



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

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**Vehicle Maintenance Facility  
Efficiency – Capital Metro and  
Pacific Areas**

**Audit Report**

September 30, 2013

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Report Number DR-AR-13-007

September 30, 2013



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

## **HIGHLIGHTS**

### **Vehicle Maintenance Facility Efficiency – Capital Metro and Pacific Areas**

Report Number DR-AR-13-007

#### **BACKGROUND:**

The vehicles owned by the U.S. Postal Service represent a capital investment of nearly \$3.5 billion. The fleet is maintained using the vehicle maintenance program at 321 Postal Service vehicle maintenance facilities that service over 215,530 vehicles. They also contract with commercial garages throughout the country for maintenance and repair.

The vehicle maintenance program mission is to ensure safe, dependable, and economical performance of vehicles owned by the Postal Service. The maintenance facilities must meet maintenance and repair service requirements, as well as be cost efficient and limit vehicle downtime. The Postal Service established performance indicators to gauge the effectiveness and efficiency of overhead and workload management at the maintenance facilities. In fiscal year 2012, Capital Metro and Pacific areas vehicle maintenance expenses were \$148,974,513 and \$97,466,067, respectively.

Our objective was to assess the overall efficiency of vehicle maintenance facility operations in the Capital Metro and Pacific areas at selected facilities.

#### **WHAT THE OIG FOUND:**

Vehicle maintenance facility operations in eight of 16 districts in the Capital Metro and Pacific areas were not operating at peak efficiency. Facilities operated below the scheduled maintenance national average of

72 percent at 64 and 67 percent, respectively; and exceeded unscheduled maintenance by 10 and 7 percent, respectively. The Capital Metro and Pacific areas also exceeded overhead labor costs by 13 and 19 percent, respectively and the Capital Metro Area exceeded vehicle operations' maintenance assistant support workhours estimate by 29,887 workhours. These conditions occurred because performance indicators had not been appropriately modified, the vehicle fleet was aging, there were mechanic and support staff vacancies and a lack of management oversight. We will address performance indicators and aging of the fleet in ongoing and future work. Reducing unscheduled maintenance costs and improving oversight would increase overall efficiency in these areas, saving the Postal Service over \$17 million.

#### **WHAT THE OIG RECOMMENDED:**

We recommended the vice presidents, Capital Metro and Pacific Area Operations, direct district managers fill vacant mechanic and support staff positions to improve inefficiencies in operations. Further, 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.

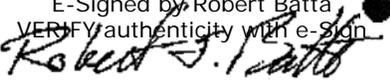
[Link to review the entire report.](#)



September 30, 2013

**MEMORANDUM FOR:** DAVID C. FIELDS  
VICE PRESIDENT, CAPITAL METRO AREA OPERATIONS

DEAN J. GRANHOLM  
VICE PRESIDENT, PACIFIC AREA OPERATIONS

E-Signed by Robert Batta  
VERIFY authenticity with e-Sign  


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

**SUBJECT:** Audit Report – Vehicle Maintenance Facility Efficiency –  
Capital Metro and Pacific Areas (DR-AR-13-007)

This report presents the results of our audit of Vehicle Maintenance Facility Efficiency – Capital Metro and Pacific Areas (Project Number 13XG008DR000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Rita 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 audit of Vehicle Maintenance Facility (VMF) Efficiency in the Capital Metro and Pacific Areas<sup>1</sup> (Project Number 13XG008DR000). The objective of this audit was to assess the overall efficiency of vehicle maintenance operations. See [Appendix A](#) for additional information about this audit.

The U.S. Postal Service operates one of the world's largest transportation and delivery fleets with over 215,530<sup>2</sup> vehicles, a capital investment of nearly \$3.5 billion. The fleet is maintained using the vehicle maintenance program at 321 Postal Service VMFs. The Postal Service also contracts with commercial garages throughout the country for maintenance and repair. The vehicle maintenance program ensures 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, such as scheduled and unscheduled maintenance, overhead, and workload allocations. In fiscal year (FY) 2012, Capital Metro and Pacific areas' vehicle maintenance expenses were \$148,974,513 and \$97,466,067, respectively.

