

Office of Inspector General | United States Postal Service

## Audit Report

# Replacement of Privately Owned Delivery Vehicles

Report Number 20-255-R22 | January 18, 2022



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# Highlights

## Background

In fiscal year (FY) 2020, the U.S. Postal Service had about 133,000 rural letter carriers and associates delivering mail on over 79,500 rural routes. A rural route can be a government owned vehicle (GOV) route where the Postal Service provides the delivery vehicle, or an equipment maintenance allowance (EMA) route where the carrier provides the vehicle and receives fuel and maintenance reimbursement. That same year, the Postal Service paid rural letter carriers almost \$583 million for more than 36,900 EMA routes.

## What We Did

Our objective was to assess the Postal Service's strategy for assigning GOVs to EMA routes. Specifically, we assessed whether related Decision Analysis Report acquisition plans were effectively implemented and whether future acquisition plans will be cost effective.

For this audit, we reviewed a random sample of 135 GOVs acquired by December 31, 2020, to convert EMA routes to GOV routes. In addition, we reviewed nationwide EMA route conversions completed from May 9, 2020, to January 1, 2021, and evaluated the remaining EMA routes suitable for conversion under future acquisition plans.

## What We Found

The Postal Service's strategy to permanently assign GOVs to EMA routes was generally effective. However, the Postal Service did not maximize cost savings related to EMA route conversions in two primary ways: it did not implement conversions timely, causing EMA payments to last longer than anticipated and it did not always correctly prioritize EMA route conversions. This occurred

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***“The Postal Service's strategy to permanently assign GOVs to EMA routes was generally effective. However, the Postal Service did not maximize cost savings related to EMA route.”***

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due to a lack of written guidance from headquarters and a nationwide tool or report to promptly identify timeliness issues or changes to preselected EMA route assignments.

While the Postal Service took corrective action during our audit, including developing a dashboard to monitor deployment progress and requiring approval of changes to preselected EMA route assignments, the lack of written guidance on expected vehicle deployment and utilization timeframes may contribute to future delays.

Finally, we identified that the proposed plan for future EMA route conversions would not be the most cost-efficient option. Although Postal Service officials acknowledged that conversion of some EMA routes would not maximize overall cost savings, they noted the importance of other benefits of the acquisition, such as increased safety. While we recognize the collective benefit of the other considerations, potential cost implications warrant a separate analysis for future vehicle purchases.

## Recommendations

We recommended management develop and issue written guidance establishing expected timeframes for new vehicle deployment and utilization on rural routes and analyze and include the potential financial impact associated with rural route conversions that would not result in cost savings for consideration in future Decision Analysis Reports for vehicle acquisition.

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***“While the Postal Service took corrective action during our audit, including developing a dashboard to monitor deployment progress and requiring approval of changes to preselected EMA route assignments, the lack of written guidance on expected vehicle deployment and utilization timeframes may contribute to future delays.”***

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# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

January 18, 2022

**MEMORANDUM FOR:** ANGELA H. CURTIS  
VICE PRESIDENT, DELIVERY OPERATIONS

A handwritten signature in black ink, reading "Amanda H. Stafford", is positioned below the recipient information.

**FROM:** Amanda Stafford  
Deputy Assistant Inspector General  
for Retail, Delivery and Marketing

**SUBJECT:** Audit Report – Replacement of Privately Owned  
Delivery Vehicles (Report Number 20-255-R22)

This report presents the results of our audit of the U.S. Postal Service's Replacement of Privately Owned Delivery Vehicles.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Kelly Thresher, Director, Retail, Delivery and Vehicle Operations, or me at 703-248-2100.

Attachment

cc: Postmaster General  
Corporate Audit Response Management

# Results

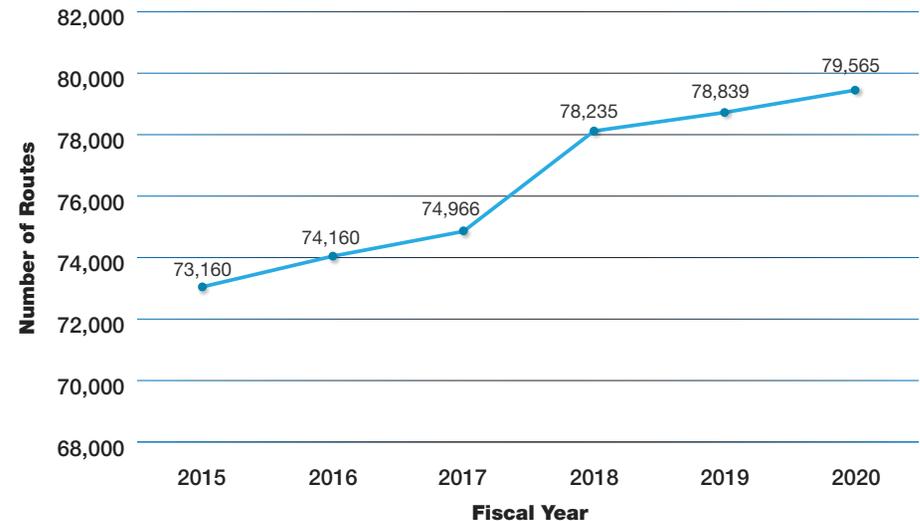
## Introduction/Objective

This report presents the results of our self-initiated audit of the U.S. Postal Service's Replacement of Privately Owned Delivery Vehicles (Project Number 20-255). Our objective was to assess the Postal Service's strategy for assigning government owned vehicles (GOV) to equipment maintenance allowance (EMA) routes. Specifically, we assessed whether the related Decision Analysis Report (DAR) acquisition plans to accomplish this strategy were effectively implemented and whether future acquisition plans will be cost effective. See [Appendix A](#) for additional information about this audit.

