



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Vehicle Maintenance Facility Efficiency Nationwide – Capping Report

Audit Report

Report Number
DR-AR-15-006

April 28, 2015





OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Highlights

The Postal Service established performance indicators to gauge the effectiveness and efficiency of the vehicle maintenance program.

Background

The vehicles owned by the U.S. Postal Service represent a capital investment of nearly \$3.6 billion. The fleet is maintained using 316 Postal Service vehicle maintenance facilities that service 211,264 vehicles. The Postal Service also contracts with commercial garages throughout the country for maintenance and repair. The vehicle maintenance program mission is to ensure safe, dependable, and economical performance of Postal Service vehicles. In fiscal year (FY) 2014, the Postal Service vehicle maintenance expenses totaled \$1.1 billion.

The Postal Service established performance indicators to gauge the effectiveness and efficiency of the vehicle maintenance program. These indicators include overhead and workload management at the maintenance facilities. During FY 2013, we audited facilities in the Capital Metro and Pacific areas and found inefficiencies, mismanaged resources, and inadequate controls.

Our objective was to assess the overall efficiency of vehicle maintenance facility operations in the Eastern, Great Lakes, Northeast, Southern, and Western areas.

What The OIG Found

Vehicle maintenance facilities were not operating at peak efficiency and were not efficient when compared to the

established targets. Specifically, undistributed labor, work order hours that were more than the timecard hours, was 11 percent of total maintenance labor costs and exceeded the established target of 3 percent. Also, overhead (supervisory and support) labor costs were 24 percent, of total maintenance labor costs, which were lower than the established overhead target of 30 percent. The VMFs had 109 vacant administrative and supervisory positions.

These conditions occurred because of management's lack of oversight in monitoring mechanic workhours, as well as not reaching the workhour targets due to administrative and supervisory vacancies. Improving oversight and right sizing staff at vehicle maintenance facilities would increase overall efficiency, saving the Postal Service 431,129 workhours at a cost of over \$21.8 million annually.

What The OIG Recommended

We recommended management reduce 431,129 undistributed workhours for maintenance and repairs. We also recommended management right size staffing at vehicle maintenance facilities to improve operations.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

April 28, 2015

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

igned by Office of Inspector G?  IFY authenticity with eSign Desktop

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

SUBJECT: Audit Report – Vehicle Maintenance Facility Efficiency
Nationwide – Capping Report
(Report Number DR-AR-15-006)

This report presents the results of our audit of the U.S. Postal Service's Vehicle Maintenance Facility Efficiency Nationwide (Project Number 15XG002DR000).

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

Attachment

cc: Corporate Audit and Response Management

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Findings

The vehicle maintenance program mission is to ensure safe, dependable, and economical performance of Postal Service vehicles.

The Postal Service established performance indicators to gauge the effectiveness and efficiency of the vehicle maintenance program.

The selected areas did not achieve established undistributed labor, exceeding the established target of 3 percent.

Introduction

This report presents the results of our audit of Vehicle Maintenance Facility (VMF) efficiency in the Eastern, Great Lakes, Northeast, Southern, and Western areas (Project Number 15XG002DR000). The objective of this audit was to assess the overall efficiency of vehicle maintenance operations. See [Appendix A](#) for additional information about this nationwide capping report.

Vehicles owned by the U.S. Postal Service represent a capital investment of nearly \$3.6 billion. The fleet is maintained using the vehicle maintenance program at 316 Postal Service VMFs that service 211,264 vehicles. The Postal Service also contracts commercial garages throughout the country for maintenance and repair.

The vehicle maintenance program mission is to ensure safe, dependable, and economical performance of Postal Service vehicles. In fiscal year (FY) 2014, the Postal Service vehicle maintenance expenses totaled \$1.1 billion.

The Postal Service established performance indicators to gauge the effectiveness and efficiency of the vehicle maintenance program. These indicators include overhead and workload management at the maintenance facilities. During FY 2013, this audit was conducted in the Capital Metro and Pacific areas where we found inefficiencies, mismanaged resources, and inadequate controls.

