



January 30, 2009

JORDAN M. SMALL
VICE PRESIDENT, DELIVERY OPERATIONS

SUBJECT: Audit Report – Vehicle Warranty Claims Process
(Report Number DR-AR-09-004)

This report presents the results of our self-initiated audit, Review of Vehicle Warranty Claims Process (Project Number 07XG043DR000). The overall objective was to determine whether the vehicle warranty claims process ensured reimbursement to the U.S. Postal Service for work performed on vehicles covered by a manufacturer's warranty. See [Appendix A](#) for additional information about this audit.

Conclusion

The Postal Service did not always (1) identify vehicles that had warranty work and (2) obtain reimbursement for warranty repair work conducted with its resources. This occurred because of ineffective vehicle warranty and reimbursement processes as well as weaknesses in the oversight of these processes. As a result, the Postal Service lost over \$2.9 million and has an opportunity to save \$619,279 in fiscal year (FY) 2009.

Warranty Vehicle Identification

Vehicle maintenance facility (VMF) units did not always identify vehicles under a manufacturer's warranty and appropriately code the repair for reimbursement. In our sample of 8,019 vehicles under a manufacturer's warranty, the VMF units conducted about 3,200 maintenance and repairs on vehicles. Thirty-two percent of these repairs were covered by warranty, but were not identified for reimbursement. This occurred for the following reasons.

- VMF units did not have an effective process in the Vehicle Maintenance Accounting System (VMAS) for maintenance technicians to identify vehicles requiring repairs while still under a manufacturer's warranty.
- VMF units did not always review repair work orders to ensure warranty vehicles were properly coded, as required by Postal Service policy.¹

By not being reimbursed for warranty work, the Postal Service had questioned costs of \$1,043,797 for FYs 2006 through 2008. However, the Postal Service has the

¹ Handbook PO-701, *Fleet Management*, March 1991, updated by *Postal Bulletin* revisions through March 31, 2005, requires warranty work to be coded as account code (AC) 45.

opportunity to save \$221,336 (funds put to better use) in FY 2009. See [Appendix B](#) and [Appendix D](#) for additional information.

We recommend that the Vice President, Delivery Operations:

1. Modify the Vehicle Maintenance Accounting System to be able to readily identify vehicles under warranty when the vehicle's identification number is entered into the system or establish an alternative process to aid vehicle maintenance facility technicians in identifying warranty vehicles.
2. Re-emphasize Postal Service policy for supervisory review of work orders to ensure all warranty repairs are correctly coded for reimbursement.

Warranty Reimbursement

VMF units did not always submit work and reconcile payments received for repairs made on warranty vehicles with Postal Service resources. For example, our sample of 35 VMF units identified \$478,773 in repairs that required reimbursement. However, VMF units recovered only \$206,745 (or 43 percent) of this amount because:

- Oversight by district officials was not adequate to ensure VMF units submitted work orders coded for reimbursement to the manufacturer.
- The Postal Service did not have a policy requiring reconciliation of payments received for warranty work. Further, manufacturers' payments are received in a single check amount with no itemized listing; therefore, VMF units do not have the capability to reconcile individual warranty payments.

As a result, the Postal Service may not have received \$1,876,654 in reimbursement (questioned costs) for resources used to repair warranty vehicles for FYs 2006 through 2008, and has an opportunity to save \$397,943 (funds put to better use) in FY 2009. See [Appendix C](#) and [Appendix D](#) for additional information.

We recommend the Vice President, Delivery Operations:

3. Reinforce to vehicle maintenance facility units the requirement to monitor the vehicle warranty process.
4. Require vehicle maintenance facility units to submit eligible claims for reimbursement of warranty repairs.
5. Collaborate with vehicle manufacturers to provide detailed warranty data to aid in the reconciliation of warranty reimbursement payments.
6. Establish policy requiring that future warranty reimbursements be periodically reconciled for accuracy.

Management's Comments

Management had significant concerns with the draft report transmittal letter's footnotes defining unrecoverable and recoverable questioned costs, as well as the report's findings and monetary impact, but agreed with our recommendations. After further discussion, they agreed in principle with the methodology and monetary impact.