## Background

In fulfilling its universal service obligation, the Postal Service provides services to patrons in all areas of the U.S. This includes rural communities where the Postal Service is often the only delivery option. Since fiscal year (FY) 2015, the Postal Service experienced total rural route growth of almost 9 percent (see Figure 1). To continue meeting the growing need for rural routes, the Postal Service works to ensure delivery vehicles are sufficient in terms of quantity and capacity.

Figure 1. FY 2015 – FY 2020 Rural Route Total



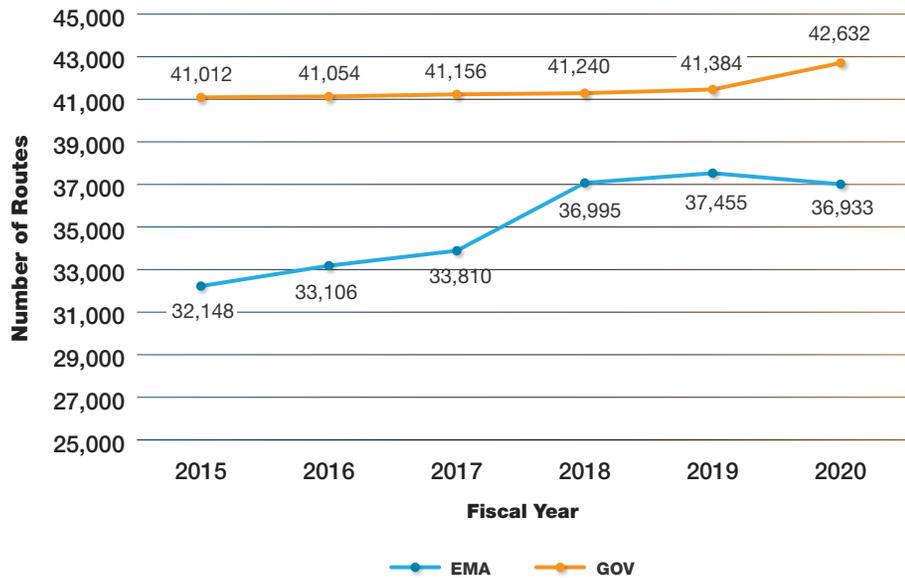
Source: Rural Route Master List, Rural Management Support System (RMSS).<sup>1</sup>

In FY 2020, the Postal Service had about 133,000 rural letter carriers and associates delivering mail on over 79,500 rural routes. A rural route can either be designated as a GOV route where the Postal Service provides the vehicle, or an EMA route where the carrier provides the vehicle. There were more than 36,900 EMA routes where a rural carrier was responsible for the provision and maintenance of the delivery vehicle and received fuel and maintenance reimbursement through the EMA program (see [Figure 2](#)).<sup>2</sup>

<sup>1</sup> The data source for rural route documentation and maintenance such as the Postal Service (PS) Form 4003, Official Rural Route Description, and the Rural Route Master List.

<sup>2</sup> EMA payments are calculated on a per mile or per day basis, or per mile or per hour basis if employees provide auxiliary assistance or service auxiliary routes, whichever is greater. The rates are determined quarterly.

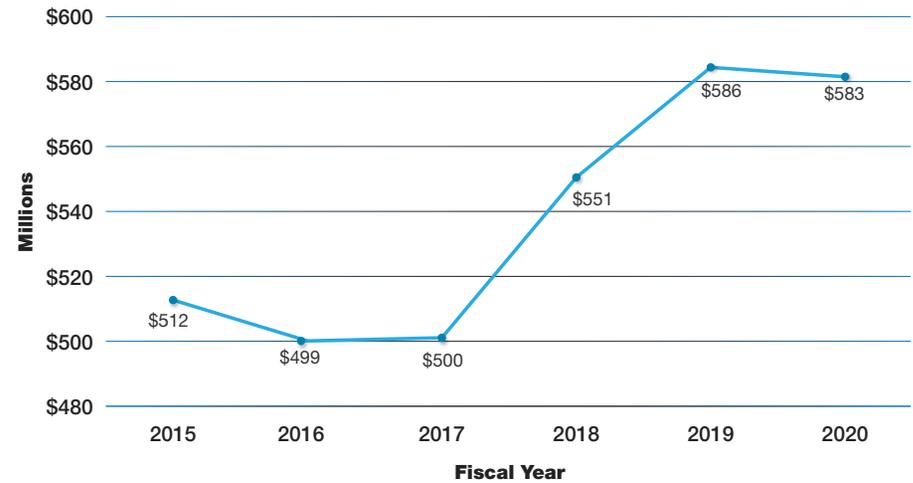
**Figure 2. FY 2015 – FY 2020 Rural Route Totals by Designation**



Source: Rural Route Master List, RMSS.

The Postal Service paid rural letter carriers almost \$583 million for EMA routes in FY 2020 (see Figure 3). By the end of FY 2021, the Postal Service had reduced the annual EMA payment total to \$560 million for over 36,600 routes. For use of their privately owned vehicles, the Postal Service paid rural letter carriers an average of over \$15,700 per EMA route. The EMA program's costs have increased by a total of nearly \$71 million since FY 2015 (an increase of over 13 percent) and the program is governed by an agreement between the Postal Service and the National Rural Letter Carriers' Association (NRCLA).

**Figure 3. FY 2015 – FY 2020 Actual EMA Payment Totals Nationwide (in Dollars)**



Source: Enterprise Data Warehouse (EDW), Accounting Data Mart (ADM).

