March 30, 2001

PAUL E. VOGEL
VICE PRESIDENT, NETWORK OPERATIONS MANAGEMENT

A. KEITH STRANGE
VICE PRESIDENT, PURCHASING AND MATERIALS

SUBJECT: Audit Report - Safety and Security of the Postal Service Leased Trailer Fleet (Report Number TR-AR-01-002)

This report presents results from our audit of the safety and security of the Postal Service leased trailer fleet (Project Number 00PA032TR001). The objectives of our audit were to evaluate safety, security, and opportunities for cost savings.

Our audit projected that more than 25 percent (2,200) of the Postal Service's leased trailer population did not meet minimum federal safety standards because the Postal Service did not have adequate procedures. In addition, there were no procedures to verify compliance with maintenance requirements or safety standards, and leasing contracts did not address the need for liability insurance. We also projected the Postal Service could not account for $5 million in leased trailer inventory, and did not always secure and protect trailers. Further, we projected the Postal Service could reduce costs by more than $17.5 million over a five year period, by properly administering damage claims on leased trailers, and improving internal controls over trailer use.

We recommended Postal Service management include requirements regarding safety, maintenance, and liability insurance in contracts and establish procedures to account for trailer inventory, secure and protect trailers, and update policies governing damage claims. Management agreed with our recommendations and planned actions address the issues in this report. Management's comments and our evaluation of their comments are included in the report.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have questions or need additional information, please contact Joe Oliva, director, Transportation, at (703) 248-2317 or me at (703) 248-2300.

Debra S. Ritt
Assistant Inspector General
for Business Operations

Attachment

cc: Anthony M. Pajunas
J. Dwight Young
John R. Gunnels

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EXECUTIVE SUMMARY

Introduction

Hauling by trailer is one of the most cost-effective ways to move large volumes of mail and related equipment. Every day, commercial trucking contractors haul trailers to and from mail facilities and the plants of large customers. The Postal Service has almost 15,000 trailers. Over 10,000 are leased, and the Postal Service spends more than $40 million per year for trailer leasing. We initiated our audit to evaluate the safety and security of the leased trailer fleet, and to identify opportunities for cost savings.

Figure 1 – Commercial tractor with leased trailer at a mail facility.

Results in Brief

Our audit projected that 25 percent or almost 2,200 of 8,715 trailers did not meet minimum federal safety standards. Specifically, our inspections found bald tires, damaged or missing lights, reflectors, mud-flaps, doors, load restraint systems, and bumpers. We also found that 1,515 trailers, or more than 68 percent of the trailers we projected as failing safety standards, did not have current safety inspections. In addition, many had missing or incomplete inspection, repair, and maintenance records. The trailers had safety deficiencies in part because Postal Service procedures did not adequately address safety. In addition, leasing contracts did not adequately address the need for liability insurance.

Our audit also revealed the Postal Service is at risk of loss through trailer theft, damage, and vandalism because it is not protecting its leased trailer fleet. We projected the

Postal Service could not account for more than $5 million in inventory and did not adequately safeguard trailers.

In addition, we projected the Postal Service could reduce costs by approximately $3.5 million annually, or more than $17.5 million over a five-year period, by properly administering damage claims on leased trailers ($2 million), and improving internal controls over trailer use ($15.5 million). Finally, the Postal Service could recover approximately $7,300 in erroneous charges for replacement trailers, approximately $4,500 for excessive mileage charges; and more than $50,000 in unpaid detention fees.

Summary of Recommendations

We recommend the vice president, Purchasing and Materials, develop procedures and include, as part of standard contract language, requirements regarding safety, maintenance, and liability insurance—and establish controls to enforce contract provisions.

We recommend the vice president, Network Operations Management, establish procedures to account for trailer inventory, establish adequate and secure trailer storage areas, update policies governing damage claims, prohibit storage in trailers leased for transportation, and resolve overdue detention charges. We also recommend the vice president instruct the Richmond Processing and Distribution Center management to analyze lease charges, recover overpayments, and implement controls to validate future charges. Finally, we recommend the Lancaster Processing and Distribution Center collect outstanding detention fees.

Summary of Management's Comments

Management agreed with our recommendations. They stated that they believed the Mail Transport Equipment Service Center and National Trailer Lease contracts already required compliance with safety, maintenance, and liability insurance requirements. However, they also stated they would review and reinforce procedures to ensure all contracts addressed those requirements, and ensure contractors complied with safety, maintenance, and liability insurance provisions. In addition, management stated they would work to consolidate leased trailer information in a central database to better track and trace leased trailers; encourage storage in secure facilities when not cost prohibitive; revise Management Instruction PO-530-89-1, *Processing Trailer Damage Claims*; and advise the field that mail transport equipment should not be stored in trailers leased for transportation unless temporarily staged for movement to another site. Management also stated they would issue instructions regarding the collection of detention fees, replacement trailers, mileage charges, and collection of overpayments; instruct the Mid-Atlantic Area Distribution Networks office to assess and recover excess payments; and forward our report to the vice president, Allegheny Area so he could recover overdue detention charges.

Overall Evaluation of Management's Comments

Management's comments were responsive to our findings and recommendations. We believe that the actions taken and planned should correct the issues identified in our report.

INTRODUCTION

Background

Hauling by trailer is one of the most cost effective ways to move large volumes of mail and related equipment. Every day, commercial trucking contractors haul trailers to and from mail processing and distribution centers, airmail facilities, mail transport equipment service centers, bulk mail centers, and the plants of large customers. The Postal Service uses almost 15,000 trailers. Over 10,000 are leased at a cost to the Postal Service of more than $40 million per year.

Objectives, Scope, and Methodology

Our audit objectives were to evaluate the safety and security of the leased trailer fleet, and to identify opportunities for cost savings.