Management expressed significant concerns with the definitions for unrecoverable and recoverable questioned costs. Management stated that if the costs were not documented, as a portion of the definition stated, then they questioned the validity and appropriateness of the report. Management also requested a briefing with the U.S. Postal Service Office of Inspector General (OIG) to discuss all documentation gathered and, on December 16, 2008, the OIG met with management regarding their concerns. At the meeting management agreed in principle with the monetary impact identified, but remained concerned about the definitions.

Management also had concerns about the findings in the report. Specifically, management said the report did not acknowledge that some vehicle repairs and requests for reimbursement can be more costly when a vehicle is still under warranty. In those cases it is actually cheaper to return the vehicle to the VMF for service and forego filing a warranty claim. Management also stated the report needed to recognize that some warranty claims will be filed, but reimbursement denied due to reasons such as warranty expiration, excess mileage, or other similar reasons. Next, management stated they did not agree with the OIG's method of comparing the dollar amount that VMFs should have received versus the amount they did receive. Finally, management stated Vehicle Operations and the field facilities are unable to accurately determine the warranty status on many non-mail hauling vehicles when certain user groups have not entered the vehicles in the asset database, so they cannot be held accountable for warranty reimbursements of these vehicles.

Management's response to the recommendations included plans to (1) issue a comprehensive vehicle warranty policy in March 2009, (2) replace the VMAS with a new system that will maintain all vehicle warranty requirements by the end of FY 2009, and (3) collaborate with vehicle manufacturers to provide detailed warranty data to aid in reconciling warranty reimbursement payments. Management informed the OIG that new major purchase agreements should include this arrangement; however, the Postal Service plans no major vehicle purchases. We have included management's comments in their entirety in [Appendix G](#).

Evaluation of Management's Comments


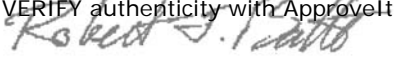
The OIG considers management's comments responsive to the findings, recommendations, and monetary impact in the report.

We agree with management that there were possible insignificant repair costs that would not warrant the time to process the warranty claim. However, the Postal

Service's National Ordering Agreement with the Warranty Processing Company (WPC) alleviates the need for the VMF to process work orders by sending the work order to the WPC. Regarding warranty claims filed, we reiterated to management that our analysis did not include any vehicles that were not under warranty or had mileage in excess of warranty requirements. We also explained in the exit conference that one primary reason reimbursements were not paid was that the manufacturer denied the claim because the VMF did not file claims within the time limit. Regarding OIG methodology, we agree that not all claims will be fully reimbursed, and because of that, our analysis had only included claims that were customarily reimbursed. Regarding VMAS vehicle data, we reiterated that we based our analysis on data relating to vehicle acquisition dates, mileage, and repairs as reflected in VMAS for the audit period. Therefore, we did not include any vehicles that were not in this system in the scope of our audit or in our analysis.

The OIG considers recommendations 1, 3, 4, and 5 significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when management completes corrective actions. These recommendations should not be closed in the follow-up tracking system until the OIG provides written confirmation that they can be closed. We will report \$2,920,451 in unrecoverable questioned costs and \$619,279 in funds put to better use in our *Semiannual Report to Congress*.

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, or me at (703) 248-2100.

E-Signed by Robert Batta 
VERIFY authenticity with ApproveIt


Robert J. Batta
Deputy Assistant Inspector General
for Mission Operations

Attachments

cc: Patrick R. Donahoe
William P. Galligan
Wayne W. Corey
Katherine S. Banks

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

The Postal Service-owned fleet is predominantly used to provide transportation for the “first and last miles” of its delivery network. The fleet currently consists of over 221,000 vehicles used primarily for mail delivery, but also includes vehicles used for plant and vehicle maintenance support, mobile post offices, law enforcement, and other support functions. See Table 1.