## Conclusion

VMF operations in eight of the 16 districts in the Pacific and Capital Metro areas were not operating at peak efficiency. Facilities were operating below the scheduled maintenance national average of 72 percent, at 64 and 67 percent, and exceeded unscheduled maintenance by 10 and 7 percent, respectively. The Capital Metro and Pacific areas also exceeded the overhead labor costs by 13 and 19 percent, respectively. Further, the Capital Metro Area exceeded Vehicle Operations Maintenance Assistant (VOMA)<sup>3</sup> support estimates by 29,887 workhours. These conditions occurred because performance indicators had not been modified, the vehicle fleet was aging, and there were mechanic and support staff vacancies and a lack of management oversight. Reducing unscheduled maintenance costs and improving oversight would increase overall efficiency in these areas, saving the Postal Service over \$17 million.

## Vehicle Maintenance Efficiency

VMFs in selected districts in the Capital Metro and Pacific areas were not operating at peak efficiency. Specifically, average scheduled maintenance for the Capital Metro and Pacific areas was 64 and 67 percent, respectively, which was below the national

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<sup>1</sup> The U.S. Postal Service Office of Inspector General (OIG) will include the results of the Eastern, Great Lakes, Northeast, Southern, and Western area audits in a separate report.

<sup>2</sup> *Postal Facts*, dated January 16, 2013.

<sup>3</sup> Only the Capital Metro Area had VOMAs.

average of 72 percent<sup>4</sup> and the Postal Service's established 80 percent target<sup>5</sup> (see Table 1).

**Table 1. FY 2012 Scheduled Maintenance Performance Indicators**

Area	District	Average Scheduled Maintenance Performance <sup>6</sup>
<b>Capital Metro</b>	Atlanta	66
	Baltimore	63
	Capital	57
	Greensboro	68
	Mid-Carolinas	66
	Northern Virginia	65
	<b>Capital Metro Area Average</b>	
<b>Pacific</b>	Honolulu	66
	Sierra Coastal	68
<b>Pacific Area Average</b>		<b>67</b>

Source: *Vehicle Maintenance Accounting System Indicator Performance Report*.

The Capital Metro and Pacific areas also exceeded the unscheduled maintenance national average ratio of 28 percent, budgeted costs, and the Postal Service's established target of 20 percent. Their unscheduled maintenance ratios were 38<sup>7</sup> and 35<sup>8</sup> percent, respectively. Our analysis of vehicle maintenance costs found the selected VMFs expended \$12,957,556 on unscheduled and other maintenance expenses. We compared the costs to the national average and found they exceeded the maximum costs allowed of \$9,822,929 by \$3,134,627 (see Table 2).

<sup>4</sup> The OIG analyzed the FY 2012 scheduled maintenance ratios for all 67 districts and determined the national average was 72 percent, 8 percent below the established 80 percent scheduled maintenance target.

<sup>5</sup> *Vehicle Maintenance Bulletin (VMB) 02-97, Vehicle Maintenance Standard Operating Procedures*, October 8, 1996.

<sup>6</sup> This column is the Total Average Scheduled Maintenance Labor to Total Direct Labor =>80 percent and Scheduled Maintenance and Contract Labor to Total Direct Maintenance/Direct=>80 percent.

<sup>7</sup> Capital Metro Area unscheduled maintenance was 10 percent above the national average.

<sup>8</sup> Pacific Area unscheduled maintenance was 7 percent above the national average.

**Table 2. FY 2012 Scheduled and Unscheduled Maintenance Costs**

<b>Cost Type</b>	<b>Capital Metro Area</b>	<b>Pacific Area</b>	<b>Total</b>
Actual Scheduled Maintenance Costs	\$16,687,461	\$5,436,871	\$22,124,332
Actual Unscheduled/Other Maintenance Costs	\$10,028,750	\$2,928,806	\$12,957,556
Total Maintenance Labor Costs	\$26,716,211	\$8,365,677	\$35,081,888
Percentage of Actual Unscheduled/Other Maintenance Costs to Total Maintenance Labor Costs	38%	35%	
Maximum Unscheduled/Other Maintenance Costs	\$7,480,539	\$2,342,389	\$9,822,929
Unscheduled Maintenance Costs Overages	\$2,548,211	\$586,416	\$3,134,627

Source: *Vehicle Maintenance Accounting System, Vehicle Maintenance Cost Report, for FY 2012 and Solutions for Enterprise Asset Management Vehicle Maintenance Cost Report FY 2012.*

Selected districts also used commercial vendors to complete scheduled maintenance and vehicle repairs while attempting to fill vacant mechanic positions. A comparison of VMF labor and commercial labor costs showed the commercial labor costs exceeded VMF costs. Specifically, commercial labor rates ranged from \$84.38 to \$92.80 per hour, and VMF labor rates ranged from \$39.91 to \$54.09 per hour. The cost of workhours at the commercial labor rate for 44 vacant positions is \$8,166,038, while the cost of workhours at the VMF labor rate is \$4,383,808, a difference of \$3,782,230 (see Table 3).