During our audit, we visited Postal Service Headquarters, distribution network offices, mail transport equipment service centers, bulk mail centers, and processing and distribution centers. Geographic locations of sites visited are shown in Appendix A. We observed Postal Service operations, analyzed federal law and regulations, reviewed leased trailer contracts and related records, and inspected leased trailers. We interviewed Postal Service personnel, including managers, contract transportation specialists, network specialists, and contractor service managers. We conducted statistical sampling and performed statistical analysis.

To conduct sampling, we statistically selected 20 leased trailer contracts from a list of 74 compiled by Postal Service Headquarters. The 20 contracts were administered by 19 Postal Service facilities. We inspected approximately 20 trailers from each contract and noted safety deficiencies as appropriate. If there were fewer than 20 trailers per contract, then all were inspected. We examined the provisions of all 20 statistically selected contracts and noted those that omitted safety inspection, repair, and maintenance requirements. We also examined records at the facilities that administered contracts requiring maintenance records, and noted when required records were incomplete or missing. Our sample allowed us to statistically project results throughout the population of all facilities that leased trailers, and to a total nationwide statistical population of more than 8,700 trailers. Details of our sampling methodology are contained in Appendix B. In addition to sampling, we observed conditions outside our statistical population, and where necessary, noted those conditions as such.

We conducted our audit between May 2000 and March 2001 in accordance with generally accepted government auditing standards, and included such tests of internal controls as were considered necessary under the circumstances. We discussed our findings with appropriate management officials, and included their comments, where appropriate.

Prior Audit Coverage

Opportunities for Savings in Freight Rail Detention Costs, (TR-AR-99-001), dated September 23, 1999, concluded, in part, that the Postal Service could substantially reduce costs by seeking reimbursement from customers who detained trailers, and identified one mailer in the Allegheny Area who incurred approximately $300,000 per year in detention charges that were not paid back to the Postal Service.

Southwest Area Expenditures for Extra Highway Trips Using Leased Equipment, (TR-AR-00-005), dated February 29, 2000, concluded that excessive payments were made to highway contractors who leased equipment to provide extra trip service. We recommended the Postal Service recover approximately $848,000 in overpayments and correct contracting practices to avoid excessive expenditures in the future. Management agreed with our findings and recommendations, but disagreed with the magnitude of overpayments reported.

AUDIT RESULTS

Safety

Our audit projected that 25 percent or almost 2,200 of 8,715 trailers did not meet federal safety standards. Specifically, we found bald tires, damaged or missing lights, reflectors, mud-flaps, doors, load restraint systems, and bumpers, as well as bald tires. We also found that 1,515 trailers, or more than 68 percent of the trailers we projected as failing safety standards, did not have current safety inspections. In addition, we found missing or incomplete inspection, repair, and maintenance records.

Title 49, Code of Federal Regulations, Section 396, requires that trailers be in safe and proper operating condition at all times, and have a safety inspection performed annually to ensure that frames, frame assemblies, suspension systems, axles, wheels, brakes, tires, and any other part of the trailer affecting proper operating condition is safe. The regulation also requires a sticker, decal, or other documentation certifying that the trailer passed inspection, and requires a record of inspection, repair and maintenance to be retained for a period of one year at the facility where the trailer is housed.

The trailers had safety deficiencies, in part, because Postal Service contracting procedures did not adequately address safety standards, Postal Service facilities did not have procedures to verify contractor compliance with preventive maintenance requirements, and contract officer representatives did not enforce existing contract requirements. We statistically selected 20 of 74 leased trailer contracts and found that only 13 required preventative maintenance including safety compliance. Further, maintenance records for 7 of the 13 were incomplete or nonexistent. We also noted that leased trailer contracts did not address liability insurance. Although contracts for the operation of a motor vehicle specify that contractors must provide liability insurance, leased trailer contracts did not.

Because the Postal Service does not have contract provisions that require contractors to comply with federal safety standards, does not enforce existing contract provisions, and because of uncertain liability coverage, the Postal Service could be exposed to legal action and loss. For example, the Postal Service is named in a potential

$6 million lawsuit involving a trailer that disengaged from its tractor and became involved in an accident resulting in personal injury.

Recommendation

We recommend the vice president, Purchasing and Materials:

1. Require leased trailer contracts to address federal safety standards including safety inspections and the retention of inspection, repair and maintenance records.

Management's Comments

Management agreed with our recommendation and stated they believed that the Mail Transport Equipment Service Center trailer contract and the National Trailer Lease contract already required contractors to provide a comprehensive maintenance program and to adhere to safety requirements. However, management stated that they would review and reinforce procedures to ensure all leased trailer contracts adequately address safety requirements and enforcement.

Recommendation

2. Develop procedures to ensure contract officer representatives verify contractor compliance with leased trailer contract safety provisions.

Management's Comments

Management agreed with our recommendation and stated they would establish procedures that required suppliers to provide documentation of preventative maintenance to the contracting officer or the contracting officer representative on a semi-annual basis to ensure contract compliance.

Recommendation

3. Require leased trailer contracts to address liability insurance.

Management's Comments

Management agreed with our recommendation and stated they believed that the Mail Transport Equipment Service Center and National Trailer Lease contracts already required contractors to establish and continually maintain effective liability insurance. However, management agreed to review and reinforce procedures to ensure leased trailer contractors comply with liability insurance requirements.

Evaluation of Management's Comments

Management's comments were responsive to our findings and recommendations. We believe that the actions taken and planned should correct the issues identified in our report.

Security

We projected the Postal Service could not account for more than 230 leased trailers costing about $24,000 each—or a total of more than $5 million. The Postal Service had several automated systems designed to account for fleet inventory. Among them were the Transportation Information Management Evaluation System, the Vehicle Transportation Analysis Performance System, and the On-Site Information System. However, the accountability problem was caused by personnel using antiquated manual systems instead of the automated systems. Consequently, trailer locations were not always known, and trailers worth several million dollars could have been lost or stolen.