In calendar year 2019, Postal Service Headquarters' Fleet Management acquired over 13,200 right-hand drive commercial off-the-shelf (COTS) vehicles<sup>3</sup> through the DAR process to strategically convert some existing EMA routes to GOV routes between FY 2020 and FY 2022.<sup>4</sup> The executive-level Investment Review Committee (IRC) approved acquisition of these vehicles for rural routes under the EMA Phase 1 DAR for \$506.9 million. The DAR estimated this purchase would result in an EMA savings of about \$888 million over six years. While the estimated savings from procuring these vehicles aligned with a projected October 2019 contract start, the actual award date was March 2020 — just before the start of the COVID-19 pandemic — which impacted the number of vehicles delivered in FY 2020.

<sup>3</sup> The total number of vehicles acquired includes maintenance reserve vehicles representing about 5 percent of the total procurement.

<sup>4</sup> This is the primary goal in the *USPS Fleet Management Equipment Maintenance Allowance Rural Delivery Acquisition Phase 1 (EMA Phase 1 DAR)*.

The Postal Service intended for the acquisition to reduce EMA costs, reduce safety and ergonomic risks to carriers,<sup>5</sup> increase brand representation,<sup>6</sup> and improve hiring and retention of rural carriers.<sup>7</sup> As part of the delivery cost savings initiative in its 10-Year Plan, *Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial*

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***“The Postal Service intended for the acquisition to reduce EMA costs, reduce safety and ergonomic risks to carriers, increase brand representation, and improve hiring and retention of rural carriers.”***

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*Sustainability and Service Excellence*, the Postal Service is also assessing whether to purchase additional right-hand drive COTS vehicles to convert many of the remaining suitable EMA routes by FY 2024.<sup>8</sup>

Various Postal Service components from headquarters (such as Fleet Management) down to the local level – including vehicle maintenance facilities (VMF) and district offices – share responsibilities for effective implementation of converting EMA routes to GOV routes. Responsibilities include:

- Creating a list of suitable EMA routes for conversion based on a variety of criteria, including route mileage and eligibility for a right-hand drive COTS vehicle.
- Prioritizing EMA route conversions based on a preselected list and assigning new vehicles to routes.

- Completing prerequisite actions, including obtaining a Voyager fuel card, conducting pre-service vehicle maintenance, and completing driver training.

Upon vehicle deployment and utilization on the intended EMA route, unit management completes the conversion process by submitting a PS Form 4003, Official Rural Route Description, to officially update the route’s information in RMSS. This update also helps management ensure that regular EMA payments are discontinued for routes using GOVs. See [Appendix B](#) for a flowchart of the process used to convert EMA routes to GOV routes with right-hand drive COTS vehicles.

For this audit, we reviewed a random sample of 135 GOVs acquired by December 31, 2020, and used for converting EMA routes to GOV routes. In addition, we reviewed nationwide EMA route conversions completed from May 9, 2020, to January 1, 2021, and we evaluated the remaining EMA routes available for conversion under future acquisition plans.

## Findings Summary

The Postal Service’s strategy to permanently assign GOVs to EMA routes was generally effective; however, we identified shortfalls that reduced program effectiveness.

### Finding #1: EMA Route Conversions Did Not Maximize Cost Savings

The Postal Service did not maximize cost savings related to EMA route conversions in two primary ways: they did not implement conversions timely, causing EMA payments to last longer than anticipated, and they did not always correctly prioritize EMA route conversions. This occurred due to a lack of written guidance from headquarters and lack of a nationwide tool or report to promptly identify timeliness issues.

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5 Both the Postal Service and NRLCA expressed carrier safety concerns since about 50 percent of rural carriers are driving a left-hand drive (LHD) vehicle, which may promote unsafe driving behavior as carriers straddle across the vehicle to deliver to mailboxes on the right side of the vehicle.

6 Privately owned vehicles provided by carriers often have varying levels of cargo capacity, quality, and appearance.

7 According to the Postal Service, most applicants cannot provide a suitable LHD delivery vehicle, which is a requirement for carriers on EMA routes. This has contributed to rural delivery operations’ struggle with hiring and retention.

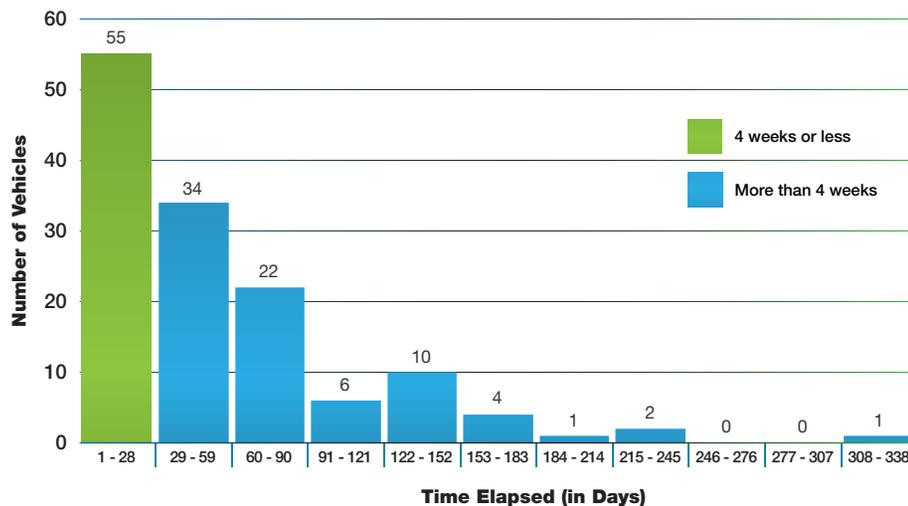
8 The Postal Service is currently acquiring right-hand drive COTS vehicles for EMA routes because the Next Generation Delivery Vehicle acquisition will first replace aging Long Life Vehicles (LLV) and flexible fuel vehicles, which have served as the backbone of the delivery fleet.

