further, Southern Area officials stated they generated a letter of instruction directing district managers to re-emphasize stockroom management policies and procedures on physical security and inventory management. The completion date for this action was March 12, 2014. Lastly, Western Area officials stated management issued follow-up guidance and an inventory checklist to VMF managers on October 2, 2013. Western Area officials also stated they instructed VMF managers to re-emphasize stockroom policies and procedures in accordance with Handbook F-1, *Accounting and Reporting Policy* and created a BlueShare repository to document that all VMFs completed the monthly mandatory inventories. Management implemented actions on March 14, 2014.

Regarding recommendation 2, management stated they have trained or will train stockroom personnel on security and inventory processes and procedures. Management implemented training on the following dates: Capital Metro Area, January

7-16, 2014; Eastern Area, April 30, 2014; Great Lakes Area, June 2014; Southern Area, March 12, 2014; and Western Area, April 30, 2014.

Regarding recommendation 3, Capital Metro Area officials stated they re-emphasized policies and procedures for purchasing and receiving duties during the two training sessions in January 2014 and in an email sent to personnel on February 5, 2014. Eastern Area officials stated they will continue to coordinate efforts to ensure adequate training is provided by April 30, 2014. Great Lakes Area officials stated they would re-emphasize the policies and procedures in locations where sufficient personnel are present for separating receiving duties. In remaining facilities, they will prepare a standard operating procedure to identify an alternate process by May 2014. Southern Area officials stated they directed management to emphasize the policies and procedures in their letter of instructions issued on March 12, 2014. Lastly, Western Area officials stated they created a separation of duty document based on information in Handbook F-1, *Accounting and Reporting Policy*, on March 14, 2014. Further, they stated that [Appendix B](#), page 15, of the report showed separation of duties issues for the Topeka, Reno, Saint Paul, and Salt Lake City VMFs; however, page 12 showed there was separation of duties.¹¹

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and management's corrective actions should resolve the issues identified in the report. The OIG reviewed Western Area management's documentation provided with their comments to show corrective actions implemented for recommendations 1 and 3. We concur that the actions taken sufficiently addressed the recommendations. No additional actions are required from the Western Area regarding recommendations 1 and 3. Regarding management's comment for separation of duties results, our analysis showed the Topeka, Reno, Saint Paul, and Salt Lake City VMFs did not always use non-stockroom personnel to assist in monthly inventories to ensure separation of duties, as required.¹² We require written confirmation from Western Area management when they complete corrective actions for recommendation 2.

For the remaining areas, the OIG considers all recommendations significant and, therefore, requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that they can be closed.

¹¹ Page numbers changed to 16 and 13, respectively, due to insertion of management's comments and evaluation of management's comments.

¹² VMB 02-11 requires mandatory or interim inventories be performed each month, with specific part numbers identified to be counted. The inventory team must consist of two people, including a person not assigned to the stockroom.

Appendix A: Additional Information

Background

The Postal Service operates one of the largest vehicle fleets in the U.S. During FY 2013, the Postal Service owned over 211,000 vehicles. The agency has 321 VMFs nationwide to maintain these vehicles. Economical maintenance of the fleet requires ready availability of needed parts and materials. To this end, management must have established stockrooms at every VMF. The five selected areas spent over \$207 million to purchase and transfer vehicle parts nationwide in FY 2013 (see Table 2).

Table 2. FY 2013 Costs for VMF Vehicle Parts

Area	Cost of Vehicle Parts
Capital Metro	\$33,141,304
Eastern	46,575,640
Great Lakes	35,311,977
Southern	54,463,514
Western	38,088,917
Total	\$207,581,352

Source: Postal Service EDW, September 30, 2013.

Vehicles repair parts can be purchased through the consignment program¹³ from two national suppliers or locally from vendors. These suppliers provide parts ranging from motors, transmissions, tires, and batteries to nuts, bolts, and screws. Through the consignment process, selected vehicle repair parts are ordered, received, and stocked at VMFs. The parts remain the property of the NOA supplier until VMF personnel use them to repair a vehicle, at which time the Postal Service is charged for them. In contrast, invoices for non-NOA parts are processed upon receipt by accounts payables, resulting in inventory costs to the Postal Service. Outside suppliers should only be used as a backup when the NOA suppliers are out of stock or have backordered parts.

Solutions for Enterprise Asset Management (SEAM) is a web-based application designed to improve inventory tracking and visibility, implement forecasting and automatic replenishment capabilities, and standardize asset tracking maintenance repair functions. The Postal Service implemented SEAM to replace the Vehicle Management Accounting System (VMAS). As of FY 2013, all Postal Service areas have transitioned to SEAM. VMF personnel and NOA suppliers jointly manage parts order

¹³ Mandatory use of the Consignment of Vehicle Repair Parts Inventory Program for VMFs began in 1997.

points. NOA parts are entered into SEAM as part of the NOA supplier on-hand inventory at the VMF. Once a part is issued to a work order for vehicle maintenance, the part is paid for through SEAM and the NOA supplier information is updated. In contrast to VMAS, SEAM allows NOA suppliers to view all VMF inventory use and levels. This helps them replenish inventory at the VMFs. NOA suppliers may inventory and pull-back their own stock at the VMFs if required by their accountants or other circumstances.