Conclusion

VMF operations were not operating at peak efficiency. The VMFs were not efficient when compared to the established targets. Specifically, undistributed labor¹, unaccounted workhours, was 11 percent of total maintenance labor costs and exceeded the established target of 3 percent. Also, overhead (supervisory and support) labor costs were 24 percent, of total maintenance labor costs and under the established overhead target of 30 percent. The VMF had 109 vacant administrative and supervisory positions. These conditions occurred because of management's lack of oversight in monitoring mechanic workhours, as well as administrative and supervisory vacancies. Improving oversight and right sizing staff at VMFs would increase overall efficiency, saving the Postal Service 431,129 workhours at a cost of over \$21.8 million.

Vehicle Maintenance Efficiency

The selected areas did not achieve established undistributed labor, exceeding the established target² of 3 percent. Mechanics had over 431,000 unassigned and unaccounted workhours in the VMFs. Specifically; mechanic time card workhours totaled 5,558,250 whereas only 4,977,788 workhours were assigned to work orders. During FY 2014, VMFs undistributed labor averaged 11 percent, exceeding the 3 percent target by 8 percentage points. The undistributed labor ranged from a low of 8 percent to a high of 17 percent (see [Table 1](#)). This means mechanics were either not working on vehicle repairs or not recording all workhours used when repairing vehicles.

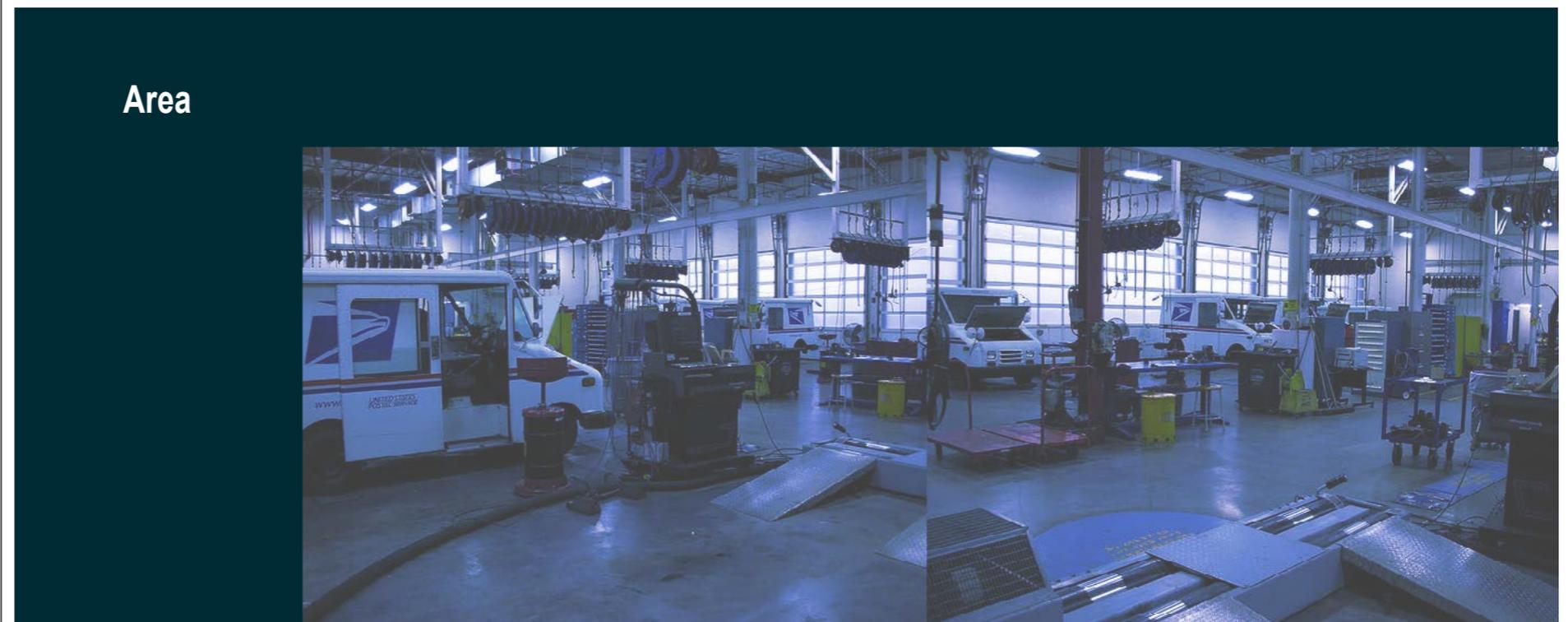
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- 1 Mechanic and garageman time that is unaccounted for (undistributed labor) can be very costly. When the work order hours are less than the pay hours it indicates that mechanics and/or garagemen are not recording all their workhours on a work order. If the work order hours are more than the timecard hours, they are recording too many workhours on a work order. The target is +/- 3 percent.
 - 2 Per headquarters management the performance targets were established based on prior vehicle maintenance facility model. Management indicated they plan to update the performance targets after developing a new vehicle maintenance workload model.