We also found the Postal Service did not have sufficient space to secure all trailers in areas that protected them from loss or damage. As a result:

- Trailers were parked on public streets or in unsecured areas near Postal Service facilities. (Figures 2 and 3)
- Trailers were parked too tightly in constrained areas where they received inadvertent damage. (Figure 4)
- Overgrown trees at storage entry and exit points damaged trailers. (Figure 5)

Figure 2 – Trailers parked in unsecured area near Postal Service facility due to space limitations.

Figure 3 – Trailers parked on public streets due to space limitations.

Figure 4 - Trailers crowded into area too small for safe storage.

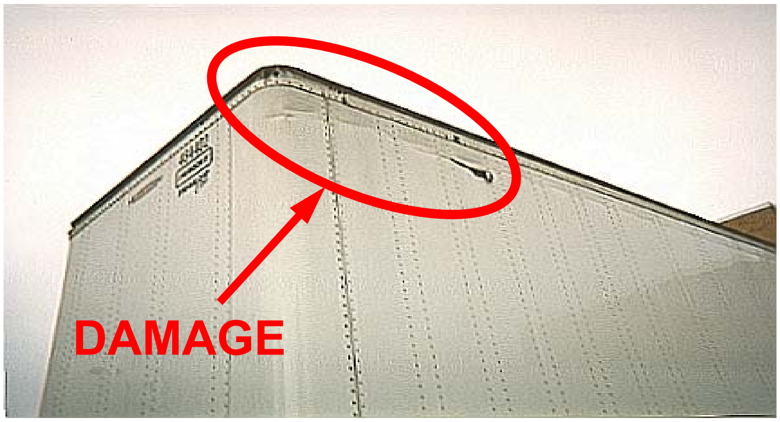


Figure 5 – Trailer damaged by overhanging trees located at storage entry and exit points.

Recommendations	We recommend the vice president, Network Operations Management: 4. Implement written instructions to facility management requiring them to inventory and account for all leased trailers by utilizing automated systems.
Management's Comments	Management agreed with our recommendation and stated they were currently in compliance as it related to providing instructions to field management to use automated systems. However, management pointed out that that all automated systems were not integrated and consequently, not reliable as an accurate source of leased trailer inventory. Management also stated they would work to consolidate leased trailer information in a central database that was integrated with other automated systems to better track and trace leased trailers.
Recommendation	5. Establish and maintain adequate and secure trailer storage areas.
Management's Comments	Management generally agreed with our recommendation and stipulated that in some large urban areas, adequate secure storage did not exist, and that the cost of obtaining secure storage areas was cost prohibitive and would offset any financial gains realized from reducing damage. However, management stated that they encouraged storage in secure facilities where possible.
Evaluation of Management's Comments	Management's comments were responsive to our findings and recommendations. We believe that the actions taken and planned should correct the issues identified in our report.

Opportunities for Cost Savings

The Postal Service could reduce costs by approximately $3.5 million annually, or by more than $17.5 million over a five year period, by not storing equipment in roadworthy trailers, and by properly administering damage claims. In addition, the Postal Service could recover approximately $7,300 in erroneous charges for replacement trailers, $4,500 for excessive mileage charges, and more than $50,000 in unpaid detention fees.

Storage in Roadworthy Trailers

Trailers are used for two principal purposes—storage and transportation. Trailers used for storage cost about $125 per month, while trailers used for transportation cost more than $300 per month. Our audit projected 17 percent of trailers leased for transportation were used for storage instead of transportation, costing the Postal Service about $3.1 million more per year than necessary—or more than $15.5 million over five years. This inappropriate use of trailers also resulted in an overstated cost of transportation by the same amount. Facility personnel stated they preferred to use roadworthy trailers for storage because, if needed, the trailers could also be used for transportation. (See Figure 6.)

Figure 6 – Roadworthy trailer used for storage.

Damage Claims

The Postal Service could reduce costs by more than $390,000 annually based upon fiscal year 2000 damage claims, or almost $2 million over a five-year period,[1] by properly administering damage claims on leased trailers. Our audit revealed contractors were filing trailer damage claims against the Postal Service, who paid the claims without first determining who was at fault, or verifying the cost of the repairs.

Paying claims without determining fault was the single most costly claims-processing shortcoming we identified. Generally, the Postal Service charged damage costs to the last Postal Service facility with trailer custody; however, our audit revealed trailer damage could have been caused by contractors. For example, mail transport equipment service centers are contractor-operated and use contract employees to load and unload trailers. Our analysis of damage claim records indicated the centers could be responsible for more than $390,000 in trailer damage per year. (See Figure 7.)

Figure 7 – Trailer damage at a mail transport equipment service center.

In addition to not determining who caused the damage to leased trailers, the Postal Service did not properly establish the monetary value of the damages sustained. Specifically, only 1 of the 19 Postal Service facilities we visited used a repair cost schedule to establish appropriate repair costs.

[1] The $2 million estimate is a linear extrapolation of a constant number of trailers and a constant damage claims rate and amount over a five year period. The $390,000 estimate represents annualizing nine months of FY 2000 data from mail transport equipment service centers.

These claim processing deficiencies were caused because the Postal Service does not have effective claim processing policies. Although Postal Service Management Instruction PO-530-89-1, *Processing Trailer Damage Claims*, dated February 10, 1989, specifies procedures for processing claims, the document is outdated and is not generally used. As a result of ineffective claim processing procedures and outdated policy documents, the Postal Service may pay for damages it did not cause, or pay too much.