VMF personnel must safeguard and perform regular physical inventories of their vehicle parts to ensure purchases are entered correctly, quantities on hand are recorded correctly, and discrepancies are investigated and corrected.

Objectives, Scope, and Methodology

Our objectives were to determine whether vehicle parts were purchased and maintained at appropriate levels and management controls were adequate to safeguard inventory.

Our audit scope includes assessing vehicle parts inventory data processes and procedures used to maintain inventory stock levels, and safeguard vehicle parts at selected VMFs in the Capital Metro, Eastern, Great Lakes, Southern, and Western areas. Specifically, we:

- Obtained data from the EDW to determine national, area, and district costs for vehicle parts and supplies.
- Randomly selected for review and visited 33 VMFs in the five areas.
- Obtained SEAM data to determine the inventory on hand and vehicle parts costs at selected VMFs.
- Obtained FY 2013 parts use data and determined the average use for randomly selected parts.
- Compared the yearly average use to the total number of parts purchased or issued by the non-NOA suppliers for FY 2013.
- Observed physical security and access controls at selected VMFs.
- Conducted interviews with VMF personnel and obtained documentary evidence regarding inventory levels and controls.
- Reviewed applicable documentation, policies, and procedures.¹⁴

¹⁴ Documentation, policies, and procedures reviewed include Handbook PO-701, *Fleet Management*; VMB V-02-97, *Vehicle Maintenance Standard Operating Procedures*; VMB-04-03, *Mandatory (Interim) Physical Inventories*; and VMB 02-11, *Review of Stockroom Policy and Procedures*, April 15, 2011.

We conducted this performance audit from September 2013 through March 2014 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with area management from January 27 through February 5, 2014, and included their comments where appropriate.

We assessed the reliability of vehicle parts data from EDW, SEAM, and supplier information networks by reviewing various data elements and interviewing personnel knowledgeable about the data and the parts purchased. To verify NOA suppliers' parts data, we compared NOA suppliers parts inventory reports to parts stored at the selected facilities. We determined the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Vehicle Parts Inventory Management – Pacific Area</i>	DR-AR-13-003	4/12/2013	None
<p>Report Results: Our report found that inventory balances for 79 percent of the parts were sufficient and within established levels, with 21 percent below recommended levels. Parts were not at required levels because they were either due in, or on back order. Not maintaining established inventory levels could potentially impact vehicle repairs being timely and economical. Furthermore, managers at some VMFs did not always safeguard parts and perform mandatory physical inventories because they were not always aware of security risks and policies regarding safeguarding assets and physical inventory. As a result of inadequate controls, vehicle parts valued at \$23,125,255 were at risk. Management agreed with the findings and recommendations, but, while acknowledging the need to maintain order point inventory levels to prevent repair delays, improve security, and train for stock room personnel, disagreed with the dollar value of the assets at risk.</p>			
<i>Consigned Vehicle Parts</i>	FT-AR-13-010	3/18/2013	None
<p>Report Results: Our report found that supervisors did not consistently monitor physical inventories and personnel did not always adequately determine whether Postal Service-owned parts were available. As a result, management could not ensure accurate parts issuance and expensing and suppliers could inappropriately charge the Postal Service for parts. Also, VMF personnel did not consistently determine whether warranties were available or adequately validate parts credits. The VMFs could have obtained an additional \$750,000 in annual warranty reimbursements and about \$345,000 in annual parts credits. Also noted accounting adjustments were nominal and the Postal Service had procedures in place to address them. Management agreed, in part, with recommendations 2, 3, and 5; however, they disagreed with recommendations 1 and 4.</p>			

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Vehicle Parts Inventory Management – Northeast Area</i>	DR-AR-12-007	9/24/2012	None
<p>Report Results: Our report found that 81 percent of the parts inventory balances were maintained at designated levels, 18 percent were below minimum levels, and only 1 percent exceeded the maximum level. Not maintaining minimum inventory levels could potentially increase delays in vehicle repairs. Further, parts inventory was not always safeguarded because managers were not aware of security risks and policies regarding safeguarding of assets. As a result of inadequate controls, vehicle parts valued at \$8,331,963 were at risk. Management agreed with the findings and recommendations but, while acknowledging the security issues, disagreed with the dollar value of the assets at risk.</p>			