## Conversion Timeliness

Our analysis showed that conversions of EMA routes to GOV routes were not consistently implemented in a timely manner to maximize cost savings.

At the start of the conversion process, headquarters issued general guidance regarding the expected deployment timeframe. Specifically, in August 2020, Fleet Management instructed VMFs to deploy the vehicles as soon as possible to delivery units, pending the completion of required carrier training. Our review of the 135 sampled vehicles showed that 80 of them (59 percent) took between four weeks<sup>9</sup> and ten months after delivery by the supplier to be deployed and used on EMA routes (see Figure 4).<sup>10</sup>

**Figure 4. Time Elapsed Before Vehicle Utilization**



Source: U.S. Postal Service Office of Inspector General (OIG) analysis of Solution for Enterprise Asset Management (SEAM), RMSS, and responses from the VMFs and district offices/unit management.

Postal Service management attributed some of these vehicle utilization timeliness issues to lags in completing the following deployment prerequisites (see Figure 5):

- **Training** – 53 vehicles were impacted by carriers not completing the required driver training promptly.<sup>11</sup> This occurred for various reasons including communication and coordination issues between district and unit management regarding arranging and completing training, a limited number of district instructors, district prioritization of new employee training, unit management not promptly scheduling carriers for training, and the impact of the COVID-19 pandemic on instructor and carrier staffing.
- **Voyager Card** – 24 vehicles were impacted by hampered delivery of the Voyager card.<sup>12</sup> This occurred due to delays in receiving the card after the VMF requested them.
- **Pre-Service Vehicle Maintenance** – 10 vehicles were impacted by VMFs not completing pre-service vehicle maintenance (new vehicle preparation) timely.<sup>13</sup> This occurred for various reasons including scheduled/unscheduled vehicle repairs, delinquent preventive maintenance inspections, VMF staffing issues, and reliance on dealership schedules.
- **Route Assignment** – 10 vehicles were impacted by district management not efficiently communicating information about route assignments. This occurred for various reasons including district offices not always promptly providing VMFs and/or unit management direction on route assignments and additional time needed to identify alternative routes if the preselected EMA routes were later deemed unsuitable for the vehicles.
- **Other** – 15 vehicles were impacted by other factors including limited shuttling resources, COVID-19 protocols, and administrative delays.

<sup>9</sup> We calculated four weeks as the threshold for timeliness issues in carriers using the vehicles by combining Fleet Management's deployment criteria of two weeks and Rural Delivery Operations' opinion that vehicles delivered to units in the middle of a pay period (PP) can be used as late as the start of the next PP (two weeks), when PS Form 4003 should be updated.

<sup>10</sup> Vehicle utilization timeliness issues includes delays in deployment from the VMF to the unit and delays with carriers using these deployed vehicles on EMA routes.

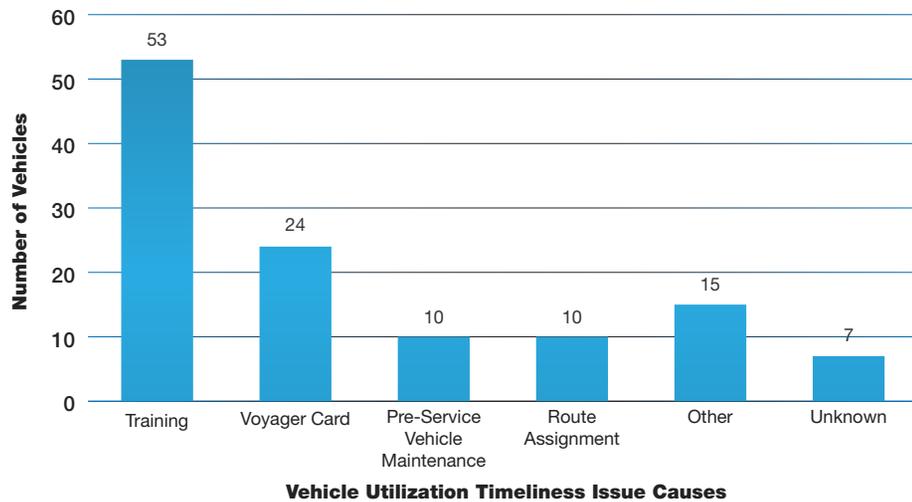
<sup>11</sup> At the start of the conversion process for right-hand drive COTS vehicles on EMA routes, Rural Delivery Operations informed area and district offices in May 2020 to begin planning for training activities. The district offices and unit management are responsible for ensuring the completion of all required vehicle driver training prior to carriers operating the new vehicles as required by Handbook PO-701, *Fleet Management*, Section 244.22, updated October 2008. Postal Service management stated that training should last no longer than two weeks from the determination of the vehicle route assignments and VMF receipt of the vehicles.

<sup>12</sup> The VMF is responsible for obtaining a Voyager fuel card for newly acquired vehicles as required by *Voyager Fleet Card Standard Operating Procedure (SOP)*, Updated November 3, 2016.

<sup>13</sup> The VMF is responsible for conducting pre-service vehicle maintenance to ensure the vehicle is ready for usage.

- **Unknown** – 7 vehicles did not have an identified cause for the timeliness issue. Management could not provide a reason for the issue due to various reasons including unit management turnover.