Table 1. FY 2014 Area Undistributed Labor Hours

Area	Time Card Hours	Work Order Hours	Total Undistributed Hours	Undistributed Hours Percentage	Allowed Undistributed Hours	Undistributed Hours Above Allowed	Cost Undistributed Hours Above Allowed
Eastern	1,160,775	1,053,351	107,425	9%	31,601	75,824	\$3,844,275
Great Lakes	928,648	773,863	154,785	17%	23,216	131,569	\$6,670,528
Northeast	1,155,816	1,049,215	106,600	9%	31,476	75,124	\$3,808,774
Southern	1,362,282	1,222,005	140,277	10%	36,660	103,616	\$5,253,348
Western	950,730	879,353	71,377	8%	26,381	44,996	\$2,281,308
Total	5,558,250	4,977,788	580,463	11%	149,334	431,129	\$21,858,233

Source: OIG calculations using FY 2014 Solution Enterprise Asset Management (SEAM) Employee Roster Monthly Report.

Undistributed Labor, Work Order Hours That Were More Than The Timecard Hours, Was 11 Percent Of Total Maintenance Labor Costs And Exceeded The Established Target Of 3 Percent.



We also found the VMFs were under the overhead national target of 30 percent³ by 6 percentage points. The VMFs in the selected areas expended only 1,741,375 administrative and supervisory workhours. Specifically, they were not reaching the workhour targets due to vacant administrative and supervisory positions (see [Table 2](#)).

³ The established ratio is 30 percent of workhours (VMB 02-97, *Vehicle Maintenance Standard Operating Procedures*, October 8, 1996).

Table 2. FY 2014 Area Overhead Workhours⁴

Area	Administrative Workhours	Supervisors Workhours	Total Admin/Super Hours	Total Targeted Workhours
Eastern	228,862	143,835	372,697	497,796
Great Lakes	172,559	115,558	288,117	397,676
Northeast	231,823	161,930	393,753	493,027
Southern	234,810	164,460	399,270	586,925
Western	159,968	127,570	287,538	408,852
Grand Total	1,028,022	713,353	1,741,375	2,384,277
Overhead Ratio	14%	10%	24%	30%

Source: OIG calculations using FY 2014 EDW National Workhour Report.

We found the VMF has a total of 109 vacant administrative and supervisory positions (see Table 3). VMF program managers are responsible for overseeing workhour and equipment budgets to ensure compliance with headquarters policies and procedures.⁵ The national target for overhead is a ratio which compares overhead labor costs with maintenance labor costs and can be used to identify over and understaffing.

Table 3. Comparison of Authorized and Actual Administrative and Supervisory Vacancies

Area	Authorized Supervisor Complement	Actual Supervisor Complement	Supervisor Staffing Shortage	Authorized Clerk Complement	Actual Clerk Complement	Clerk Staffing Shortage	Total Staffing Shortage
Eastern	82	71	11	133	117	16	27
Great Lakes	63	60	3	111	91	20	23
Northeast	90	80	10	144	125	19	29
Southern	100	94	6	151	133	18	24
Western	68	68	0	96	90	6	6
Total	403	373	30	635	556	79	109

Source: Webcoins Complement System, Employee List Report.

⁴ Administrative and supervisory workhours reflect EDW workhours at the finance level.

⁵ Handbook PO-701, *Fleet Management*, March 1991, updated with *Postal Bulletin* revisions through October 23, 2008.

These conditions occurred for several reasons.

Management Oversight. Management did not adequately monitor workhours for mechanics. Also, management was not familiar with the SEAM database reports to monitor mechanic workhours and provide oversight. Per Postal Service policy, supervisors are to maintain all necessary control procedures to ensure maintenance work is performed in a safe manner and related costs are not excessive.⁶

Staffing Vacancies. Management did not fill vacant positions⁷, indicating that vacancies are due to retirement and reassignments. Additionally, management indicated mechanic vacancies continue to exist due to new mechanics graduating from vocational schools are not trained to repair older vehicles,⁸ making it difficult to fill vacancies.