Appendix B: Inventory and Purchasing Procedures

Area	District	VMF	Consistently Conducted Monthly Inventories	Consistently Used Two People to Conduct Monthly Inventories	Used Non-Stockroom Personnel to Assist in Monthly Inventories	Separation of Duties for Purchasing and Receiving Stock Items
Capital Metro	Baltimore	Baltimore	Yes	Yes	Yes	Yes
	Capital	Suburban	Yes	Yes	Yes	Yes
		Washington, D.C.	Yes	Yes	Yes	Yes
	Greater South Carolina	Columbia	Yes	Yes	No	No
	Greensboro	Raleigh	Yes	Yes	No	No
		Winston Salem	Yes	Yes	No	No
	Mid-Carolinas	Charlotte	Yes	Yes	No	No
	Richmond	Hampton	Yes	No	No	No
		Richmond	Yes	Yes	Yes	Yes
Eastern	Central Pennsylvania	Lancaster	Yes	Yes	Yes	No
		Lehigh Valley	Yes	No	No	No
	Kentuckiana	Louisville	Yes	Yes	No	Yes
	Philadelphia	Philadelphia	No	No	No	No
	South Jersey	Bellmawr	Yes	Yes	No	Yes
	Western Pennsylvania	Erie	Yes	Yes	Yes	No
		Johnstown	Yes	No	No	Yes
		Wheeling	Yes	No	No	Yes
	Western New York	Buffalo	Yes	Yes	No	Yes
Great Lakes	Greater Michigan	Kalamazoo	Yes	No	No	No
	Lakeland	Milwaukee	Yes	Yes	Yes	No
Southern	Dallas	Texarkana	Yes	Yes	Yes	Yes
	Fort Worth	Fort Worth	Yes	Yes	Yes	Yes
	Gulf Atlantic	Pensacola	Yes	No	No	No
	Houston	Houston	Yes	No	No	No
	Louisiana	New Orleans	Yes	No	No	No
	Oklahoma	Oklahoma City	Yes	Yes	Yes	Yes
Western	Central Plains	Topeka	Yes	Yes	No	Yes
		Wichita	No	No	No	No
	Dakotas	Billings	Yes	No	No	No
	Nevada-Sierra	Reno	Yes	Yes	No	Yes
	Northland	Minneapolis	Yes	No	No	No
		Saint Paul	Yes	No	No	Yes
	Salt Lake City	Salt Lake City	No	Yes	No	Yes
		Totals		3	13	23

Source: OIG analysis based on observation.

Appendix C: Other Impacts

Recommendation	Impact Category	Amount
1	Assets at Risk ¹⁵	\$49,211,277

The OIG reviewed inventory controls at 33 randomly selected VMFs in the Capital Metro, Eastern, Great Lakes, Southern, and Western areas. At 27 locations, we identified physical security weaknesses or inadequate controls over inventory management processes. The assets at risk at the VMFs we visited totaled \$18,700,619 in FY 2013 (see Table 3). Based on this sampling of inadequate inventory controls, we projected assets at risk of \$49,211,277¹⁶ in FY 2013 for VMFs in the five areas within the scope of our review.

Table 3. Vehicle Parts Inventory Controls

Area	District	VMF	Internal Control Risk Category	Dollar Value of FY 2013 Assets at Risk
Capital Metro	Baltimore	Baltimore	None	-
	Capital	Suburban	None	-
		Washington, D.C.	None	-
	Greater South Carolina	Columbia	Separation of Duties	\$714,276
	Greensboro	Raleigh	Separation of Duties	2,957,034
		Winston Salem	Separation of Duties	1,133,521
	Mid-Carolinas	Charlotte	Separation of Duties	2,209,563
	Richmond	Hampton	Physical Security, Separation of Duties	440,675
		Richmond	None	0
	Sub-total			

¹⁵ Assets or accountable items (for example, cash, stamps, and money orders) that are at risk of loss because of inadequate internal controls.

¹⁶ Based on a 90 percent confidence level for a stratified variable projection.

Area	District	VMF	Internal Control Risk Category	Dollar Value of FY 13 Assets at Risk
Eastern	Central Pennsylvania	Lancaster	Physical Security, Separation of Duties	\$150,865
		Lehigh Valley	Physical Security, Separation of Duties	237,209
	Kentuckiana	Louisville	Separation of Duties	230,033
	Philadelphia	Philadelphia	Separation of Duties	454,759
	South Jersey	Bellmawr	Physical Security, Separation of Duties	379,273
	Western Pennsylvania	Erie	Separation of Duties	550,017
		Johnstown	Physical Security, Separation of Duties	417,410
		Wheeling	Separation of Duties	300,802
	Western New York	Buffalo	Separation of Duties	270,529
	Sub-total			\$2,990,897

Area	District	VMF	Internal Control Risk Category	Dollar Value of FY 13 Assets at Risk
Great Lakes	Greater Michigan	Kalamazoo	Physical Security, Separation of Duties	\$144,129
	Lakeland	Milwaukee	Separation of Duties	437,604
	Sub-total			\$581,733

Area	District	VMF	Internal Control Risk Category	Dollar Value of FY 13 Assets at Risk
Southern	Dallas	Texarkana	Separation of Duties	\$266,634
	Fort Worth	Fort Worth	None	-
	Gulf Atlantic	Pensacola	Separation of Duties	155,264
	Houston	Houston	Physical Security, Separation of Duties	878,348
	Louisiana	New Orleans	Separation of Duties	300,078
	Oklahoma	Oklahoma City	None	-
	Sub-total			\$1,600,324