**Figure 5. Vehicle Utilization Timeliness Issues by Cause**



Source: OIG analysis of SEAM, RMSS, and responses from the VMFs and district offices/unit management. Note: Since a vehicle utilization timeliness issue could be attributed to more than one cause, the figure will not add up to 80.

Broadly, the timeliness issues in completing prerequisites for vehicle deployment occurred because, at the start of the EMA route conversion process, headquarters' Fleet Management and Rural Delivery Operations teams did not issue specific written guidance directing VMFs and district offices to complete the EMA route conversion process in a timely manner. Headquarters only tracked the number of vehicles received from the supplier and those that were deployed, as well as the total number of EMA routes converted. This analysis did not promptly identify issues or their sources. In addition, headquarters did not create a nationwide tool or report with vehicle and prerequisite information to assist VMF and district offices with mitigating vehicle deployment and utilization issues.

However, some VMF managers and district offices created their own tools to track vehicle deployment and completion of major prerequisite tasks.

The Postal Service took corrective actions during our audit that addressed the issues we identified, with the exception of written guidance on expected vehicle deployment and utilization timeframes. Specifically, Fleet Management notified VMFs in May 2021 that the new vehicles should be deployed within two weeks of delivery from the supplier. In addition, Fleet Management began monitoring weekly deployment progress and identifying related deployment timeliness issues through a newly developed nationwide reporting dashboard beginning June 2021. Furthermore, Fleet Management instituted a process for resolving deployment issues identified from the nationwide reporting dashboard. While these actions are useful, the lack of written guidance on expected vehicle deployment and utilization timeframes may contribute to future timeliness issues.

As a result of timeliness issues in deploying and utilizing the 80 right-hand drive COTS vehicles in our sample, the Postal Service made an estimated \$199,400 in EMA payments on routes that it could have converted sooner. In addition, these issues also contributed to the Postal Service not realizing the full cost savings associated with the EMA Phase 1 DAR.

### Route Conversion Prioritization

Our analysis also showed that conversions of EMA routes to GOV routes were not always correctly prioritized to maximize cost savings. Specifically, we found that at the start of the vehicle conversion process, 163 of the 2,678 (6 percent) EMA route conversions did not meet the initial mileage criteria<sup>14</sup> and, relatedly, converting the route would not result in cost savings.<sup>15</sup>

Although it is the eventual goal of headquarters' Fleet Management and Rural Delivery Operations to convert all suitable EMA routes, they developed specific criteria for prioritizing and selecting the routes to be converted first. For vehicles acquired under the EMA Phase 1 DAR, Fleet Management prioritized route conversions by selecting high-cost routes that met the initial mileage criteria

<sup>14</sup> EMA routes initially targeted were equal to 36 base miles and under or 108 base miles and over.

<sup>15</sup> Postal Service analysis for the EMA Phase 1 DAR showed that EMA routes less than 28 paid miles and greater than 68 paid miles in length demonstrated a lower cost than EMA. For routes that did not meet the initial mileage criteria nor result in cost savings upon conversion, the Postal Service estimated a loss range of about \$60 to \$1,666 per route annually.

and were determined suitable<sup>16</sup> by Rural Delivery Operations and district offices. Although the initial mileage criteria included some routes that would not result in cost savings after conversion, Fleet Management stated that they considered various factors when selecting routes such as the increased servicing needed on higher mileage routes. As suppliers delivered vehicles, district offices were responsible for ensuring the conversion of EMA routes from the preselected list of suitable routes. However, we found that 31 of the 67 district offices (46 percent) incorrectly converted 163 routes that did not meet the initial mileage criteria nor result in cost savings.<sup>17</sup>

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***“As suppliers delivered vehicles, district offices were responsible for ensuring the conversion of EMA routes from the preselected list of suitable routes. However, we found that 31 of the 67 district offices (46 percent) incorrectly converted 163 routes that did not meet the initial mileage criteria nor result in cost savings.”***

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The incorrect prioritization of EMA route conversions occurred because district offices did not have enough guidance to prioritize EMA route conversions to maximize cost savings when identifying alternative routes for conversion. Fleet Management stated that some EMA routes outside of the preselected list were converted because those routes, when ready to be converted, were deemed ineligible. This occurred because Fleet Management was not always aware of

route characteristics that made a route ineligible for conversion, or the route's eligibility changed before it was converted. In these instances where the district office found the preselected route unsuitable for the new vehicle, the vehicle was assigned to a suitable alternative route for conversion, an action that resulted in 163 routes not meeting mileage requirements and therefore not yielding any cost savings.

The Postal Service took corrective action in June 2021 during our audit, which should correct the prioritization issue. Specifically, Fleet Management officials must now approve any district-proposed changes to preselected EMA route assignments. As a result of management's decisions to prioritize vehicle assignments for EMA routes outside the mileage and cost savings criteria, we estimate that the Postal Service incurred additional costs of approximately \$174,000 annually to have the 163 routes remain converted as GOV routes.

As a result, the Postal Service did not fully realize the cost savings originally outlined in the EMA Phase 1 DAR. In addition to the EMA route conversions that were not prioritized for cost savings and not timely utilizing right-hand drive COTS vehicles on EMA routes, the lack of cost savings was also heavily driven by COVID-19 delays with the supplier's vehicle production, as well as a five month delay in the Postal Service awarding the contract. These delays, especially those related to COVID-19, impacted about 42 percent of vehicles expected for delivery in FY 2020;<sup>18</sup> however, the Postal Service's vehicle supplier has until the end of FY 2022, Quarter (Q) 2, to deliver all 13,298 vehicles.<sup>19</sup> Therefore, the Postal Service only realized about \$10.8 million of the projected \$35 million in EMA allowance cost savings for FY 2020.<sup>20</sup>

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16 More than 3,200 EMA routes were determined to be unsuitable for a right-hand drive COTS vehicle because of reasons such as the route requiring a 4x4 vehicle, unavailable facility parking, the route having more than 30 miles of gravel/dirt roads, or a right-hand drive incentive being awarded. A right-hand drive incentive bars the Postal Service from converting routes for three years after a carrier obtains their own right-hand drive vehicle.