**Table 3. Comparison of VMF Labor Rates to Commercial Labor Rates**

<b>Area</b>	<b>Total Commercial Costs</b>	<b>Total VMF Labor Costs</b>	<b>Difference</b>
Capital Metro	\$4,056,790	\$2,191,904	\$1,864,886
Pacific	4,109,248	2,191,904	1,917,344
<b>Total</b>	<b>\$8,166,038</b>	<b>\$4,383,808</b>	<b>\$3,782,230</b>

Source: *Vehicle Maintenance Accounting System Indicator Cost In Dollars Report.*

Further, the Capital Metro and Pacific areas exceeded the overhead labor 30 percent ratio<sup>9</sup> by 13 and 19 percent, respectively. The districts exceeded targeted workhours<sup>10</sup> by 221,171, at a cost of \$9,185,892. The overhead and workload allocation indicator compares overhead labor costs with maintenance labor costs. A high ratio indicates

<sup>9</sup> The established ratio is 30 percent of workhours (*VMB 02-97, Vehicle Maintenance Standard Operating Procedures*, October 8, 1996).

<sup>10</sup> The calculation includes the administrative hourly rate of \$36.00 and supervisor rate of \$48.00. Rates include rounding.

staffing problems, such as too many clerical and supervisory positions or understaffing of mechanic positions (see Table 4).

**Table 4. FY 2012 Capital Metro and Pacific Area Overhead Workhours**

Overhead Workhour Type	Actual Workhours	Total Targeted Workhours	Total Workhours Above Target	Cost of Workhours Above Target
Administrative Hours	247,016	137,093	109,923	\$3,957,245
Supervisory Hours	248,595	137,347	111,248	5,228,647
<b>Total</b>	<b>495,611</b>	<b>274,440</b>	<b>221,171</b>	<b>\$9,185,892</b>

Source: OIG calculation using FY 2012 eFlash Workhour Report.

VOMA support workhours for the Capital Metro Area exceeded management's estimate during FY 2012. Specifically, there were 23 VOMA positions assigned to the Capital Metro Area responsible for vehicles at one or more post offices within the geographic area. Our analysis of VOMA workhours showed actual workhours totaled 46,007, at a cost of \$2,012,806. Management estimated that, generally, VOMAs only spent about 2 hours per day conducting vehicle maintenance-related duties; however, our analysis showed that VOMAs typically charged over 2 hours per day.

Based on management's estimates and the current reporting structure, we calculated that VOMA workhours for vehicle-related duties should have been 16,120,<sup>11</sup> at a cost of \$705,250.<sup>12</sup> Actual VOMA workhours exceeded management's estimate by 29,887 workhours, resulting in \$1,307,556 in overages (see Table 5).

**Table 5. FY 2012 VOMA Workhour Costs**

Workhour Type/Estimation	Total Workhours	Workhour Type/Estimation	Total Workhour Costs
Actual VOMA Workhours	46,007	Actual VOMA Workhour Costs	\$2,012,806
Management's Estimated VOMA Workhours	16,120	Management's Estimated VOMAs Workhour Costs	\$ 705,250
Overage in Workhours	29,887	Total Excess Workhour Costs	\$1,307,556

Source: OIG calculations using FY 2012 eFlash Workhour Report.

<sup>11</sup> To calculate VOMA workhours based on management's estimations, we calculated workhours of those VOMAs assigned to Vehicle Post Offices (VPOs) at 2 hours per day for 52 weeks, plus the workhours of VOMAs assigned to the VMFs at 8 hours per day for 52 weeks. We used the maintenance rate of \$43.75 multiplied by 16,120 hours, for a workhour cost of \$705,250.

<sup>12</sup> The calculation includes the Maintenance PS-06 hourly rate of \$43.75.

The inefficiencies occurred because of the conditions described below.