Area	District	VMF	Internal Control Risk Category	Dollar Value of FY 13 Assets at Risk
Western	Central Plains	Topeka	Physical Security, Separation of Duties	\$406,659
		Wichita	Separation of Duties	798,727
	Dakotas	Billings	Separation of Duties	79,208
	Nevada-Sierra	Reno	Physical Security, Separation of Duties	124,876
	Northland	Minneapolis	Separation of Duties	2,734,907
		Saint Paul	Physical Security, Separation of Duties	1,758,132
	Salt Lake City	Salt Lake City	Separation of Duties	169,087
	Sub-total			\$6,071,596
			Total Assets at Risk	\$18,700,619

Source: OIG analysis based on EDW, FY 2013 Expense Detail Report.

Appendix D: Management's Comments

AREA VICE PRESIDENT
CAPITAL METRO AREA OPERATIONS



March 11, 2014

Judith Leonhardt
Director Audit Operations
Office of Inspector General
United States Postal Service

Subject: Response to OIG Audit Report – Vehicle Parts Inventory Management –
Capital Metro Area (Project Number – 13XG042DR000)

Thank you for the opportunity to respond to the OIG Audit of Vehicle Parts Management that included nine VMFs located in Capital Metro Area. The Capital Metro Area feels strongly about its financial controls and takes every opportunity to safe guard the monies entrusted to our operations. We agree with all findings and recommendations in the subject audit performed in our Area.

Recommendation #1

Re-emphasize stockroom management policies and procedures on physical security and inventory management, including conducting mandatory inventories at vehicle maintenance facilities.

Management Response/ Action Plan

Management agrees with this recommendation. Communication (email) addressing the need to maintain separation of duties to properly account for all inventories and the importance of maintaining stockroom security at all times was sent to the appropriate personnel in the field on February 5, 2014.

Target Implementation Date

February 5, 2014

Responsible Official

Mike Ivie, Operations Programs Analyst (Area)

MAILING ADDRESS:
16501 SHADY GROVE ROAD
GAITHERSBURG MD 20898-9998
301-548-1410
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Recommendation #2

Implement training for stockroom personnel on security and inventory procedures and processes.

Management Response/ Action Plan

Management agrees with this recommendation and has provided classroom training to Vehicle Maintenance EAS staff in two sessions conducted January 7-9, 2014 and January 14-16, 2014. Representatives from each district attended this training. The training covered the topics of security, inventory processes including proper audit procedures, and separation of duties.

Target Implementation Date

January 2014

Responsible Official

Mike Ivie, Operations Programs Analyst (Area)

Recommendation #3

Re-emphasize stockroom management policies and procedures on purchasing and receiving duties.

Management Response/ Action Plan

Management agrees that the policies and procedures for purchasing and receiving duties need to be re-emphasized to field VMF employees. This re-emphasis was communicated to attendees at the two training sessions held in January 2014 and was included in the email sent on February 5, 2014.

Target Implementation Date

February 5, 2014

Responsible Official

Mike Ivie, Operations Programs Analyst (Area)

In addition to the recommendations listed above which have been implemented in all VMFs in Capital Metro Area, the specific findings noted in the audit related to the Hampton VMF were also immediately addressed by physically locking down the facility, limiting access to only assigned individuals, and providing Service Talks to the staff at the Hampton VMF on February 5, 2014 immediately after the audit was concluded. Follow up reviews to ensure compliance were also conducted in February.

This report and management's response do not contain information that may be exempt from disclosure under the FOIA.



Kristin A. Seaver

JOSHUA D. COLIN, PH.D.
VICE PRESIDENT, AREA OPERATIONS
EASTERN AREA



March 11, 2014

**MEMORANDUM FOR: JUDITH LEONHARDT
DIRECTOR AUDIT OPERATIONS
OFFICE OF INSPECTOR GENERAL**

SUBJECT: Draft Audit Report – Vehicle Parts Inventory Management –
Response to Vehicle Parts Inventory Management Capping
(Report Number DR-AR-14-Draft)

Thank you for the opportunity to review and comment on the Vehicle Parts Inventory Management Capping Audit (Report Number DR-AR-14-Draft) Draft Audit Report.

Recommendation 1:

Vice Presidents Area Operations, Capital Metro, Eastern, Great Lakes, Southern, and Western areas, direct District Managers to re-emphasize physical security and inventory management policies and procedures.

Response:

Management concurs. Management agrees with the recommendation for District Managers to re-emphasize physical security and inventory management policies and procedures as appropriate.

Management also agrees in principle with the potential identified as “Assets at Risk”, however, due to the limited scope of the audit it appears some broad brush assumptions are made that cannot be validated.

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PITTSBURGH PA 15277-7010
PHONE: 412-494-2510
FAX: 412-494-2582

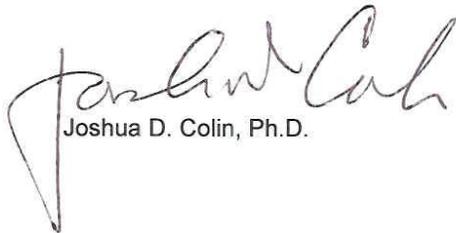
Recommendation 2:

Implement training for stockroom personnel and re-emphasize purchasing and receiving policies and procedures.