Improving oversight and right sizing staffing at VMFs would increase overall efficiency, saving the Postal Service 431,129 workhours at a cost of over \$21.8 million.

6 Handbook PO-701, *Fleet Management*, March 1991, updated with *Postal Bulletin* revisions through October 23, 2008.

7 Management agreed to obtain 740 new positions in the American Postal Workers Union (APWU) national labor agreement.

8 Vehicle maintenance mechanics must pass a written and performance test prior to being hired.

Recommendations

We recommend the vice president, Delivery Operations, improve monitoring and oversight in the vehicle maintenance facilities to reduce 431,129 undistributed workhours for maintenance and repair work orders; and right size staffing at vehicle maintenance facilities to improve operations.

We recommend the vice president, Delivery Operations:

1. Improve monitoring and oversight in the vehicle maintenance facilities to reduce 431,129 undistributed workhours for maintenance and repair work orders.
2. Right size staffing at vehicle maintenance facilities to improve operations.

Management's Comments

Management agreed with the findings, but disagreed with our recommendations and monetary impact. However, they suggested alternative corrective actions that satisfy the intent of the recommendations.

In response to recommendation 1, management agreed that not all Postal Service VMFs are operating at peak efficiency and also agreed on the importance of having all workhours accounted for on work orders. In addition, management stated that they established a new Fleet Management Group Quarter 3, FY 2015 to improve the management and performance of undistributed labor and also that reducing undistributed workhours will be a priority.

However, management stated the audit does not adequately identify how we calculated the distributed labor/total vehicle labor performance indicator. Furthermore, we based this indicator on dollars and not workhours, and categorized workhour costs based on workhour usage rather than the employee performing the work. Management stated the indicator does not take into consideration vehicle age, the amount of work required to maintain the fleet, or what portion of the work contractors perform.

In response to recommendation 2, management disagreed with right sizing staff at VMFs; however, they stated that implementation of the Fleet Management Group and the impending restructuring will allow them to evaluate all workhours and staffing levels to determine the most efficient method of maintaining and staffing VMF personnel.

Management did not agree with the monetary impact, stating that it does not adequately identify how we calculated some performance indicators or determined the impact of not meeting the indicator goals.

Management requested both recommendations be closed with the issuance of this report.

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

Evaluation of Management's Comments

The United States Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in the report.

Although management disagreed with recommendation 1, management's intended actions meet the intent of the recommendation. Specifically, management agreed on having all workhours accounted for on work orders and stated that the new Fleet Management Group will reduce undistributed workhours.

Regarding workhours, dollars, and positions, we acknowledge undistributed labor hours are based on workhours (actual time card hours and actual work order hours). Our review focused on both distributed and undistributed labor, and we identified issues with the latter. In addition, the undistributed labor report shows the mechanic who performed maintenance and the work order and time card hours expended by each mechanic.

Regarding fleet characteristics such as vehicle age, the amount of work required in maintaining the fleet, or what portion of the work contractors performed,⁹ we acknowledge the age of the vehicles and the difficulties finding mechanics to perform maintenance on these vehicles in the report. However, we determined if mechanics recorded their hours on a work order, this would accurately reflect the amount of time expended for maintenance and repair on the aging fleet. Further, our review was of undistributed workhours in the VMFs, not a review of undistributed workhours for contractors.

Although management disagreed with recommendation 2, their planned actions to review staffing levels addressed the intent of the recommendation. Specifically, management indicated that establishment of the Fleet Management Group and the impending restructuring will allow them to review all workhours and staffing levels to determine the most efficient method of maintaining and staffing VMF personnel.

For the monetary impact, we reviewed and analyzed the FY 2014 undistributed labor report from the SEAM database for each of the five areas. The report shows the undistributed hours as the difference of actual work order hours and actual time card hours. The OIG then calculated the monetary benefit by multiplying these hours by the average mechanic hourly labor rate.

We did not calculate the undistributed labor performance indicator, this information was provided on the SEAM report. Management established an undistributed labor performance target (threshold) of 3 percent, indicating the importance management places on documenting and accounting for mechanics' hours. We found that all five areas exceeded the 3 percent target, from 8 percent to 17 percent. These variances indicate a control weakness that prevents management from accounting for all mechanics workhours. Per policy, mechanic time that is unaccounted for is costly. Workhours properly reflected on a work order would capture the amount of work required to maintain the fleet for future VMF operational planning purposes.