17 Prior to the district consolidation announced March 3, 2021, there were 67 districts.

18 The expected number of vehicles referenced is based on the EMA Phase 1 DAR estimate which was done prior to the issuance of the delivery order for the contract.

19 This was the delivery date specified in the order for the EMA Phase 1 DAR vehicles. COVID-19 caused the vehicle supplier's plant to temporarily shut down. Although COVID-19 impacted vehicle production, the contract did not specify interim delivery dates and quantities that the supplier was required to meet.

20 The projected FY 2020 savings in the EMA Phase 1 DAR were calculated in FY 2019 prior to the onset of COVID-19. The Postal Service could not have anticipated the associated right-hand drive COTS product delays, which impacted their estimated savings.

## Recommendation #1

We recommend the **Vice President, Delivery Operations**, develop and issue written guidance that establishes expected timeframes for new vehicle deployment and utilization on rural routes.

## Finding #2: Proposed EMA Route Conversion Plan Not Cost Efficient

Our assessment identified that although the proposed vehicle acquisition plan for future EMA route conversions may provide increased safety and other benefits, it would not be the most cost-efficient option. Specifically, we analyzed the remaining EMA routes as of January 1, 2021, and estimated that it would be more economical for 11,531 of the remaining 34,903 (33 percent) EMA routes<sup>21</sup> to remain unconverted under future DARs.<sup>22</sup>

The original EMA DAR proposal, *FY 2020 EMA COTS Delivery Vehicles*, consisted of acquiring over 36,300 right-hand drive COTS vehicles to convert EMA routes in order to realize cost savings. The IRC denied the original DAR proposal because it required significantly higher upfront investment costs, the actual FY 2022 vehicle costs were not known, and supplier production capacities were uncertain at the time. Instead, the DAR was broken down into phases and the IRC approved the acquisition of about 13,300 vehicles under the

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*“Specifically, we analyzed the remaining EMA routes as of January 1, 2021, and estimated that it would be more economical for 11,531 of the remaining 34,903 (33 percent) EMA routes to remain unconverted under future DARs.”*

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*USPS Fleet Management Equipment Maintenance Allowance Rural Delivery Acquisition Phase 1* – just over a third of the original EMA DAR proposal. The IRC understood that an additional DAR would be presented in the near future to purchase more right-hand drive COTS vehicles for the remaining, suitable EMA routes.

When the Postal Service broke down the original DAR into Phase 1, it did not provide a detailed description of how many routes would not yield cost savings through conversion. While converting the suitable EMA routes would save money, on the whole, we found 11,531 out of the existing 34,903 EMA routes (as of January 1, 2021) – a third – would not yield cost savings.<sup>23</sup>

The detailed analysis of routes that would not save money through conversion was not communicated in the Phase 1 DAR because Fleet Management did not summarize, in the original DAR, the financial impact of acquiring vehicles to convert EMA routes that would not result in cost savings. Our review of the original and Phase 1 EMA DARs prepared by Fleet Management showed that they only assessed two options: (1) purchasing the intended number of vehicles, which showed an overall positive net present value and return on investment; or (2) maintaining the status quo of continuing EMA payments to rural carriers. Although the original DAR proposal stated that some EMA routes would not yield cost savings, it did not provide details

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*“Although postal officials acknowledged that the conversion of some EMA routes would not maximize overall project cost savings, they noted the importance of other benefits of the acquisition compared to a lower total project savings, such as increased safety.”*

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21 These are routes that did not meet the new mileage criteria (route coverage was increased from initial mileage criteria) for the EMA Phase 1 DAR vehicles and would not result in cost savings upon conversion. The Postal Service estimated a loss range of about \$60 to \$1,666 per route annually for these routes.

22 The total number of potential EMA routes identified available for conversion is not the final total of EMA routes that are suitable for conversion using right-hand drive COTS vehicles. According to Fleet Management’s estimates, there will be an estimated total of over 18,200 suitable EMA routes available for conversion under the next EMA DAR proposal.

23 Of the remaining 34,903 routes, we estimate that the Postal Service has approximately 10,000 routes left to convert with the EMA Phase 1 DAR vehicles.

about the number of routes. The only alternatives presented were to convert all or none. As a result, decision makers did not have sufficient information to make effective investment decisions for future vehicle purchases.

Although postal officials acknowledged that the conversion of some EMA routes would not maximize overall project cost savings, they noted the importance of other benefits of the acquisition compared to a lower total project savings, such as increased safety. Postal Service management mentioned rural carrier accounts of accidents related to the use of privately owned vehicles, citing safety as a significant reason for converting to GOV routes in the EMA Phase 1 DAR. Although we do not dispute the safety benefits of using right-hand drive vehicles for curbside routes, the Postal Service was unable to provide any studies or reports directly supporting the safety benefit of right-hand drive vehicles on rural routes instead of privately owned vehicles.<sup>24</sup>

Future vehicle acquisitions to convert EMA routes to GOV routes that do not show cost savings impact the Postal Service's future financial condition. We estimate that the Postal Service could incur additional costs of almost \$5.4 million annually to convert the identified routes. While we recognize the collective benefit of the other considerations, including benefits that cannot be easily quantified, potential cost implications associated with EMA route conversions that would not result in cost savings warrant a separate analysis for consideration by decision makers in future vehicle purchases.