Response:

Management concurs. Management agrees with the recommendation to provide refresher training for stockroom personnel and re-emphasize purchase and receiving policies and procedures as appropriate.

The Eastern Area will continue to coordinate efforts to ensure adequate training is provided to Vehicle Maintenance Facilities managers and craft employees. Documentation regarding compliance of your recommendation will be provided to the Office of the Inspector General, by April 30, 2014. We see no issues related to the Freedom of Information Act.



Joshua D. Colin, Ph.D.

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JACQUELINE KRAGE STRAKO
VICE PRESIDENT, OPERATIONS
GREAT LAKES AREA



March 6, 2014

JUDITH LEONHARDT
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Vehicle Parts Inventory Management - Capping
(Report Number DR-AR-14-DRAFT, Project Number 13XG042DR000)

The Great Lakes Area agrees with the findings reported and the associated recommendations.

The Great Lakes Area currently maintains 28,090 vehicles, as well as a portion of the Inspection Service and Office of Inspector General vehicles physically located in the Great Lakes Area. These vehicles are maintained and serviced from 28 vehicle maintenance facilities located in our seven Districts.

Recommendation 1:

Direct District Managers in the Great Lakes Area to re-emphasize stockroom management policies and procedures on physical security and inventory management, including conducting mandatory inventories at vehicle maintenance facilities.

Management Response/Action Plan:

Management agrees with this recommendation. Doors not continuously visible by stockroom personnel should be closed and locked. In locations where stockroom personnel are not available during hours of operation, Standard Operating Procedures will be prepared to maintain the same level of security as facilities with full time personnel.

Target Implementation Date:

April 2014

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CAROL STREAM IL 60199-1000
630-539-5556
FAX: 630-539-7171

2 of 3

Responsible Official:

The Manager, Delivery Programs Support will communicate policies and procedures specific to stockroom operations to the District Managers with oversight of our 28 vehicle maintenance facilities. Stand Up Talks will be developed by the Districts, and will include references from Vehicle Maintenance Bulletins VMB V-04-03: Mandatory Physical Inventories and VMB-02-11: Stockroom Policies and Procedures.

Recommendation 2:

Direct District Managers in the Great Lakes Area to implement training for stockroom personnel on security and inventory procedures and processes.

Management Response/Action Plan:

Management agrees with this recommendation.

Target Implementation Date:

June 2014

Responsible Official:

The Manager, Delivery Programs Support will pursue implementing stockroom process training session(s) in our seven Districts, and will include Headquarters and/or NCED resources pending their availability and material content in the Learning Management System (LMS). Stand Up Talks will be developed by the Districts, and will include references from Vehicle Maintenance Bulletins VMB V-04-03: Mandatory Physical Inventories and VMB-02-11: Stockroom Policies and Procedures.

Recommendation 3:

Direct District Managers in the Great Lakes Area to re-emphasize stockroom management policies and procedures on purchasing and receiving duties.

Management Response/Action Plan:

Management agrees with this recommendation to re-emphasize stockroom policies in locations where sufficient personnel are present for separating receiving duties. In the remaining facilities, Standard Operating Procedures will be prepared to identify an alternate process for receipt of goods and services.

Target Implementation Date:

May 2014

Responsible Official:

The Manager, Delivery Programs Support will communicate and re-emphasize stockroom procedures and management policies associated with the purchasing and receiving of inventory in support of vehicle maintenance operations. Stand Up Talks will be developed by the Districts, and will include references from

3 of 3

Vehicle Maintenance Bulletins VMB V-04-03: Mandatory Physical Inventories and VMB-02-11: Stockroom Policies and Procedures.

This report has been reviewed and our response does not contain information that may be exempt from disclosure under the FOIA.



Jacqueline Krage Strako
Vice President, Operations
Great Lakes Area

cc: Sally K. Haring, Corporate Audit and Response Management
Rita Oliver, OIG
Edward F. Phelan Jr., Vice President Delivery & Post Office Operations

MANAGER, OPERATIONS SUPPORT
SOUTHERN AREA



March 12, 2014

Judith Leonhardt
Director, Audit Operations
Office of Inspector General
United States Postal Service

**SUBJECT: Draft Audit Report – Vehicle Parts Inventory Management –
Capping (Report Number DR-AR-14-DRAFT)**

I reviewed the above referenced report, including your recommendations to re-emphasize physical security, inventory management policies and procedures, and also to implement training for stockroom personnel, reemphasizing purchasing and receiving policies and procedures, we are in concurrence with all three recommendations as follows:

Recommendation [1]: The Vice President, Southern Area and Area Operations, direct District Managers to re-emphasize stockroom management policies and procedures on physical and inventory management, including conducting mandatory inventories at vehicle maintenance facilities.