Potential Recoveries

The Richmond Processing and Distribution Center may have paid approximately $7,300 more for trailers than required for the period January to August 2000. This cost was for temporary replacement trailers when principal trailers were returned to the leasing company for routine preventive maintenance. Contract provisions required the leasing company to supply replacement trailers without additional cost to the processing and distribution center. However, our audit revealed the center not only paid for replacement trailers, but also paid at a rate higher than the contract rate. These errors occurred because management did not validate invoice charges.

The Richmond Processing and Distribution Center may have also overpaid about $4,500, for the period January through July 2000, for mileage charges that were not properly supported. Specifically, the center entered into a local contract to lease 12 trailers for a monthly fee plus mileage. However, management did not determine actual mileage, and did not require invoiced mileage to be properly documented. Instead estimated mileage figures were assigned. Our analysis of the four-month period from April through July 2000, showed charges were inconsistent, varied widely, and were improbable. For example, during the months of April and June, mileage charged for each of the 12 leased trailers was 2,000 miles and 1,500 miles respectively. (See Figure 9)

BILLING PERIOD ENDING	NUMBER OF LEASED TRAILERS	MILEAGE OR MILEAGE RANGE PER TRAILER
April 25, 2000	12	2000
May 25, 2000	8 4	0 27-843
June 25, 2000	12	1500
July 25, 2000	9 3	0 376-1987

Figure 9 – Analysis of Mileage Charged for Billing Period April 25 – July 25, 2000.

Our analysis of available records for the period September 1, 1999, through July 27, 2000, identified more than $50,000 in uncollected detention fees billed to one large customer of the Lancaster Processing and Distribution Center. Postal Service requirements specify that when trailers are out of service for excessive periods, at the fault of the customer, the customer can be charged "detention" fees. These fees are used to offset the cost of leasing additional trailers to meet requirements. An example of excess delays during June 2000, were 77 trailers detained by customers totaling 223 business days. The Postal Service needed additional trailers to compensate for those excessively detained.

Recommendations

We recommend the vice president, Network Operations Management:

6. Prohibit the use of transportation trailers for storage.

Management's Comments

Management agreed with our recommendation and stated that mail transport equipment should not be stored in trailers that were leased for transportation unless it was being staged for transportation to another site. Management also stated that they would advise the field of the policy.

Recommendation	7. Update Postal Service policies and procedures governing trailer damage claims to include provisions for determining who is responsible for the damage, and for establishing the monetary value of damage sustained.
Management's Comments	Management agreed with our recommendation and stated that Postal Service Management Instruction PO-530-89-1, *Processing Trailer Damage Claims*, dated February 10, 1989 was outdated, and that they would issue a revised publication and additional instructions to help the Postal Service determine responsibility for damage and the monetary value of damage sustained. Management also stated that the revised management instruction would specify a review process to ensure damage cost estimates and claims were accurate and reasonable.
Recommendation	8. Develop and implement policy that requires validation of invoice charges for replacement trailers and trailer mileage prior to payment.
Management's Comments	Management agreed with our recommendation and stated that contract language must be explicit regarding the responsibility for replacement trailers and the accuracy of mileage charges. Management also stated their national trailer lease contract addressed the issues, but they would issue instructions to the field to ensure all local contracts addressed the issues as well.
Recommendation	9. Recover overpayments for replacement trailers and mileage from September 1999 to date.
Management's Comments	Management agreed with our recommendation and stated they would instruct the Mid-Atlantic Area Distribution Networks Office to review all present and previous claims for excessive cost, and initiate procedures to recover overpayments as applicable.

Recommendation	10. Collect "detention" fees from the customers of the Lancaster Processing and Distribution Center who excessively detained trailers.
Management's Comments	Management agreed with our recommendation and stated they would forward our report to the vice president, Allegheny Area, so the vice president could recover all detention charges. Management also stated they would issue instructions to all Distribution Network Offices regarding the collection of detention fees.
Evaluation of Management's Comments	Management's comments were responsive to our findings and recommendations. We believe that the actions taken and planned should correct the issues identified in our report.

APPENDIX A. AUDIT LOCATIONS

Distribution Network Offices:

Capital Metro
Mid Atlantic
Northeast
Allegany
Southwest
Pacific
Western
Mid West
New York Metro

Mail Transport Equipment Service Centers:

Washington, D.C.
Philadelphia, Pennsylvania
Atlanta, Georgia
Dallas, Texas
Los Angeles, California
New Jersey, New Jersey
Long Island, New York

Bulk Mail Centers:

Washington, D.C.
Springfield, Illinois
Dallas, Texas
Los Angeles, California
Kansas City, Missouri
Des Moines, Iowa

Processing and Distribution Centers:

Baltimore, Maryland
Richmond, Virginia
Lexington, Kentucky
Lancaster, Pennsylvania
Albuquerque, New Mexico
Las Vegas, Nevada

APPENDIX B
STATISTICAL SAMPLING AND PROJECTIONS FOR LEASED TRAILERS

Purpose of the Sampling

The overall objective of this audit was to evaluate the safety and security of the leased trailer fleet, and identify opportunities for cost savings. In support of this objective, the audit team employed a two-stage random attribute sample design that allowed a statistical projection of results from individual contracts for trailer leases.

Definition of the Audit Universe

The audit universe consisted of 74 contracts, with a combined total of 8,715 trailers. The composite list from the Postal Service's "regular trailer leasing" and "mail transport equipment service center trailer information" lists was the source of the universe data.

Sample Design and Modifications

The audit used a two-stage random (at both stages) sample design. Twenty contracts, and generally 20 trailers per contract, were randomly selected for review. If there were fewer than 20 trailers per contract, then all were examined.

Statistical Projections of the Sample Data

All attributes are projected to the universe of 74 contracts and 8,715 trailers. The sample data were analyzed using the formulas for estimation of a population proportion for a two-stage random (at both stages) sample, as described in Elementary Survey Sampling, Scheaffer, Mendenhall, and Ott, c.1996.