The OIG considers both 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 the recommendations can be closed.

⁹ These finding are regarding internal labor only.

Appendices

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Appendix A: Additional Information

Background

The vehicles owned by the U.S. Postal Service represent a capital investment of nearly \$3.6 billion. The fleet is maintained using the vehicle maintenance program at 316 Postal Service vehicle maintenance facilities that service 211,264 vehicles. The Postal Service also contract commercial garages throughout the country for maintenance and repair. The vehicle maintenance program mission is to ensure safe, dependable, and economical performance of Postal Service vehicles. In FY 2014, the Postal Service vehicle maintenance expenses totaled \$1.1 billion.

The Postal Service established performance indicators to gauge the effectiveness and efficiency of the vehicle maintenance program. These indicators include overhead and workload management at the maintenance facilities. During FY 2013, this audit was conducted in the Capital Metro and Pacific areas. The prior audit found inefficiencies, mismanaged resources, and inadequate controls.

A series of guidelines were developed for conducting scheduled maintenance, which must be used for contractors and in-house VMF services. Scheduled maintenance ensures mechanics are used productively and vehicles are available for delivery services. Vehicles will experience some degree of unscheduled repair. The better the scheduled maintenance program is, the fewer unscheduled repairs will occur. The target ratio for scheduled and unscheduled maintenance is 80 percent and 20 percent, respectively. The overhead and workload allocation indicator compares overhead labor costs with maintenance labor costs. The target ratio for overhead labor costs is 30 percent. A high ratio indicates staffing problems, such as too many clerical and supervisory positions or understaffing of mechanic positions.

Objective, Scope, and Methodology

Our objective was to assess the overall efficiency of VMF operations. We assessed operations in the Eastern, Great Lakes, Northeast, Southern, and Western areas. During FY 2013, this audit was conducted in the Capital Metro and Pacific areas. The prior audit found inefficiencies, mismanaged resources, and inadequate controls. These two areas are not included in this capping report, as the reports contained separate recommendations.

Specifically, we:

- Obtained, reviewed, and analyzed FY 2014 scheduled maintenance performance indicators for the five areas and selected 48 VMFs in the Eastern, Great Lakes, Northeast, Southern, and Western areas for best practices and challenges meeting performance measures.
- Obtained, reviewed, and analyzed vehicle maintenance operations data from eFlash, webCOINS,¹⁰ EDW, and SEAM.
- Identified and compared FY 2014 VMF and commercial labor expenditures for scheduled maintenance¹¹.
- Conducted site visits and interviews with area and district officials to obtain information on vehicle operations and discussed the vehicle maintenance performance of the selected districts.

¹⁰ The webCOINS application is designed to provide local management with timely and accurate complement information.

¹¹ Commercial labor was reviewed for background information purposes only. We did not review and analyze labor hours charged by contractors.

- Obtained and reviewed vehicle maintenance costs and compared scheduled and unscheduled maintenance costs to determine whether VMFs were meeting the scheduled maintenance ratio and obtained rationale for not meeting the established goal.
- Compared overhead workhours to mechanic workhours to determine whether overhead labor exceeded the target ratio and obtained rationale for exceeding the ratio.
- Reviewed applicable vehicle maintenance documentation, policies, and procedures.

We conducted this performance audit from October 2014 through April 2015, in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on March 23, 2015 and included their comments where appropriate.

We assessed the reliability of SEAM, webCOINS, EDW, and eFlash data by interviewing agency officials knowledgeable about the data. Our discussions concluded that management relied on these systems to manage operations. Consequently, we determined that the data was sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Suspension or Delay of Scheduled Vehicle Maintenance</i>	DR-MA-15-001	2/10/2015	N/A

Report Results: During the course of our *Nationwide Vehicle Maintenance Facility Efficiency* audit, we determined the Postal Service is not always performing scheduled preventive maintenance on its delivery vehicles. This occurred because of their extended use of vehicles for additional service commitments, the limited number of reserve vehicles, and delayed scheduled maintenance. Maintaining scheduled maintenance is critical to avoid vehicle breakdowns and ensure safety, while meeting the Postal Service's customer service requirements. We recommended the vice president, Delivery, direct area management to maintain scheduled vehicle maintenance services on a timely basis. We also recommended the vice president, Delivery to lease additional delivery vehicles as necessary to maintain scheduled maintenance services. Management agreed with our findings and recommendation 1; however, they did not agree with recommendation 2.