Table 1. Postal Service Vehicle Inventory for 2008	
Delivery and Collection Vehicles (½- to 2-ton capacity)	197,898
Mail Transport Vehicles (tractors and trailers)	6,455
Administrative Vehicles and Other Vehicles	5,906
Service Vehicles (maintenance)	5,272
Inspection Service and Law Enforcement Vehicles	3,288
Mail Transport Vehicles (3- to 11-ton capacity)	2,228
Total Vehicles	221,047

Source: Postal Service Comprehensive Statement on Operations 2008

During FYs 2006 and 2007, the Postal Service had 27,505 vehicles with an active manufacturer’s warranty.² See Table 2.

Table 2. Number of Vehicles Under Manufacturer’s Warranty	
Postal Service Area	Number of Vehicles
Great Lakes	5,595
Western	4,402
Eastern	3,480
Capital Metro	2,723
Southeast	2,610
New York Metro	2,540
Southwest	2,485
Pacific	2,295
Northeast	1,375
National Total	27,505

Source: VMAS

The vehicles in Table 2 are primarily vans and large cargo trucks used to support delivery operations. Postal Service procedures require VMF managers and

² A vehicle is considered under warranty when the supplier implies the vehicle under contract is merchantable and fit for the particular purpose described in the contract. The manufacturer’s warranty coverage period is usually 3 years or 36,000 miles.

postmasters at Vehicle Post Offices to maintain aggressive warranty recovery programs. Documentation and recovery of warranted parts, materials, and labor is essential to minimizing fleet costs and identifying potentially adverse maintenance issues and trends.

Warranty Claims and Recovery Process

The Postal Service uses a warranty claim and recovery process to obtain reimbursement for Postal Service resources used to repair vehicles covered under the manufacturer's warranty.

Vehicle Maintenance Bulletin (VMB)³ V-05-02, Warranty Recovery, states that when VMFs purchase and receive new vehicles, Postal Service Headquarters, Vehicle Operations, issues the vehicle warranty data information in VMBs.

The manufacturer's warranty covers the cost of all parts and labor needed to repair any item on a vehicle that is defective in material, workmanship or factory preparation. This type of repair is considered unscheduled maintenance because of its nature. The Postal Service has two methods of making necessary repairs.

- The dealership or the manufacturer's designated commercial repair facility. This method requires no financial transaction on the part of the Postal Service and is preferred when available in the local area.
- VMF units. Vehicle manufacturers consider the VMFs authorized service centers for the manufacturer.

When VMF units repair warranty vehicles, they must identify the vehicles as still under a manufacturer's warranty, assign Account Code 45 titled "warranty repair," and file a warranty recovery claim for the repair costs, including parts and labor. VMF supervisors are responsible for ensuring all work orders are properly coded for reimbursement prior to approving for input in VMAS.

VMF units have two means of processing warranty recovery claims.

- Submit the claim directly to the manufacturer online, by fax, or by another method as specified by manufacturer, or
- Send the warranty work orders to the WPC to process with the manufacturer on behalf of the Postal Service for a fee.⁴

³ Postal Service Headquarters also issues VMBs that contain make/model-specific warranty information and procedures for the vehicles. The VMBs also outline options and methods for recovery of warranty repair costs on postal-owned vehicles covered during the manufacturer's warranty period.

⁴ The Postal Service has a National Ordering Agreement (NOA) with WPC to submit these claims to the manufacturer. The Postal Service pays WPC 8.5 percent of the recovery amount for their service. WPC is the preferred provider for warranty processing service under the established NOA. The fee is paid after reimbursement is made to the Postal Service, using a SmartPay card.

When the VMF unit receives the warranty reimbursement from the manufacturer or WPC, a credit will be reflected in the district or postmaster's finance number. These credits usually also appear under the AC 46, "warranty reimbursement," line item in VMAS as a record of amounts collected from manufacturers for warranty repairs.

When the WPC processes claims, it sends the VMF units documentation for all claims submitted, accepted, and rejected and issues warranty payments to the VMFs. These payments will also appear under AC 46 in VMAS.⁵ See [Appendix F](#) for a flowchart.