Attribute 1: Were the Trailers Accounted For?

Based on a projection of the sample results, we are 95 percent confident that up to 7.1 percent, or 621 trailers, failed to be accounted for. The unbiased point estimate is 2.7 percent, or 239 trailers.

Attribute 2: Were the Trailers Used Per Lease Intent?

Based on a projection of the sample results, we are 95 percent confident that up to 32.4 percent, or 2,819, trailers were not used per lease intent. The unbiased point estimate is 17.1 percent, or 1,494 trailers.

<u>Attribute 3: Did the Trailers Have Current Inspection Stickers</u>?

Based on a projection of the sample results, we are 95 percent confident that up to 32.9 percent, or 2,868, trailers failed to have current inspection stickers. The unbiased point estimate is 17.4 percent, or 1,515 trailers.

<u>Attribute 4: Were There Any Noticeable Safety Violations</u>?

Based on a projection of the sample results, we are 95 percent confident that between 5.2 percent and 44.8 percent, or 453 to 3,909 trailers, did not meet minimum safety standards. The unbiased point estimate is 25 percent, or 2,182 trailers.

APPENDIX C. MANAGEMENT'S COMMENTS

NATIONAL MAIL TRANSPORTATION PURCHASING

UNITED STATES POSTAL SERVICE

March 29, 2001

DEBRA S. RITT

THRU: KEITH STRANGE KS 3/29/01

SUBJECT: Transmittal of Draft Management – Safety and Security of Postal Service Leased Trailer Fleet (Report Number TR-AR-01-DRAFT)

Thank you for your report on the Safety and Security of Postal Service Leased Trailer Fleet. We are in basic agreement with the three recommendations for vice president Strange.

Two national trailer lease fleet contracts have been recently procured under the guidance of National Mail Transportation Purchasing. These contracts include the MTESC trailer contract for 4800 trailers and the National Trailer Lease contract for 4850 trailers. The purpose of these purchases was to award contracts for Postal Service leased common fleet trailers under single solicitations to (1) provide a common fleet of trailers in support of the MTESC facilities, and (2) to replace the large number of leased common fleet trailer contracts with multiple suppliers, that were set to expire June 30, 2000 and 2001. Separate Distribution Networks (DN) offices and Purchasing and Materials Service Centers (PMSCs) solicited all of the existing contracts under multiple solicitations. It was envisioned that by having a smaller number of contracts (five contracts) and a limited number of sources from which trailer leases would emanate (four sources), the Postal Service would save time and money spent by individual offices to lease trailers. Also, the contract administration for the new contracts would be more efficient and less complicated for both the supplier and the Postal Service. Lastly, the method of purchase would allow the Postal Service to take advantage of leverage leasing, which would result in the lease of quality equipment at the best possible prices meeting all requirements.

We believe that the implementation of the MTESC trailer and national trailer lease contracts, coupled with the education of field personnel on the terms of the contract and emphasizing the importance of regular preventive maintenance, will result in considerably fewer instances of unsafe trailers.

Safety

Recommendation #1: Require leased trailer contracts to address federal safety standards including safety inspections and the retention of inspection, repair and maintenance records.

We agree all leased trailer contracts should address federal safety standards including safety inspections and record retention requirements. We believe that Section B.9 of the MTESC trailer and national trailer lease contracts already require contractors to provide a "comprehensive maintenance program," including a tracking system showing the history of equipment maintenance, and that Section H.9 provides the Postal Service with access to all contractor maintenance records. We also believe that the contracts require suppliers to adhere to federal, state, and local requirements. However, we will review our policies and procedures to ensure all trailer contracts adequately address safety requirements and enforcement

475 L'ENFANT PLAZA RM 4800
WASHINGTON DC 20260-6210
(202) 268-4314
FAX: (202) 268-4313

<u>Recommendation #2</u>: Develop procedures to ensure contract officer representatives verify contractor compliance with leased trailer contract safety provisions.

We are in agreement with this recommendation. As stated above, Section H.9 of the contracts gives the Postal Service the legal right to examine any supplier records that are directly pertinent to any part of the contract. This gives the contracting officer, or any person designated by the contracting officer, access to all maintenance records for any trailer in the fleet.

In addition, we will establish procedures that require the suppliers to provide documentation of preventive maintenance records to the contracting officer or the contracting officer representative, as appropriate, on a semi-annual basis to ensure contractual compliance.

<u>Recommendation #3</u>: Require leased trailer contracts to address liability insurance.

We agree that all leased trailer contracts should address liability insurance. We believe that Section H.5 of the MTESC trailer and the national trailer lease contracts already requires contractors to establish and continually maintain effective liability insurance and that further, the Postal Service has the right to terminate a contract if liability insurance is not maintained. We also require suppliers to provide proof of trailer liability insurance to each Distribution Networks contracting officer. However, we will review our policies and procedures to ensure compliance with liability insurance requirements on all leased trailer contracts.

J. Dwight Young
Manager

cc: Mr. Strasser
Mr. Vogel
Mr. Pajunas
Mr. Gunnels

MANAGER, LOGISTICS

UNITED STATES POSTAL SERVICE

March 30, 2001

DEBRA S. RITT

SUBJECT: Transmittal of Draft Management – Safety and Security of Postal Service Leased Trailer Fleet (Report Number TR-AR-01-DRAFT)

This is in response to your findings and suggestions in the draft report (TR-AR-01), concerning Safety and Security of Postal Service Leased Trailer Fleet, dated February 28, 2001.

Recommendation #4. Implement written instructions to facility management requiring them to inventory and account for all leased trailers by utilizing automated systems.