Report Title	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Vehicle Parts Inventory Management – Capping</i>	DR-AR-14-005	3/26/2014	\$49,211,277
<p>Report Results: 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. 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. Management agreed with all findings and recommendations in the report.</p>			
<i>Vehicle Maintenance Facility Efficiency – Capital Metro and Pacific Areas</i>	DR-AR-13-007	9/30/2013	\$17,410,306
<p>Report Results: The prior audit found inefficiencies, mismanaged resources, and inadequate controls. Vehicle maintenance facility operations in eight of 16 districts in the Capital Metro and Pacific areas were not operating at peak efficiency. We recommended the vice president, Capital Metro Area Operations, assess the reporting structure for vehicle operations maintenance assistants, and require vehicle maintenance managers, or designees, to provide adequate oversight to ensure they perform their vehicle maintenance-related duties maintenance assistant support workhours. Management agreed with recommendation 1, but did not agree with recommendation 2.</p>			

Appendix B: Management's Comments

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



April 14, 2015

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report - Vehicle Maintenance Facility
Efficiency Nationwide – Capping Report
(Report Number DR-AR-15-DRAFT)

Thank you for providing the U.S Postal Service (USPS) with the opportunity to review and comment on the draft report titled Vehicle Maintenance Facility Efficiency Nationwide – Capping Report (Report Number DR-AR-15-DRAFT).

While we agree opportunity exists to improve Vehicle Maintenance Facility efficiency, this audit is generic in its recommendations and does not provide specific strategies that would demonstrate the value of recommended improvements. We do not agree with the monetary impact of this audit as it was not adequately identified how some of the performance indicators are calculated and the impacts of not meeting the indicator goals.

The USPS is in the midst of restructuring the Fleet Management organization and will be transitioning staff and new reporting relationships in the near future and will reevaluate all Vehicle Maintenance goals and performance indicators.

Recommendation:

We recommend the Vice President, Delivery Operations:

1. Improve monitoring and oversight in the vehicle maintenance facilities to reduce 431,129 undistributed work hours for maintenance and repair work orders.

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Response: Management Disagrees

While management agrees that not all Postal Service's Vehicle Maintenance Facilities are operating at peak efficiency, we do not agree on the monetary impact. This audit refers to the Undistributed Labor Indicator that compares work order hours to work hours and makes the assumption that all work hours not recorded on a work order are non-productive and by simply accounting for work hours on a work order captures the projected savings.

Management agrees on the importance of having all work hours accounted for on work orders, but believes efficiency is measured by how the work hours are spent. To improve the management and performance on this and all other indicators, management has instituted a new management structure. Reducing undistributed work hours will be a priority for the newly restructured Fleet Management group starting in Quarter 3 of FY2015. We ask that this recommendation be considered closed based on the activities already in place.

Target Implementation Date: Restructure activities have already begun

Responsible Official: Philip F. Knoll, Jr., Manager, Fleet Management

Recommendation:

2. Right size staffing at vehicle maintenance facilities to improve operations.

Management Response: Management Disagrees

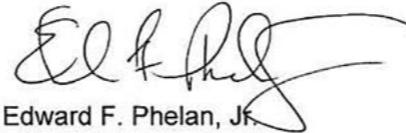
This audit does not adequately identify how the Distributed Labor/Total Vehicle Labor performance indicator is calculated. This indicator is based on dollars and not work hours and categorizes work hour costs based on how the work hours are used and not the positions performing the work. It should also be noted that this indicator does not take into consideration the age of the vehicle and the amount of work required to maintain the fleet or what portion of the work is performed by contractors.

With the implementation of the Fleet Management group and impending restructuring, all work hours and staffing levels will be evaluated to determine the most efficient method of maintaining and staffing vehicle maintenance personnel. As with the previous recommendation we ask that this recommendation be considered closed based on the activities already in place.

Target Implementation Date: Restructure activities have already begun

Responsible Official: Philip F. Knoll, Jr., Manager, Fleet Management

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



Edward F. Phelan, Jr.

cc: Manager, Corporate Audit Response Management



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