VMF units are required to maintain a master file of claims, including reimbursement deposit receipts or reports. The VMF must report warranty reimbursement disputes to Vehicle Operations at Postal Service Headquarters and send a copy of the report to the area.

OBJECTIVE, SCOPE, AND METHODOLOGY

The overall audit objective was to determine whether the vehicle warranty claims process ensured reimbursement for Postal Service work performed on vehicles covered by a manufacturer's warranty.

To accomplish the objective, we obtained a sample of 8,019 of the 27,505 vehicles under warranty during FYs 2006 through 2007. Using this sample, we obtained from VMAS all work orders with AC 22, 24, and 45 – scheduled and unscheduled maintenance and warranty repairs, respectively. Our scope included vehicles with an acquisition date between the third quarter of FY 2003 and the fourth quarter of FY 2007. We coordinated with VMF units to identify repairs for vehicles meeting this criterion that should have been covered under warranty and if so, the cost of the repairs and the reimbursement the VMF should have received. See [Appendix E](#) for the selected 35 VMF sites.

We reviewed the warranty claim file for FY 2006 and FY 2007 to validate whether the VMF filed claims for warranty reimbursements and reconciled the claims with work orders to ensure all claims were paid or had valid rationale for nonpayment. We obtained VMAS work orders for repairs identified as warranty repairs, AC 45, and calculated the cost that was eligible for reimbursement. We then compared the amount the VMF should have processed and received for AC 45 to the amount that they actually received and recorded in General Ledger Account 52951 (Vehicle Supplies and Services — Nationwide Warranty Negotiations) to identify any warranty repair costs that were not reimbursed.

We combined the total amount of repair costs (which should have been identified when work was performed under ACs 22 or 24) and the amount of repairs identified correctly using AC 45, and compared the total to the actual reimbursement amount the VMFs

⁵ AC 46 is the account for monies received from Manufacturers for Warranty Claims submitted by the Postal Service or on behalf of the Postal Service.

received. We then determined the proportional ratio of warranty repair costs to the reimbursement amount the VMFs received and projected this ratio nationwide.

We conducted this performance audit from September 2007 through January 2009 in accordance with generally accepted government auditing standards and included tests of internal controls that were considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We relied on data from VMAS. We did not audit this system, but performed a limited review of data integrity to support our reliance on the data. We discussed our observations and conclusions with management on August 15, 2008, and included their comments where appropriate.

PRIOR AUDIT COVERAGE

The U.S. Postal Service Office of Inspector General (OIG) issued one report related to our objective, titled *Audit of the United States Postal Service Warranty Repair of Tractors* (Report Number CA-AR-00-001, dated May 17, 2000.) This report concluded the Postal Service had not been reimbursed for between \$977,598 and \$1,879,104 of warranty repair work performed by VMFs on tractors, as allowed by three tractor contracts. Officials stated this occurred because the Postal Service had not implemented an agency-wide claims processing system. The report recommended implementation of a reimbursement system and concluded the Postal Service's actions should prevent the loss of about \$400,000 for the 2 years remaining on the tractor warranties. Management agreed with our findings, recommendations, and monetary impact.

APPENDIX B: WARRANTY VEHICLE IDENTIFICATION

VMF units often did not identify vehicles under warranty and ensure they were properly coded for reimbursement. We found of the 3,196 vehicle repairs covered by the manufacturer’s warranty, VMF units identified 2,171 (68 percent) of the vehicle repairs as under warranty. VMF units did not identify the remaining 1,025 vehicles (32 percent) as repairs under warranty. As a result, the Postal Service did not identify \$170,275 in warranty repair costs under AC 45 for reimbursement. See Table 3.