Response: Management concurs; stockroom management policies and procedures on physical security and inventory management are clearly delineated in Vehicle Maintenance Bulletin VMB-02-11 and should be periodically revisited, as a refresher to current employees, and incorporated in introductory training to newly hired employees.

Course of Action: The Southern Area Manager, Operations Support, has generated a letter of instruction (attached), directing District Managers to re-emphasize stockroom management policies and procedures on physical security and inventory management, including conducting mandatory inventories at all vehicle maintenance facilities. Estimated completion for this course of action will be no later than close of business, March 12, 2014.

PO Box 225459
DALLAS TX 75222-5459
214-819-8600
FAX: 214-819-7220

- 2 -

Recommendation [2]: The Vice President Southern Area and Area Operations, direct District Managers to implement training for stockroom personnel on security and inventory procedures and processes.

Response: Management concurs; training on security and inventory procedures and processes, as a refresher to current stockroom personnel and incorporated in introductory training to newly hired stockroom personnel is vital to ensuring proper stewardship of, and safeguarding, the plentiful and high value supplies in their charge.

Course of Action: District Managers have been directed to implement security and inventory procedure and processes training for current personnel, and newly hired personnel. This action is incorporated into the letter of instruction detailed in “Course of Action” to Recommendation 1.

Recommendation [3]: The Vice President, Southern Area, and Area Operations, direct District Managers to re-emphasize stockroom management policies and procedures on purchasing and receiving duties.

Response: Management concurs; re-emphasizing stockroom management policies and procedures on purchasing and receiving duties, now, and at periodical intervals, will enhance employees being mindful of the paramount importance of these safeguards.

Course of Action: District Managers have been directed to re-emphasize stockroom management policies and procedures on purchasing and receiving duties for current employees and newly hired employees. This action is incorporated into the letter of instruction detailed in “Course of Action” to Recommendation 1.

This report and management’s response do not contain information that may be exempt from disclosure under the FOIA.



Eric D. Chavez

cc: Jo Ann Feindt
Mike L. Barber
Timothy J. Holmes
Sally K. Haring, Corporate Audit and Response Management

Attachments:
March 12 letter, Vehicle Parts Inventory Management
VMB 02-11, *Review of Stockroom Policies and Procedures*

MANAGER, OPERATIONS SUPPORT
SOUTHERN AREA



March 12, 2014

ALL DISTRICT MANAGERS
SOUTHERN AREA

SUBJECT: Vehicle Parts Inventory Management

A recent national OIG audit of Vehicle Maintenance Facilities (VMF), which included Southern Area, has yielded identification of weaknesses in various VMF Stockrooms, rendering VMF assets at risk (inventory valued at \$1,600,324, FY13).

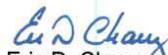
Areas of concern are stockroom management policies and procedures on:

- Physical security and inventory management.
- Conducting mandatory inventories.
- Purchasing and receiving duties.

I have attached Vehicle Maintenance Bulletin VMB-02-11, Review of Stockroom Policy and Procedures. By COB March 31st, 2014, please provide confirmation an action plan has been put into place to ensure compliance with these policies and procedures. The action plan needs to encompass all sections of the Vehicle Maintenance Bulletin. The OIG audit was specific in terms of ensuring, Section II, *Separation of Duties While Purchasing*; Section III, *Stockroom Inventory Procedures*, and Section IV, *Stockroom Security* were properly enforced. They specifically cited Section IV as an area of opportunity for newly trained employees and identified the following opportunities to improve upon::

- Introductory training for newly hired stockroom employees.
- Immediate training for current stockroom employees to include timely refresher talks.

Action Plans are to be submitted to Tom Smith, OPA, Southern Area, at thomas.c.smith@usps.gov by **COB Tuesday, April 1st, 2014**. Any questions or concerns may be directed to Tom Smith, OPA, Southern Area at (214) 819-8986.


Eric D. Chavez

Enclosure
VMB 02-11, *Review of Stockroom Policy and Procedures*

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	<p>VEHICLE MAINTENANCE / MAINTENANCE POLICIES & PROGRAMS ENGINEERING / UNITED STATES POSTAL SERVICE</p> <p style="font-size: 24pt; font-weight: bold; margin: 0;">Vehicle Maintenance Bulletin</p>	
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REVIEW OF STOCKROOM POLICY AND PROCEDURES

I. Purpose

The following information is being released as a reminder and clarification of existing policies established to ensure proper purchasing processes and security measures for vehicle maintenance facility stockrooms. Recent OIG audits identified opportunities to improve stockroom procedures.

II. Separation of Duties While Purchasing

Separation of duties protects the Postal Service from the misuse of funds or property. In any purchase or requisition, there are three basic steps in the purchasing process: requisition of goods or services, purchasing or ordering from outside sources, and receipt of the goods or services. When feasible, these functions should be separated and performed by three different individuals. Today's eBuy II process creates an automatic separation of requesting and approving responsibilities. Each installation head must designate authorized personnel who are responsible for signing receiving documents, and thereby accepting shipments on behalf of the Postal Service. The person who purchased the item should not be authorized to receive the item. (HBK AS-703, 123.3 Separations of Duties)

For locations or tours where sufficient personnel are not typically present for separating all three duties, the facility manager will prepare a Standard Operating Procedure (SOP), identifying the alternate process for receipt of goods and services by the requester or purchaser.