- **Performance Indicators.** Management has not modified the performance indicators since they were established in October 1996, when the delivery and collection vehicle fleet was new. The OIG is not making a recommendation regarding this issue or the Postal Service's aging fleet in this report.<sup>13</sup>
- **Aging Fleet.** Delivery and collection fleet vehicles range in age from 18 to 25 years. According to management, the age of the vehicle fleet increases the likelihood of unscheduled maintenance and the need for more major repairs, such as repairing or replacing rusted frames and engines. Some officials stated they extended intervals between scheduled maintenances to help reduce delinquent maintenance.
- **Mechanic Vacancies.** Districts have not filled vacant mechanic positions. In August 2011, the Postal Service entered into an agreement with the American Postal Workers Union to fill 740 vehicle mechanics. Hiring mechanics will allow the opportunity to reduce vehicle operating costs. As of November 2012, five of the eight districts reviewed in the Capital Metro and Pacific areas had vacant mechanic positions.<sup>14</sup> These districts had a total authorized complement of 241 mechanic positions, but filled only 197, leaving 44 positions vacant (see [Table 6](#)).
- **Support Staff Vacancies.** Management used mechanics on-board to perform duties for vacant support staff positions. For example, some managers assigned mechanics as tools and parts clerks and senior mechanics to supervisory positions to provide management and oversight in the VMFs.
- **Management Oversight.** Management oversight was not always adequate to ensure VOMAs performed their VMF-related duties. Officials indicated that, in the current reporting structure, VOMAs were generally located at the VPO and reported to VPO management. VMF managers did not establish or control work schedules. In some instances, VMF and VPO managers did not interact with one another to discuss duties of the VOMAs. Additionally, most VOMAs did not have vehicle maintenance experience and continued to perform their primary craft duties instead of VMF-related work.

Reducing unscheduled maintenance costs and improving oversight would increase overall efficiency in these areas, saving over \$17 million.

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<sup>13</sup> The OIG plans to conduct a nationwide VMF efficiency audit and we have an ongoing audit (Next Generation Collection and Delivery Vehicles) addressing the aging fleet.

<sup>14</sup> The districts with mechanic vacancies include Baltimore, Mid-Carolinas, Northern Virginia, Honolulu, and Sierra Coastal. The total does not include the Atlanta, Capital, and Greensboro districts because they did not have vacant mechanic positions during the included period.

**Table 6. FY 2012 Capital Metro and Pacific Area Complement**

<b>Area</b>	<b>Authorized Complement</b>	<b>Total Complement (11/2012)</b>	<b>Total Vacant Mechanic Positions</b>
Capital Metro	155	133	22
Pacific	86	64	22
<b>Totals</b>	<b>241</b>	<b>197</b>	<b>44</b>

Source: *Webcoins Complement System*, Capital Metro and Pacific areas mechanic ccomplement.

### Recommendations

We recommend the vice presidents, Capital Metro and Pacific Area Operations, direct district managers to:

1. Fill vacant mechanic and support staff positions to improve inefficiencies in operations.

We recommend the vice president, Capital Metro Area Operations:

2. Assess the reporting structure for vehicle operations maintenance assistants (VOMAs) and require vehicle maintenance managers, or designees, to provide adequate oversight of VOMAs to ensure they perform their vehicle maintenance-related duties.

### Management's Comments

Capital Metro Area management agreed in principle with the finding and recommendations 1 and 2. Pacific Area management agreed with the finding and recommendation 1. Both Capital Metro and Pacific areas disagreed with the monetary impact.

In response to recommendation 1, Capital Metro Area management stated that, at the time of the audit, there were clear opportunities in staffing; however, they noted the audit was conducted in FY 2012 and the results were provided in Quarter 4, FY 2013. Therefore, the results did not accurately reflect the area's current state of maintenance operations. Management also stated the data were used from the Vehicle Management Accounting System (VMAS), which was considered unreliable and was replaced with the Solution Enterprise Asset Management (SEAM) system. Management further stated that performance measures, while achievable when vehicles were up to 10 years old, were no longer achievable as some vehicles in the fleet are now up to 25 years old. They also stated that the overall area financial performance for FY 2013 through August 2013 is 2.33 percent less than same period last year, with year-to-date actual expenditures for vehicle maintenance reduced by \$735,311. This performance indicates improvement in

the management of VMF functions, while deploying many vehicles to rural delivery operations and assuming the additional vehicle maintenance responsibilities.

Management also stated they have recognized the vacancies as an issue since January 2012 and focused on ensuring proper hiring and filling of vacancies well in advance of this report. Staffing levels are monitored monthly and processes are in place (vacancy posting, testing, and so forth) to fill the current 21 vacant automotive technician positions. Further, to free up automotive technicians, management uses Postal Service support employees to perform non-skill tasks, which has proven to be an effective strategy.