We are in agreement with your recommendation and are currently in compliance as it relates to providing instructions to field management to use automated systems. Meetings are held bi-yearly with Transportation Information Management Evaluation System (TIMES) coordinators to discuss adherence to performance requirements for making inputs in TIMES, currently data fields are completed 94 percent of the time. The TIMES program provides dispatch and load volume data for origin, enroute and final destination facilities. Attachment 1 provides examples of memos and input statistics on TIMES that have been provided to the field.

The Vehicle Transportation Analysis Performance System (VTAPS) is used at bulk mail centers (BMCs) to manage van movements in the yard or associated local areas.

Unfortunately, 100 percent compliance to input standards on these systems will not resolve issues related to providing a status or inventory of leased trailers. The TIMES and VTAPS programs are not integrated and there is no central database that identifies the pool of leased trailers.

We will work with National Transportation Purchasing and the areas to establish a process to consolidate leased trailers in a central database that can be integrated with TIMES, VTAPS or other systems to better track and trace leased trailers. This system would report the activity or inactivity of all leased trailers in the pool.

475 L'ENFANT PLAZA, SW
WASHINGTON, DC 20260-7100
(202) 268-4948
FAX: (202) 268-8647

Recommendation #5. Establish and maintain adequate and secure trailer storage areas.

We are generally in agreement with this suggestion where storage areas are available. Many of our major facilities are located in large urban areas were property that is adequate for trailer storage does not exist, is too far away from the plants for operational efficiencies, or too expensive and would offset any financial gains realized from reducing damage or other losses. We support and encourage trailer storage facilities to the maximum extent possible.

Recommendation #6. Prohibit the use of transportation trailers for storage.

We are in agreement with the suggestion that mail transport equipment (MTE) should not be stored in trailers that were leased for transportation, rather it should be stored on trailers leased for storage. In rare instances it may be necessary to use transport trailers to store MTE if it will be moved to another site. We will advise the field.

Recommendation #7. Update Postal Service policies and procedures governing trailer damage claims to include provisions for determining who is responsible for the damage, and for establishing the monetary value of damage sustained.

We are in agreement with this recommendation. Management Instruction (MI) PO 530-89-1 (2/10/89) *Processing Trailer Damage Claims* must be revised. The current language, in the MI, does define the procedure in how to determine the responsible party for damages. If the offending office can not be determined then all facilities served by the route will be held equally responsible. We will re-issue instructions for the completion of PS Form 5201, (*Mail Van Inspection*) to help determine the party at fault. Language will be included in the revised MI to have a review process for cost estimates/claims to ensure accuracy and reasonableness of said claims.

Recommendation #8. Develop and implement policy that requires validation of invoice charges for replacement trailers and trailer mileage prior to payment.

We are in agreement with this recommendation. The contract language must be explicit when it comes to the responsibility of the contractor to replace trailers and trailer mileage payments. Our current National Trailer Lease Contract addresses these issues. We will issue instructions to the field to insure that this same language is included in all local contracts.

Recommendation #9. Recover overpayments for replacement trailers and mileage from September 1999 to date.

We are in agreement with this recommendation. We will instruct the Mid-Atlantic Area Distribution Networks Office to review all present and previous claims for excessive costs as indicated. If it is determined that the contractor was not entitled, by contract, to the claimed expenses then procedures will be initiated to recover any excess payments.

Instructions for recovering overpayments for replacement trailer will be provided to all DN's.

Recommendation #10. Collect "detention" fees from the customers of the Lancaster Processing and Distribution Center who excessively detained trailers.

We are in agreement with this recommendation. We will forward your report to the Allegheny Area, vice president so he can recover all validated detention charges incurred by mailers within his area, in accordance with the Domestic Mail Manual section D020.33, Handbook PO 512 *Plant Loading Authorization and Procedures Guidelines* and the PS Form 3815 *Plant-Load Authorization Application, Worksheet, and Agreement.*

Instructions for collecting excessive detention fees from major mailers will be provided to all DN's.

If you have any questions, please contact me at (202) 268-4948.

Tony Pajunas

cc: Mr. Donahoe
Mr. Vogel
Mr. O'Reilly
Managers, Operations Support (AREA)
Managers, Distributions Networks (AREA)

SURFACE OPERATIONS

UNITED STATES POSTAL SERVICE

December 5, 2000

RON CARROLL

SUBJECT Transportation Information Management Evaluation System (TIMES)

As discussed, the attached information is provided to summarize past activities. I have included a copy of the correspondence disseminated to field employees, which established a national goal (100 percent) for data input. All Areas have improved the percentage of data recorded.

As shown graphically, accounting periods one and two for fiscal year 2001 identifies national achievement exceeds 90 percent. Several area offices have consistently achieved above 95 percent since we began the process of communicating TIMES statistics.

For fiscal year 2001, our activities include continuous evaluation of data input performance as well as a focus on additional indicators to improve data integrity. This plan was announced at the national TIMES area coordinator meeting (reference attached minutes). We intend reduce the number of cancellations to 5 percent, eliminate unrecorded and incomplete transactions, and monitor the utilization performance of the surface transportation.

An enhancement to TIMES is currently underway. We have recently completed a Customer Acceptance Test (CAT) with St. Louis IBSSC. A new web-based version of TIMES will be available for production at select sites after the holiday mailing period. Deployment of new software is anticipated March 2001.

Additional information may be viewed on the postal Intranet. To access TIMES on the Web, type in http://times. At the website you may view the TIMES daily scorecard information and access our handbooks.

If you require further information, please contact me at (202) 268-4361. I look forward to meeting you on December 12, 2000.