Table 3. Warranty Vehicle Identification and Costs

Postal Service Area	Total Number of Sample Vehicles	Total Number of Warrantable Repairs	Repairs <u>Not</u> Identified	Repairs Correctly Coded with AC 45	Percentage of Repairs <u>Not</u> Correctly Identified as Warranty	Total Cost of Warrantable Repairs	Total Cost of Warrantable Repairs Not Identified	Total Cost of Correctly Identified Repairs
Capital Metro	928	307	143	164	47	\$75,669	\$26,272	\$49,396
Eastern	1,281	1,208	325	883	27	236,863	39,183	197,680
Great Lakes	1,870	277	152	125	55	70,103	24,487	45,616
Northeast	441	249	49	200	20	55,786	9,637	46,149
New York Metro	341	71	67	4	94	14,667	12,641	2,026
Pacific	906	319	57	262	18	87,771	15,799	71,972
Southeast	358	90	15	75	17	12,977	3,885	9,092
Southwest	111	43	40	3	93	7,898	6,529	1,369
Western	1,783	632	177	455	28	87,314	31,842	55,473
Totals/Averages	8,019	3,196	1,025	2,171	32	\$649,048	\$170,275	\$478,773

Source: VMAS and VMF Units

We identified several reasons for these occurrences.

- This occurred most often when VMF units repaired vehicles due to a breakdown or failed part. VMF unit personnel usually mistakenly assigned a work order with an AC 24, “unscheduled repair” line item, instead of an AC 45, “warranty repair” line item.
- Most VMF units did not consistently review vehicle maintenance work orders to ensure maintenance technicians used AC 45. Of the 35 VMFs in our sample, we identified only seven units that reviewed work orders for proper coding of warranty repairs.
- Identifying vehicles under warranty depended almost entirely on the initiative of vehicle maintenance technicians to research and determine if vehicles requiring repair were still under warranty. This was made more difficult by the fact that the VMAS work order template does not have a field to identify whether vehicles being repaired are under warranty. This task was simply not a priority and improper coding was often overlooked.

Because the Postal Service did not properly identify warranty work, it did not receive reimbursement for \$1,043,797 (questioned costs) for FYs 2006 through 2008. The Postal Service has the opportunity to save \$221,336 (funds put to better use) for FY 2009.

APPENDIX C: WARRANTY VEHICLE REIMBURSEMENTS

The Postal Service was not reimbursed for all work identified as warranty repairs. This condition existed because of inadequate review by district officials to ensure work orders coded to recover Postal Service resources for repairs on warranty vehicles were processed, submitted for reimbursement, and reconciled for accuracy when payments were received.⁶ Specifically:

- Of the 35 VMF units reviewed, 15 received 50 percent or less of identified warrantable repair costs. For example, the VMFs in our sample were eligible for \$478,773 in reimbursement for repairs they identified as covered under a manufacturer’s warranty recorded in AC 45. However, the VMFs received only 43 percent, or \$206,745, of this amount. (See Table 4.) Only 13 VMF units received full warranty reimbursements for identified warranty repairs.
- VMF units did not reconcile warranty reimbursements from the manufacturer. In particular, Postal Service policy did not require payments to be reconciled and VMF units did not question the amount received. Further, VMF units could not reconcile payments because manufacturers submitted payments to the VMFs in single check amounts with no itemized listings of claims submitted.

Table 4: Warranty Vehicle Reimbursement Information

Postal Service Area	Total Value of Warranty Vehicle Repairs Eligible for Reimbursement	Total Value of Warranty Vehicle Repairs Reimbursed	Total Value of Warranty Vehicle Repairs Not Reimbursed	Percentage of Warranty Vehicle Repair Reimbursements Received	Percentage of Warranty Vehicle Repair Reimbursements Not Received
New York Metro	\$2,026	\$0	\$2,026	0	100
Great Lakes	45,616	8,382	37,234	18	82
Pacific	71,972	17,992	53,980	25	75
Eastern	197,680	58,636	139,044	30	70
Capital Metro	49,396	26,356	23,040	53	47
Northeast	46,149	30,692	15,457	67	33
Western	55,473	54,226	1,247	98	2
Southwest	1,369	1,369	0	100	0
Southeast	9,092	9,092	0	100	0
Total/Averages	\$478,773	\$206,745	\$272,028	43	57

Source: VMAS and VMF Units

With the exception of warranty work performed on Mack trucks by the Phoenix, AZ VMF unit we did not identify any VMFs in our sample that regularly reconciled reimbursements received from the manufacturer. This also included units that processed claims through the WPC. Specifically, the manufacturer paid claims in one check, which did not provide an itemized list of the reimbursements so the Postal Service could perform reconciliations.