Pacific Area management stated they continue to actively recruit and train employees and potential employees to fill the vacancies. Management also stated they have filled 29 of 113 vacancies. Management has a target implementation date of January 2014.

Regarding recommendation 2, Capital Metro Area management stated that, at the time of the audit, there were opportunities in the reporting structure for VOMAs; however, the results do not accurately reflect the current state of the area's vehicle maintenance operations. Management stated that district and area officials provide necessary oversight to the VOMAs and, after their initial meeting with the OIG, they surveyed VOMAs on August 16-19, 2013 to validate VOMAs' workhours for VMF-related duties. In subsequent discussions, management stated they plan to require VOMAs to report to VMF management daily and track their time in SEAM. The target implementation date is January 31, 2014.

Neither Capital Metro or Pacific areas concurred with the monetary impact. Management stated that no dollar savings exists due to inefficiencies, mismanaged assets, and inadequate controls. See [Appendix C](#) for management's comments, in their entirety.

### **Evaluation of Management's Comments**

The OIG considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in the report.

Capital Metro Area management stated the results did not accurately reflect the current state of the area's vehicle maintenance operations. Nevertheless, in November 2012, the Capital Metro Area had 22 vacant mechanic positions in three of six selected districts for review. As of September 2013, the Capital Metro Area filled 11 of the vacancies identified (50 percent).

Management also stated the data used in the report was gathered from VMAS, which was considered unreliable and this system was replaced with SEAM. We used VMAS data because it was the best available data for the entire fiscal year. Also, at the time of our audit, the Capital Metro and Pacific areas had not used SEAM for the entire year. The

Capital Metro and Pacific areas transitioned to SEAM in November and June 2012, respectively.

We recognized in the report that management had not modified the vehicle maintenance performance indicators since they were established in October 1996, when the delivery and collection vehicle fleet was new. We plan to conduct additional VMF efficiency audits in other Postal Service areas along with our ongoing audit (Next Generation Collection and Delivery Vehicles) that will address the aging fleet.

Regarding the monetary impact, we based our calculations on actual workhours for FY 2012 and the national averages for scheduled and unscheduled maintenance. We found opportunities to improve VMF operational inefficiencies at eight of the 16 districts reviewed. Specifically, VMF operations in those eight districts were not operating efficiently and exceeded labor cost estimates. We initially used the Postal Service's vehicle maintenance performance indicator target of 80 percent, for scheduled maintenance. However, at Capital Metro Area management's request at the exit conference in August 2013, we agreed to modify our calculations to use the national average of 72 percent, for a monetary impact of \$17,410,306. The OIG's methodology is further explained in [Appendix B](#) of this report.

The OIG considers recommendations 1 and 2 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.

## Appendix A: Additional Information

### Background

The Postal Service operates one of the world's largest transport and delivery fleets which includes 215,530<sup>15</sup> delivery, transport, and administrative vehicles. The Postal Service-owned vehicles represent a capital investment of nearly \$3.5 billion. The fleet is maintained using the vehicle maintenance program at 321 Postal Service VMFs. The vehicle maintenance program was established to ensure safe, dependable, and economical performance of Postal-Service owned vehicles. They also contract with commercial garages throughout the country for maintenance and repair. The scheduled preventative maintenance program implements this objective by providing periodic systematic examinations of Postal Service vehicles. During FY 2012, Postal Service vehicle maintenance expenses totaled \$1,087,046,269. The Capital Metro and Pacific areas' vehicle maintenance expenses were \$148,974,513 and \$97,466,067, respectively.

The Postal Service developed a series of guidelines for conducting scheduled maintenance, which must be used for both contractors and in-house VMF services. VMF managers must schedule maintenance to reflect a consistent and balanced workload. To ensure vehicle servicing is kept up to date, scheduled maintenance services must be completed within 2 weeks of their due date.

The Postal Service also established performance indicators to gauge the effectiveness and efficiency of the vehicle maintenance program. These indicators include scheduled and unscheduled maintenance and overhead and workload allocation. Scheduled maintenance ensures that 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 Capital Metro and Pacific areas, including a review of vehicle maintenance operations at selected VMFs.

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<sup>15</sup> *Postal Facts*, dated January 16, 2013.