Cheryl Martin
Transportation Specialist

Attachments

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-

FAX:

Mike 7/17

COPY

NICHOLAS F. BARRANCA
VICE PRESIDENT, OPERATIONS SUPPORT

~~File TIMES~~

UNITED STATES POSTAL SERVICE

Pls begin publishing A/P results per attached effective with A/P 12. Either put it in A/P book or create a book & include into Mendonca's A/P Logistics Metrics "PM" + other info. See me if any questions

B

July 9, 1997

MANAGERS, OPERATIONS SUPPORT (AREAS)

SUBJECT: TIMES

Last September, we deployed the hardware and software necessary to operate the Transportation Information Management Evaluation System (TIMES) to 409 facilities. As you know, we consider TIMES to be the cornerstone of our efforts to make the most efficient use of our transportation networks, while containing costs at acceptable levels. TIMES provides real-time information to our logistics managers and technicians concerning utilization, performance, and networks, which has never been universally available in the past. In addition to providing customers information on the status of their drop shipments, it also supplies plant managers with advance notification from which they can determine the impact which arriving mail may have on their operations.

Attached is information on the percentage of data that each Area is currently collecting in TIMES. Frankly, with a couple of notable exceptions, it is pretty discouraging. We feel that the current version of TIMES is a very solid, stable system that performs admirably once it is properly installed. The sites which have been participating in the data collection have paved the way for following sites. Each time a production site is activated it becomes easier and easier to add new sites because the knowledge in the support groups grows.

I want to strongly encourage each of you to take the necessary steps to bring the remainder of your sites on-line, and to instill the necessary discipline in all sites to enter 100 percent of the data, on-time and all of the time. A complete matrix of information is essential if we are to realize our cost containment goals as an organization and to know the quality of service being provided by our suppliers.

Congratulations to the Allegheny and Great Lakes Areas for leading the way!

Nicholas F. Barranca

Attachment

cc: Mr. Henderson

475 L'Enfant Plaza SW Room 7021
Washington DC 20260-7000
202-268-5766
Fax 202 268-2577

SUMMARY OF TIMES USAGE

CURRENT TIMES PRODUCTION STATISTICS

JUNE24-JUNE 30 DATA

TIMES SITES IN PRODUCTION STATUS

Area	NUMBER OF SITES IN THE AREA	NUMBER OF SITES ENTERING DATA	[illegible] OF SITES ENTERING DATA
NY Metro	34	19	**55.88%**
*Northeast	39	2	**5.13%**
Allegheny	34	34	**100.00%**
Mid-Atlantic	55	18	**32.73%**
Western	24	11	**45.83%**
Pacific	39	23	**58.97%**
Southwest	61	51	**83.61%**
Southeast	50	40	**80.00%**
Midwest	32	16	**50.00%**
Great Lakes	41	40	**97.56%**
AREA TOTAL	409 Sites	254 Entering Data	**62.10%**

PERCENTAGE OF DATA BEING ENTERED

Area	Total Trips	Recorded Trips	[illegible] Recorded	[illegible] Unrecorded
NY Metro	128,055	47,230	36.88%	63.12%
*Northeast	47,013	3,293	7.00%	93.00%
Allegheny	35,012	28,809	82.28%	17.72%
Mid-Atlantic	50,153	11,823	23.57%	76.43%
Western	30,062	7,461	24.82%	75.18%
Pacific	56,647	14,105	24.90%	75.10%
Southwest	44,974	25,559	56.83%	43.17%
Southeast	39,989	23,079	57.71%	42.29%
Midwest	36,597	9,014	24.63%	75.37%
Great Lakes	58,785	45,870	78.03%	21.97%
AREA TOTAL	527,287	216,243	41.01%	58.99%

* *Delayed by mutual agreement.*

UNITED STATES POSTAL SERVICE

November 12, 1998

VICE PRESIDENTS, AREA OPERATIONS

SUBJECT: Transportation Information Management Evaluation System (TIMES) Fiscal Year 1998 Report

The results of FY '98 have been totaled and are attached for your review. As indicated, we have ended the fiscal year achieving a national data collection performance score of 91 percent (excluding Northeast Area statistics). Please convey my congratulations and thanks to all employees for their dedication and attention to this important initiative.

I would like to take this opportunity to especially recognize each of the following areas on their achievements as they lead the pack:

Allegheny	Most consistent area achieving above 90 percent throughout FY '98.
Southeast	The first to achieve an area total daily score of 100 percent; least amount of trips canceled.
Pacific	Most improved area surpassing the 90 percent mark for two consecutive postal quarters.
Western	Most significant increase in performance in the shortest period and has achieved better than 90 percent for two consecutive postal quarters.
NY Metro	This office has exceeded 90 percent during postal quarter 4.

The challenge for FY '99 is to continue to focus upon improvements in data gathering and data integrity in order for the system to provide true value to our internal and external customers.

We are making the TIMES enhancement program a priority in FY '99. Our support will consist of implementing modifications to TIMES already identified and submitted by the area coordinators.