III. Stockroom Inventory Procedures

The purpose of performing physical inventory counts is to verify that parts on hand match inventory control records. Physical inventory counts also help to determine whether or not actual quantities for a given part are appropriate and provide the opportunity to adjust stock levels. (HBK PO-701, 561 VMF Equipment and Tools)

Mandatory or interim inventory counts are performed each month with specific part numbers identified to be counted by the Vehicle Management Accounting System (VMAS). Additional details on the procedures for performing mandatory inventory counts can be reviewed in VMB V-04-03, "Mandatory (Interim) Physical Inventories." Mandatory inventories must be performed each month by a two person team, at a minimum, consisting of a counter and recorder. Persons responsible for maintaining storage bins may only be assigned to record the inventory count. The person counting must be someone other than assigned stockroom personnel (HBK AS-703, 123.3 Separations of Duties)

Date:	April 15, 2011
Number:	VMB-02-11
Subject:	Review of Stockroom Policy and Procedures
To:	Managers, Operations Programs Support
Attn:	Managers, Vehicle Maintenance Managers, Vehicle Maintenance Facilities
	 J. Ops Smith Manager Vehicle Programs
Contents:	I. Purpose II. Separation of Duties III. Stockroom Inventory Procedures IV. Stockroom Security V. Additional References

April 15, 2011

1

VMB-02-2011

Vehicle Maintenance Bulletin

- Optional inventories can be made at any time, and are primarily performed to make adjustments to the inventory when discrepancies are identified. Inventory adjustments should not automatically be viewed in a negative manner, but as a normal method for making corrections to inventories.

Explain all single line-item adjustments greater than \$25.00 (either positive or negative) in a narrative memorandum and attach the memorandum to the Part Inventory Difference Report. The explanation should include the reason for making the inventory adjustment and/or the measures taken to research a count discrepancy when the reason could not be identified. The narrative may be provided by stockroom personnel making the inventory adjustment, however the facility manager must sign the report acknowledging his review of the narrative. (HBK PO-701, 554 Analyzing Inventory Differences)

IV. Stockroom Security

Stockroom security measures are necessary to ensure part and tool usage is effectively monitored. Access to the stockroom must be physically limited to personnel specifically designated to issue parts or tools. Doors not continuously visible by stockroom personnel must be closed and locked. Keys must be issued to personnel with stockroom assigned duties only. When facilities or tours do not have designated stockroom personnel available during hours of operation, the facility manager must prepare an SOP to describe specific procedures and responsibilities for issuing and documenting the issuance of parts and tools to maintain the same level of security as facilities with fulltime staff (HBK PO-701, 561 VMF Equipment and Tools).

V. Additional References

HBK AS-701, 434.4 Security

HBK PO-701, 561 VMF Equipment and Tools

HBK AS-703, 123.3 Separations of Duties

AS-701, 244.21 Authority to Sign Receiving Documents

VMB V-11-92 Vehicle Maintenance Stockroom Inventories

VMB V-04-03 Mandatory (Interim) Physical Inventory

HBK PO-701, 554 Analyzing Inventory Differences

Month Date, 2011

2

Manager, Maintenance Operations Area
Western Area



March 11, 2014

Judith Leonhardt
Director
Audit Operations

This letter is Western Area's response to the February 24, 2014, Vehicle Parts Inventory Management – Capping Report Number DR-AR-14-DRAFT – Project Number 13XG042DR000.

OIG Findings and U.S. Postal Service Responses:

Finding #1: VMFs generally purchased and maintained parts inventory at the appropriate levels.

Response #1: We agree with the statement.

Finding #2: Physical safeguards and inventory management controls over vehicle parts were not always adequate at selected VMFs. Managers at these sites were not always aware of security risks and policies regarding safeguarding assets and conducting physical inventories.

Response #2: We disagree with the statement. It is a tried and true process that has been utilized for many years in the VMF environment that inventory is made available to the technicians to repair Postal assets – vehicles. To the management control piece, we have issued follow-up guidance¹ dated October 2, 2013, to all VMF Managers and an inventory checklist² that must be completed monthly at each VMF. The security responsibility belongs to the District VMF Manager to ensure the inventory is being handled in a secure manner by monitoring monthly validations of the completion of the above-mentioned checklist.

OIG Recommendations and U.S. Postal Service Responses:

Recommendation #1: Re-emphasize stockroom management policies and procedures and physical security and inventory management, including conducting mandatory inventories at Vehicle Maintenance Facilities since the PO-701 has not been updated to show SEAM as the parts management system.