Specifically, we:

- Obtained, reviewed, and analyzed FY 2012 scheduled maintenance performance indicators by area and district. For our review, we selected districts in the Capital Metro and Pacific areas with a combined scheduled maintenance average score below 70 percent.
- Obtained, reviewed, and analyzed vehicle operations data from eFlash, VMAS, and SEAM.
- Identified and compared FY 2012 VMF and commercial labor expenditures for scheduled maintenance. We determined the number of required maintenance procedures completed or not completed by the 2-week deadline and the causes of maintenance not being completed.
- 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.
- 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.
- Examined the use of VOMA support and compared reported workhours to actual workhours used to conduct vehicle maintenance-related work in the Capital Metro Area.
- Reviewed applicable vehicle maintenance documentation, policies, and procedures.

We conducted this performance audit from October 2012 through September 2013 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 August 20 and 22, 2013, and included their comments where appropriate.

We assessed the reliability of vehicle maintenance performance and cost data from VMAS, Solutions for Enterprise Asset Management, and eFlash by reviewing data elements and interviewing personnel knowledgeable about vehicle maintenance performance and cost information. We determined that the data were sufficiently reliable for the purposes of this report.

#### Prior Audit Coverage

The OIG did not identify any prior audits or reviews related to the objective of this audit.

## Appendix B: Monetary Impact

Recommendations	Impact Category <sup>16</sup>	Amount
1	Funds Put to Better Use	\$3,134,627
1	Funds Put to Better Use	3,782,230
1	Funds Put to Better Use	9,185,892
2	Unsupported Questioned Costs	1,307,556
<b>Total</b>		<b>\$17,410,306</b>

As a result of inefficiencies, mismanaged resources, and inadequate controls, we identified \$17,410,306 of monetary impact.

### Unscheduled Maintenance

The national average for unscheduled and other maintenance is 28 percent. The VMFs spent \$12,957,556 on unscheduled and other maintenance. According to OIG analysis, the cost for unscheduled/other maintenance for FY 2012 was \$9,822,929. The selected districts exceeded this amount by \$3,134,627. To achieve the national average the selected VMFs must reduce their unscheduled maintenance cost by \$3,134,627. We are claiming \$3,134,627 as funds put to better use.

### Commercial Labor

As of November 2012, five of the eight districts reviewed had vacant mechanic positions.<sup>17</sup> The five districts had a total authorized complement of 241 mechanic positions, but filled only 197 positions, leaving 44 positions vacant. The cost of workhours at the commercial vendor rate for 44 vacant positions is \$8,166,038, while the cost of workhours at the VMF labor rate is \$4,383,808. The difference between the commercial vendor rate and VMF labor is \$3,782,230. Bringing the VMF mechanic positions to their required complement may reduce vehicle operations costs by \$3,782,230. We are claiming \$3,782,230 as funds put to better use.

### Overhead Costs

During FY 2012, the selected districts in the Capital Metro and Pacific areas exceeded the target total by 221,171 workhours, or 109,923 administrative and 111,248 supervisor workhours. The workhours above the target cost is \$9,185,892 or \$3,957,245 for administrative workhours and \$5,228,647 for supervisory workhours.

<sup>16</sup> Funds Put to Better Use - funds that could be used more efficiently by implementing recommended actions. Unsupported Questioned Costs - a weaker claim and a subset of questioned costs that is claimed because of failure to follow policy or required procedures, but does not necessarily connote any real damage to the Postal Service.

<sup>17</sup> The total does not include the Atlanta, Capital, and Greensboro districts because they did not have vacant mechanic positions during the included period.

To improve vehicle operations overhead costs, the VMFs must reduce their overhead labor costs. We will claim \$9,185,892 as funds put to better use.

### **Vehicle Operations Maintenance Assistant Support**

During FY 2012 for the districts in the Capital Metro Area using VOMA support, the total workhours were 46,007 at a cost of \$2,012,806. Based on VOMAs performing 2 hours of VMF-related duties, we determined VOMAs assigned to VPOs performed only 16,120 hours of VMF-related work.<sup>18</sup> As a result of the lack of VMF management oversight and the existence of inadequate controls, we identified 29,887 workhours at a cost of \$1,307,556, not related to VMF work. We will claim \$1,307,556 as questioned unsupported costs.