⁶The Model VMF Performance Review requires districts and areas to determine the efficiency of VMF units and certify or recertify each unit at least every 3 years.

As a result, the Postal Service did not receive reimbursement for \$1,876,654 (questioned costs) for FYs 2006 through 2008. The Postal Service has the opportunity to save \$397,943 (funds put to better use) for FY 2009.

APPENDIX D: CALCULATION OF MONETARY IMPACT

Table 5 presents the calculation methodology for the \$2,920,451 in questioned costs and \$619,279 in funds put to better use the OIG identified.

Table 5. Monetary Impact

Questioned Unrecoverable Costs							Funds Put to Better Use			Total
Cost Categories	FYs 2006 and 2007	Number of Vehicles Under Warranty FY 2006 - 2007 ¹	Average Loss per vehicle per year for FYs 2006 - 2007	Number of Vehicles FY 2008 ²	Cost FY 2008	Total	Number of Vehicles FY 2009 ³	Cost FY 2009	Total	Grand Total
Warranty Repairs Not Identified	\$745,164	40,740	\$18	16,327	\$298,633	\$1,043,797	12,101	\$221,336	\$221,336	\$1,265,133
Warranty Repairs Not Reimbursed	1,339,739	40,740	33	16,327	536,915	1,876,654	12,101	397,943	397,943	2,274,597
Totals	\$2,084,903	40,740	\$51	16,327	\$835,548	\$2,920,451	12,101	\$619,279	\$619,279	\$3,539,730

¹ The total number of FY 2006 warranty vehicles was 21,911, which was added to the number of FY 2007 of 18,829 warranty vehicles. This totaled 40,740 vehicles over the FY 2006–2007 timeframe. This total was divided into the total unrecoverable costs for this same period to determine the average cost per vehicle per year to use to calculate future recoverable costs based on future populations.

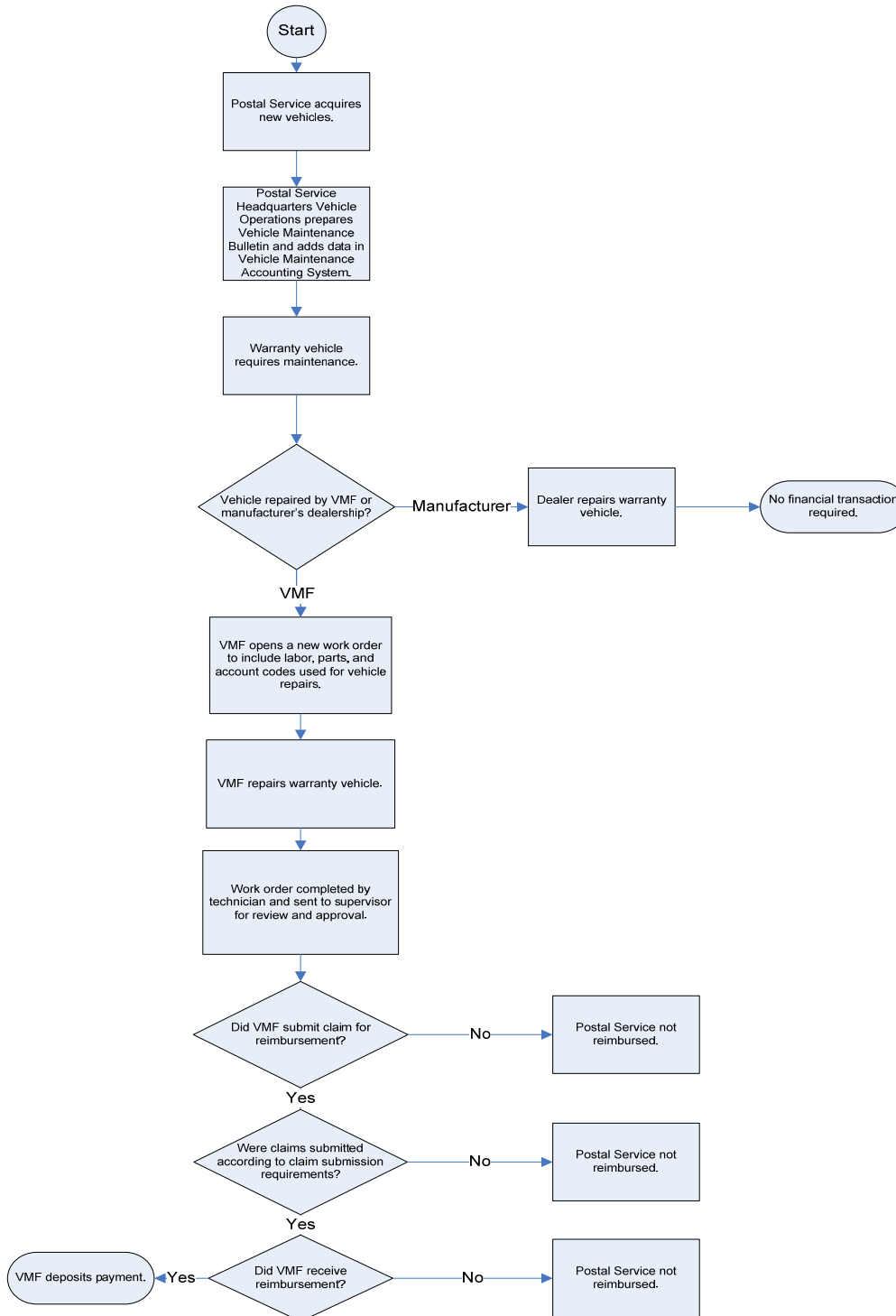
² The number of vehicles in the FY 2008 population was derived from vehicles acquired between FYs 2005 and 2008.