¹ Attached document: October 2_2013email.pdf

² Attached document: Western Area VMF Inventory Checklist.pdf

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DENVER, CO 80299-6700
OFFICE: (303) 313-5990

- 2 -

Response #1: We agree with the recommendation. On September 30, 2013, we sent out guidance³ to the VMF Managers instructing them to re-emphasize stockroom policies and procedures in accordance with the F1. We have created the BlueShare repository⁴ to document that the monthly mandatory inventories are completed by all VMFs.

Recommendation #2: Implement training for stockroom personnel on security and inventory procedures and processes.

Response #2: We agree with the recommendation. Ongoing training and awareness standup talks are being given to ensure all stockroom and non-stockroom personnel are familiar with security and inventory procedures and processes; to be completed by April 30, 2014.

Recommendation #3: Re-emphasize stockroom management policies and procedures on purchasing and receiving duties.

Response #3: We agree with this recommendation. We created a Separations of Duty Document⁵ from the F1 since the current policy has not been updated from VMAS to SEAM inventory management.

We reached out to all of the VMF Managers and asked them what they were doing to ensure the policies were being followed in regards to parts inventory. We appreciate the honesty of the VMF Managers; and in some instances where changes are needed to address the potential risk, we mandated the concurrence by providing monthly assurance that the policy is followed. We created a BlueShare repository for the managers to validate that the checklists have been completed by all VMFs. The BlueShare tool will be complete for use by March 14, 2014. This tool will allow us to observe by month, by VMF, and by district whether the checklists have been completed and validated. By following the inventory checklist and BlueShare procedure to document the checklist, the Area will ensure that all VMFs are following the Inventory Management policy.

All VMF Managers were instructed to meet with their EAS staff and other responsible parties where it is not staffed with an EAS employee and address the inventory management control concerns. Once all the responsible employees in their districts had been addressed, the VMF Managers signed the Vehicle Parts Inventory Controls document and returned them to the Area Manager, Maintenance Operations to be kept on file. Based on the OIG visits to the 7 Western Area VMFs, I have spoken personally with each District VMF Manager about the following concerns:

³ Attached document: Sept30_2013email.pdf

⁴ Attached document: VMFRepository.docx

⁵ Attached document: Vehicle Parts Inventory Controls_Manager_Master.pdf

- 3 -

Response for the Internal Control Risk Category by site:

Central Plains

- Topeka – Physical Security; stockroom doors were not closed or locked during OIG visit: Topeka VMF personnel to include EAS and craft have been instructed on the proper stockroom management policies and procedures as written in the VMB-02-11.

Separation of Duties; Page 15 of the OIG discussion draft report shows in the Internal Control Risk Category that there is a separation of duties issue; however, on page 12, the appendix B Inventory and Purchasing Procedures it shows that there is separation of duties.

- Wichita – Separation of Duties; We have re-emphasized stockroom management policies and procedures to consistently use two people to conduct monthly inventories, use non-stockroom personnel to assist with monthly inventories and ensure separation of duties for purchasing and receiving stock items.

Dakotas

- Billings – Separation of Duties; We have re-emphasized stockroom management policies and procedures to consistently use two people to conduct monthly inventories, use non-stockroom personnel to assist with monthly inventories and ensure separation of duties for purchasing and receiving stock items.

Nevada – Sierra

- Reno – Physical Security; the door to the storage shed located behind the facility containing engines, tires, tire rims, and transmissions was open and unlocked: Reno VMF personnel to include EAS and craft have been instructed on the proper stockroom management policies and procedures.

Separation of Duties; Page 15 of the OIG discussion draft report shows in the Internal Control Risk Category that there is a separation of duties issue; however, on page 12, the appendix B Inventory and Purchasing Procedures it shows that there is separation of duties.

Northland

- Minneapolis - Separation of Duties; We have re-emphasized stockroom management policies and procedures to consistently use two people to conduct monthly inventories, use non-stockroom personnel to assist with monthly inventories and ensure separation of duties for purchasing and receiving stock items.

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- St. Paul - Physical Security; St. Paul VMF personnel to include EAS and craft have been instructed on the proper stockroom management policies and procedures.

Separation of Duties; Page 15 of the OIG discussion draft report shows in the Internal Control Risk Category that there is a separation of duties issue; however, on page 12, the appendix B Inventory and Purchasing Procedures it shows that there is separation of duties.

Salt Lake City

- Salt Lake City - Separation of Duties; Page 15 of the OIG discussion draft report shows in the Internal Control Risk Category that there is a separation of duties issue; however, on page 12, the appendix B Inventory and Purchasing Procedures it shows that there is separation of duties.

VMF technicians are entrusted with ensuring Postal vehicles are operating in a safe manner as per the manufacturer's guidance and as such may be authorized⁶ to enter the stockroom and retrieve the associated part to affect a repair without putting the entire stock at risk.

In closing, the Western Area has ongoing responsibility to ensure that all stockroom management policies and procedures on physical security, inventory management, and separation of duties are consistently followed and adhered to moving forward.



Andy Henderson
Manager, Maintenance Operations
Western Area

cc: Drew Aliperto
Erica Brix
Steve Juhl
Marilyn Ross

⁶ Attached Document: Stock Room Designation.pdf