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<sup>18</sup> To calculate VOMA workhours based on management's estimates, we calculated the workhours of VOMAs assigned to VPOs at 2 hours per day for 52 weeks, plus the workhours of VOMAs assigned to the VMFs at 8 hours per day for 52 weeks. We used the rate of \$43.75 and multiplied that by 16,120 for workhour costs of \$705,250.

## Appendix C: Management's Comments

VICE PRESIDENT  
CAPITAL METRO AREA OPERATIONS



September 19, 2013

JUDITH LEONHARDT  
DIRECTOR AUDIT OPERATIONS  
OFFICE OF INSPECTOR GENERAL

SUBJECT: OIG Audit Report – Vehicle Maintenance Facility Efficiencies –  
Capital Metro Area (Project Number – 13XG008DR000).

Thank you for the opportunity to respond to the recommendations from your VMF Efficiencies Audit. We agree there were clear opportunities at the time of the audit in the staffing and reporting structure for VOMAs. We note, however that the audit was conducted in FY 2012. The results were provided in Quarter 4 of FY 2013; practically two years after the study. We do not agree that it accurately reflects the current state in our Vehicle Maintenance operations.

Data cited in the study was gathered from the Vehicle Management Accounting System (VMAS). VMAS was recognized as unreliable at the Headquarters level and subsequently a replacement system, SEAM (Solutions for Enterprise Asset Management) was introduced. Taking into consideration the date of the study and system issues with VMAS, performance metric targets, while achievable when vehicles were purchased and up to 10 years old, are no longer realistic as the fleet is now on average as much as twenty-five years old. Capital Metro Area overall line 3H financial performance for FY-13 (thru August 2013) is presently 2.33% to sply ranking second lowest in the nation and achieving overall planned performance. This level of performance has been achieved while deploying many additional vehicles to the rural delivery operation and assuming the additional vehicle maintenance responsibilities.

Below are responses to the specific recommendations:

**Recommendation #1:**

Fill vacant mechanic and support staff positions to improve inefficiencies in operations.

**Management Response/Action Plan:**

Capital Metro Area recognized this as an issue in January 2012. Focused strategies to ensure proper hiring and filling of LDC-32 vacancies throughout the area were adopted well in advance of this report. A clear process for updating the hiring process and developing creative recruitment strategies have been adopted. Staffing levels are monitored monthly to ensure each facility is maintaining adequate staff. There are currently only 21 Automotive Technician vacancies in the area. Processes are in place (vacancy postings, testing, etc.) to fill remaining vacancies.

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PSE Garagemen are utilized to perform non-skilled tasks such as vehicle shuttle, vehicle towing, tire maintenance, vehicle washing, etc. to free up skilled automotive technicians to concentrate on vehicle repairs and to create a pool of future technicians. Many of the trade schools no longer teach the type of vehicle mechanical and engine repair procedures that our aging fleet require. The use of non career garagemen has proven to be an effective strategy. The below staffing matrix provides current staffing levels to support this conclusion.

Area	Positions On Roles May, 2011					Positions On Rolls 9-13-13					Current VS Goal				
	Other LDC 32 (non body)	Level 8	Level 9	Level 10	Total	Other LDC 32 (non body)	Level 8	Level 9	Level 10	Total	Other LDC 32 (non body)	Level 8	Level 9	Level 10	Total
<b>Northeast Total</b>	72	247	169	25	513	55	229	201	46	531	-17	-71	-22	6	-104
<b>Eastern Total</b>	22	365	105	44	536	23	312	160	50	545	1	-74	-22	3	-92
<b>Western Total</b>	25	235	186	33	479	15	254	205	39	513	-10	-2	-30	-3	-45
<b>Pacific Total</b>	22	135	251	26	434	19	163	238	43	463	-3	-40	-42	1	-84
<b>Southern Total</b>	41	465	80	62	648	47	406	189	65	707	6	-80	7	-2	-69
<b>Great Lakes Total</b>	49	279	58	27	413	39	232	120	35	426	-10	-70	-19	-2	-101
<b>Capital Metro Total</b>	51	234	89	59	433	77	239	149	72	537	26	-7	-7	9	21
<b>Grand Total</b>	282	1960	938	276	3456	275	1835	1262	350	3722	-7	-344	-135	12	-474