³ The number of vehicles in the FY 2009 population was derived from vehicles acquired between FYs 2006 and 2008.

APPENDIX E: SAMPLE OF VEHICLE MAINTENANCE FACILITIES

VMF Location	Area	District
San Antonio	Southwest	Rio Grande
Omaha	Western	Mid-America
Denver	Western	Colorado/Wyoming
Phoenix	Western	Arizona
Portland	Western	Portland
Portland (Vancouver Aux)	Western	Portland
Seattle	Western	Seattle
Royal Oak	Great Lakes	Detroit
Detroit	Great Lakes	Detroit
Saginaw	Great Lakes	Greater Michigan
Lansing	Great Lakes	Greater Michigan
Chicago	Great Lakes	Chicago
San Diego	Pacific	San Diego
Long Beach	Pacific	Santa Ana
San Francisco	Pacific	San Francisco
Sacramento	Pacific	Sacramento
Pittsburgh	Eastern	Pittsburgh
Lehigh Valley	Eastern	Pittsburgh
Philadelphia	Eastern	Philadelphia
Evansville	Eastern	Philadelphia
Cleveland	Eastern	Cleveland
Cincinnati	Eastern	Cincinnati
Baltimore	Capital Metro	Baltimore
Northern Virginia (in Merrifield)	Capital Metro	Northern Virginia
Westchester (in White Plains)	New York Metro	Westchester
Brooklyn	New York Metro	Triboro
Western Nassau (in Garden City)	New York Metro	Long Island
Lynn	Northeast	Boston
Hartford	Northeast	Connecticut
Syracuse	Northeast	Western New York
Buffalo	Northeast	Western New York
Savannah	Southeast	South Georgia
Mid-Florida	Southeast	Central Florida
Tampa	Southeast	Suncoast
Mobile	Southeast	Alabama
35 locations		

APPENDIX F: FLOWCHART OF THE VEHICLE WARRANTY SERVICE PROCESS



APPENDIX G: MANAGEMENT'S COMMENTS

JORDAN M. SMALL
VICE PRESIDENT, DELIVERY OPERATIONS



December 3, 2008

LUCINE M. WILLIS
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Vehicle Warranty Claims Process
(Report Number DR-AR-09- DRAFT)