## Recommendation #2

We recommend the **Vice President, Delivery Operations**, analyze and include the potential financial impact associated with rural route conversions that would not result in cost savings for consideration in future Decision Analysis Reports for vehicle acquisition.

## Management's Comments

Management partially agreed with finding 1 and agreed with finding 2 and both recommendations in the report. Regarding finding 1, management acknowledged that some vehicles had extended timelines for deployment and utilization.

However, they also noted that due to elevated package volume and higher than normal employee absences throughout much of the COVID-19 pandemic, the deployment and utilization of these vehicles were primarily impacted by changing work prioritization to maximize daily delivery capacity.

Regarding recommendation 1, management stated they will develop and distribute written guidance on expected vehicle deployment and utilization timeframes. The target implementation date is March 31, 2022.

Regarding recommendation 2, management stated they will ensure that future DARs related to replacing privately owned vehicles will include an analysis on the financial impact of routes that would not result in cost savings. The target implementation date is February 27, 2023. Because the Postal Service's target implementation date is over a year away, we met with the report stakeholders, and they agreed to provide interim updates on future vehicle acquisition DARs.

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 the corrective actions should resolve the issues identified in the report.

Regarding management's partial agreement with finding 1, we agree that the COVID-19 pandemic impacted the timelines for deployment and utilization of some vehicles and noted some of those impacts in the report, such as the ability to schedule carrier training.

All recommendations require OIG concurrence before closure. The OIG requests written confirmation when corrective actions are completed. 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.

<sup>24</sup> While we reviewed available motor vehicle accident data for rural delivery employees, we concluded it did not establish utilization of LHD privately owned vehicles on rural routes as causation for rural accidents.

# Appendices

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# Appendix A: Additional Information

## Scope and Methodology

Our objective was to assess the Postal Service's strategy for assigning GOVs to EMA routes. Specifically, we assessed whether the related DAR acquisition plans to accomplish this strategy were effectively implemented and if future acquisition plans will be cost effective. To accomplish our objective, we:

- Obtained and reviewed applicable laws, policies, procedures, and relevant guidance related to the vehicle assignment and deployment process for EMA routes.
- Reviewed the Postal Service's approved DARs, IRC presentations, and 10-Year Plan regarding the vehicle acquisition strategy to convert EMA routes.
- Reviewed and analyzed FY 2020, PP 11, and FY 2021, PP 01 Rural Route Master Lists from RMSS and the August 3, 2021, rural route vehicle assignment data from the Staffing and Scheduling Tool (SST) to determine whether EMA routes converted using the right-hand drive COTS vehicles would not result in cost savings after conversion.
- Selected a random sample of 135 vehicles the Postal Service acquired by December 31, 2020, and assigned to the rural route function code in SEAM by April 16, 2021, that were initially used to convert an EMA route.
- Obtained and reviewed VMF, district, and unit management responses to a data call for the sample vehicles to identify timeliness issues in vehicle utilization and causes for these issues.

- Reviewed and analyzed the EMA Phase 1 DAR and the FY 2021, Q1, Detailed Capital Investment Report to determine whether the Postal Service achieved its goal of reducing EMA costs in FY 2020.
- Virtually interviewed Postal Service officials at select VMFs, district offices, area offices, and headquarters regarding the Postal Service's strategy for assigning GOVs to EMA routes and the related process to convert EMA routes with right-hand drive COTS vehicles.

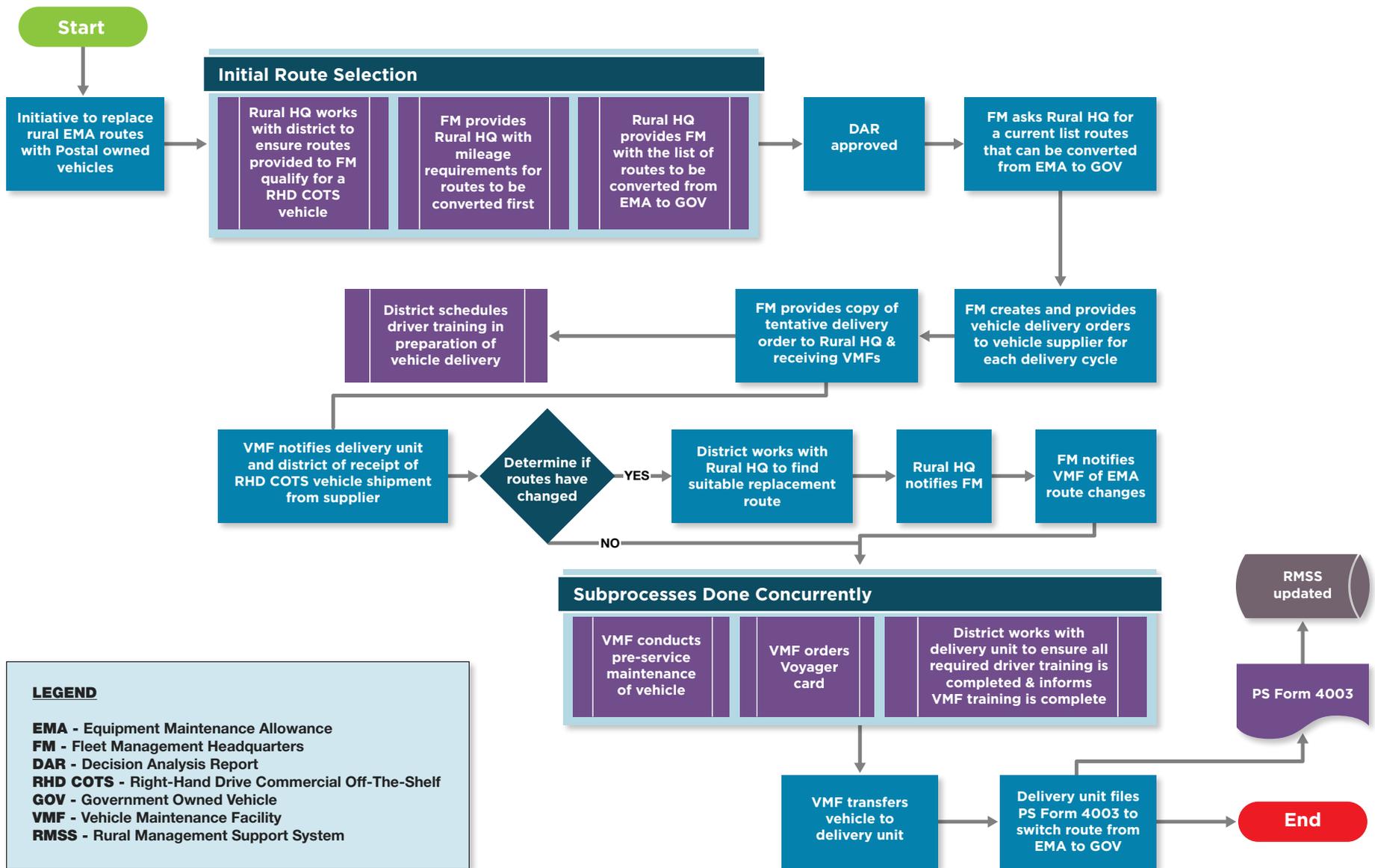
We conducted this performance audit from January 2021 through January 2022 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to 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 December 20, 2021, and included their comments where appropriate.