	Authorized Complement	Current Complement as of 09/16/2013	Vacant LDC 32 Positions	Percentage of overall vacancies	Current PSE Garageman
Capital Total	84	83	-1	-1.19%	8
Baltimore Total	63	58	-5	-7.94%	4
NOVA Total	41	37	-4	-9.76%	5
Richmond Total	67	63	-4	-5.97%	2
Greensboro Total	65	65	0	0.00%	2
Mid-C Total	51	48	-3	-5.88%	2
GSC Total	37	35	-2	-5.41%	2
Atlanta Total	117	115	-2	-1.71%	8
<b>Area Total</b>	<b>525</b>	<b>504</b>	<b>-21</b>	<b>-4.00%</b>	<b>33</b>

**Target Implementation Date:**

Complete

**Responsible Official:**

Leslie Johnson-Frick; Capital Metro Area Manager, Delivery Programs Support

**Recommendation #2:**

Assess the reporting structure for Vehicle Operation Maintenance Assistants (VOMAs) and require vehicle maintenance managers or designees to provide adequate oversight of VOMAs to ensure they perform their vehicle maintenance-related duties.

**Management Response/Action Plan:**

VOMAs are provided with the necessary oversight by Vehicle Maintenance, District and Area Operations. VOMA work hours reported in the Audit Report were 46,007. VOMA work hours in eFlash were 41,064, an overstatement of 12.04%. Currently, there are a total of 26 VOMA's in the Capital Metro Area. The breakdown by district is:

Atlanta – 1  
Baltimore – 3  
Capital – 2  
Mid Carolina's – 1  
NOVA – 16  
Richmond – 3

After our initial meeting with OIG auditors, a representative from Capital Metro Delivery Programs, conducted interviews with 12 VOMAs to validate the assertion that VOMA's only perform 2 hours of VMF-related duties daily. This survey revealed that VOMA's perform on average 6-7 hours of vehicle maintenance functions per day.

As VOMA positions become vacant they are considered for reversion and are then replaced with a skilled automotive technician position. Once the position is reverted, all work which had previously been performed by the VOMA can be performed by a qualified LDC-32 VMF Automotive Technician either in the field or at the VMF. VOMA positions are awarded to the Senior Bidder at the location of the position and contractually these employees are not required to possess prior formal automotive training or experience. The audit fails to mention this or to take into consideration the contractual requirements of the position.

**Target Implementation Date:**

N/A

**Responsible Official:** Leslie Johnson-Frick; Manager, Delivery Programs Support

**Additional points to be considered:**

These vehicles are well past their projected life span and therefore the rate of unscheduled repairs will naturally be higher than when newer.

Six of eight Districts in Capital Metro Area, did not meet the scheduled maintenance performance indicator of 80% and were below the 72% National Average. YTD actual expenditures for Vehicle Maintenance GLA's (without fuel) are \$64,937,995; SPLY \$65,673,306, a reduction of \$735,311. This would indicate that marked improvement in the management of the VMF function is occurring in this area.

The current USPS financial situation dictates that Managers act in the most effective and efficient manner possible.

This report has not yet been reviewed for release under FOIA or the Privacy Act. Distribution should be limited to those within the Postal Service with a need to know.

As previously mentioned, thank you for the opportunity to respond to this audit.



David C. Fields

cc: Edward F. Phelan, Jr.  
Corporate Audit and Response Management

DEAN GRANHOLM  
VICE PRESIDENT, PACIFIC AREA OPERATIONS



September 16, 2013

JUDITH LEONHARDT  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Vehicle Parts Inventory Management – Pacific Area  
Report Number DR-AR-13

The Pacific Area agrees that the Postal Service needs to update the performance indicators for the VMF's.

The Pacific Area agrees that the Fleet is aging and ranges from 18-25 or more years in service. Older vehicles require more maintenance; scheduled and unscheduled.

The Pacific Area agrees that the VMF vacancies need to be filled to support our aging fleet. Currently 29 of the 113 vacancies have been filled in the Pacific Area.

Management does not agree that the amount of \$17,410,306 put to better use exists, or was accurately reflected as due to inefficiencies, mismanaged assets and inadequate controls.

Recommendations:

1. Fill vacant mechanic and support staff positions to improve inefficiencies in operations.

**Management Response/Action Taken:**

The Pacific Area Leadership agrees with this recommendation and continues to actively recruit and train employees and potential employees to fill the vacancies.

The Pacific Area has no issues with FOIA release once the potential savings have been addressed. If you have any questions, please contact Cynthia Larson at 858-674-3110.

A handwritten signature in black ink, appearing to read "D. Granholm".

for Dean J. Granholm

cc: Sally K. Haring, Manager, Corporate Audit and Response Management

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