Delivery Operations management has reviewed the draft report and has significant concerns about the findings. Before addressing the recommendations and management's actions, several points of clarification need to be made prior to the final report. The draft report identifies monetary impacts of \$2,920,451 of unrecoverable and \$619,279 of recoverable cost, however, accompanying foot notes acknowledges the costs are not supported by adequate documentation. If the reported costs are not documented, the validity and appropriateness of the report is questioned. Vehicle Operations would like a thorough briefing including a review of all material and data gathered by the Office of the Inspector General (OIG) during the audit. Until this matter is satisfactorily resolved, I believe it should not be included in the *Semi Annual Report to Congress*.

The report does not acknowledge some warranty repairs and their potential reimbursement can be more costly to perform under warranty than to just make the repair, return the vehicle to service, and forego filing a warranty claim. Examples of this are minor repairs when the repair cost and time involved are equal to or less than the amount of time needed to initiate and process a claim.

The OIG report needs to recognize some number of warranty claims will be filed, but reimbursement denied due to many reasons including expiration of time, excess mileage, uncovered part, or a number of other causes. The report methodology states a comparison was performed on the dollar amount the vehicle maintenance facilities (VMFs) should have processed and received versus the amount received. Vehicle Operations does not agree with this method. Every warranty filing will not generate compensation and this methodology is another reason Vehicle Operations wants to review the data collected.

Vehicle Operations and the field VMFs are unable to accurately determine the warranty status on many non mail hauling vehicles. There are known and previously identified circumstances where certain user groups have not entered USPS owned vehicles into the asset master database. Vehicle Operations can not be held accountable for any vehicles not entered into the corporate database by the user groups, and the VMFs can not track and perform warranty reimbursements.

Recommendation 1:

Modify the Vehicle Maintenance Accounting System to be able to readily identify vehicles under warranty when the vehicle's identification number is entered into the system or establish an alternative process to aid vehicle maintenance facility technicians in identifying warranty vehicles.

475 L'ENFANT PLAZA SW
ROOM 7116
WASHINGTON, DC 20260-7116
202-268-6258
FAX: 202-268-0139
www.usps.com

Response

The OIG is aware of efforts underway to replace the current Vehicle Management Accounting System (VMAS). It is not practical to invest software development and programming resources into a system with a short service life remaining. Vehicle Operations will continue to maintain all warranty related requirements previously identified within the Solution for Asset Enterprise Management which is being developed as the potential replacement for VMAS.

Recommendation 2:

Re-emphasize Postal Service policy for supervisory review of work orders to ensure all warranty repairs are correctly coded for reimbursement.

Response

Vehicle Operations will issue a comprehensive policy to the field addressing all aspects of vehicle warranty. This will be accomplished by March 2009.

Recommendation 3:

Reinforce to Vehicle Maintenance Facility units the requirement to monitor the vehicle warranty process.

Response

Vehicle Operations will issue a comprehensive policy to the field addressing all aspects of vehicle warranty. This will be accomplished by March 2009.

Recommendation 4:

Require Vehicle maintenance Facility units to submit all eligible claims for reimbursement of warranty repairs.

Response

Vehicle Operations will issue a comprehensive policy to the field addressing all aspects of vehicle warranty. This will be accomplished by March 2009.

Recommendation 5:

Collaborate with vehicle manufacturers to provide detailed warranty data to aid in the reconciliation of warranty reimbursement payments.

Response

Vehicle Operations will insure adequate vehicle warranty reconciliation information is addressed as part of each future major vehicle acquisition requirements.

Recommendation 6:

Establish policy requiring that all future warranty reimbursements be periodically reconciled for accuracy.

Response

Vehicle Operations will issue a comprehensive policy to the field addressing all aspects of vehicle warranty. This will be accomplished by March 2009.



Jordan M. Small

- cc: Mr. Galligan
- Ms. Oliver
- Mr. Corey
- Ms. Banks