We assessed the reliability of SEAM, RMSS, and SST data by interviewing agency officials knowledgeable about the data and conducting logical tests on the data. We determined that the data from SEAM, RMSS, and SST were sufficiently reliable for the purposes of this report.

## Prior Audit Coverage

We did not identify any prior audits or reviews related to the objective of this audit within the last five years.

# Appendix B: Conversion Process for EMA Routes



Source: Fleet Management and OIG analysis based on postal documentation and interviews.  
 Note: The flowchart does not include all tasks that need to be completed in preparation for using a government vehicle.

# Appendix C: Management's Comments

VICE PRESIDENT, DELIVERY OPERATIONS  
HEADQUARTERS



January 10, 2022

JOSEPH WOLSKI  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Management Response: Replacement of Privately  
Owned Delivery Vehicles (Report Number 20-255-DRAFT)

Thank you for providing the Postal Service with an opportunity to review and comment on the findings and recommendations containing in the draft audit report, *Replacement of Privately Owned Delivery Vehicles*.

Management partially agrees with Finding #1: EMA Route Conversions Did Not Maximize Cost Savings. Management acknowledges that some vehicles had extended timelines for deployment and utilization. This was primarily due to changing work prioritization throughout much of the COVID-19 pandemic during 2020 and early 2021. Delivery and VMF employees experienced higher than normal absences from work. Delivery units and VMFs prioritized work, related to maximizing daily delivery capacity, due to elevated package volume and higher than normal employee absences. This impacted the deployment and utilization of some new vehicles.

Management agrees with Finding #2: Proposed EMA Route Conversion Plan Not Cost-Efficient. However, management would like to note that it will continue to consider the replacement of privately owned delivery vehicles on the 11,531 routes which the OIG noted would be more cost efficient to remain unconverted. The OIG's reasons for why the Postal Service would continue pursuing replacing personally owned vehicles with government provided vehicles do not take into account the following: (1) varying cargo capacity of personally owned vehicles often requires these carriers to make multiple trips to deliver all required mail and packages; and (2) recruitment and retention of new rural carriers and rural carrier associates is negatively impacted by requiring these employees to provide a safe, acceptable personally owned vehicle for delivery.

The following are our comments for each of the two recommendations:

Recommendation [1]:

We recommend the Vice President, Delivery Operations, develop and issue written guidance that establishes expected timeframes for new vehicle deployment and utilization on rural routes.

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WASHINGTON DC 20260

Management Response/Action Plan:

Management agrees with this recommendation. Management will develop and distribute written guidance on the expected timeframe from VMF receipt of a vehicle to deployment to the appropriate delivery unit. Additionally, Management will develop and distribute written guidance on the expected timeframe from a delivery unit receiving a vehicle from the VMF to when it should begin daily utilization by a rural carrier for delivery.

Target Implementation Date: 3/31/2022

Responsible Official:

Director, Fleet Management

Recommendation [2]:

We recommend the Vice President, Delivery Operations, analyze and include the potential financial impact associated with rural route conversions that would not result in cost savings for consideration in future Decision Analysis Reports for vehicle acquisition.

Management Response/Action Plan:

Management agrees with this recommendation. Management will ensure that future Decision Analysis Reports regarding replacing privately owned vehicles will include an analysis on the financial impact of the rural routes that would not result in cost savings.

Target Implementation Date: 2/27/2023

Responsible Official:

Director, Fleet Management

E-SIGNED by ANGELA H CURTIS  
on 2022-01-10 10:37:20 CST

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Angela H. Curtis

cc: *Manager, Corporate Audit Response Management*

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OFFICE OF  
**INSPECTOR  
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UNITED STATES POSTAL SERVICE

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