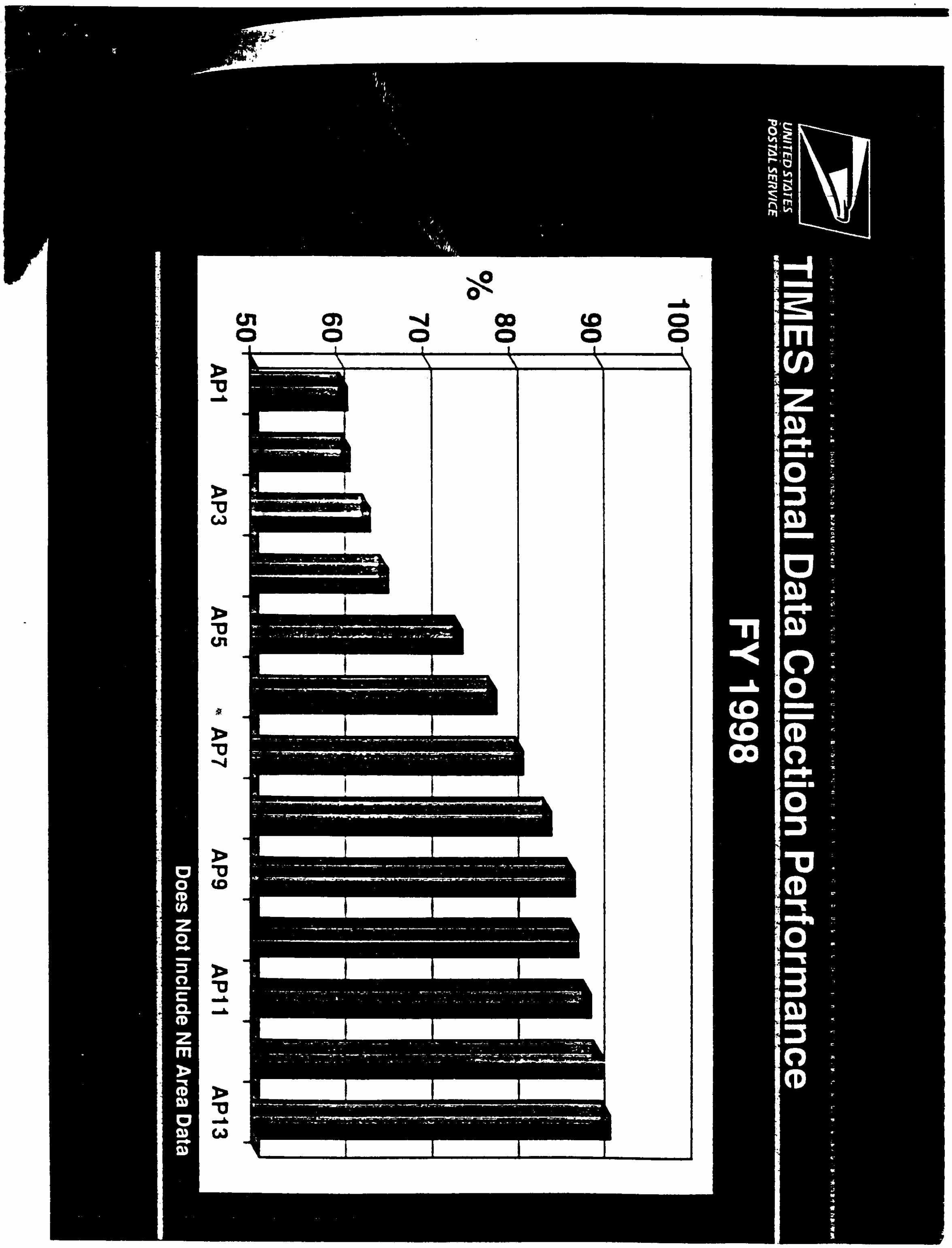
Again, thanks for a job well done!

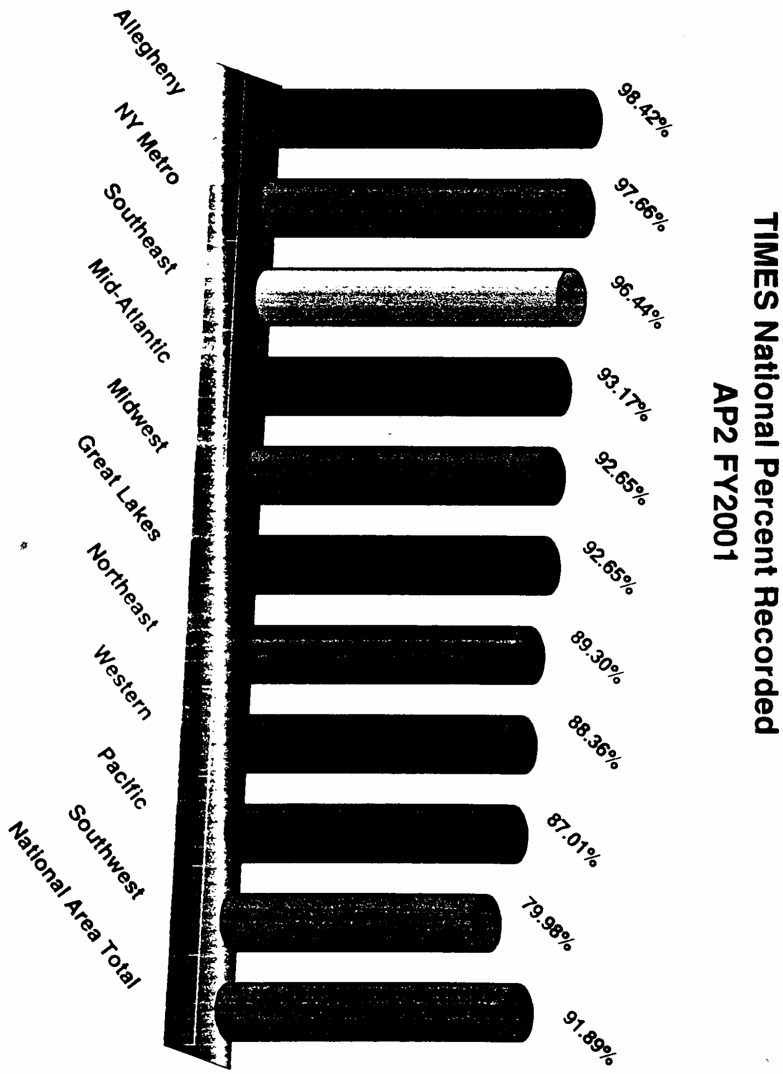
Sylvester Black
Vice President
Network Operations Management

Attachments

cc: Mr. Lewis
Mr. Maddern
Mr. Brown

475 L'Enfant Plaza SW
Washington DC 20260

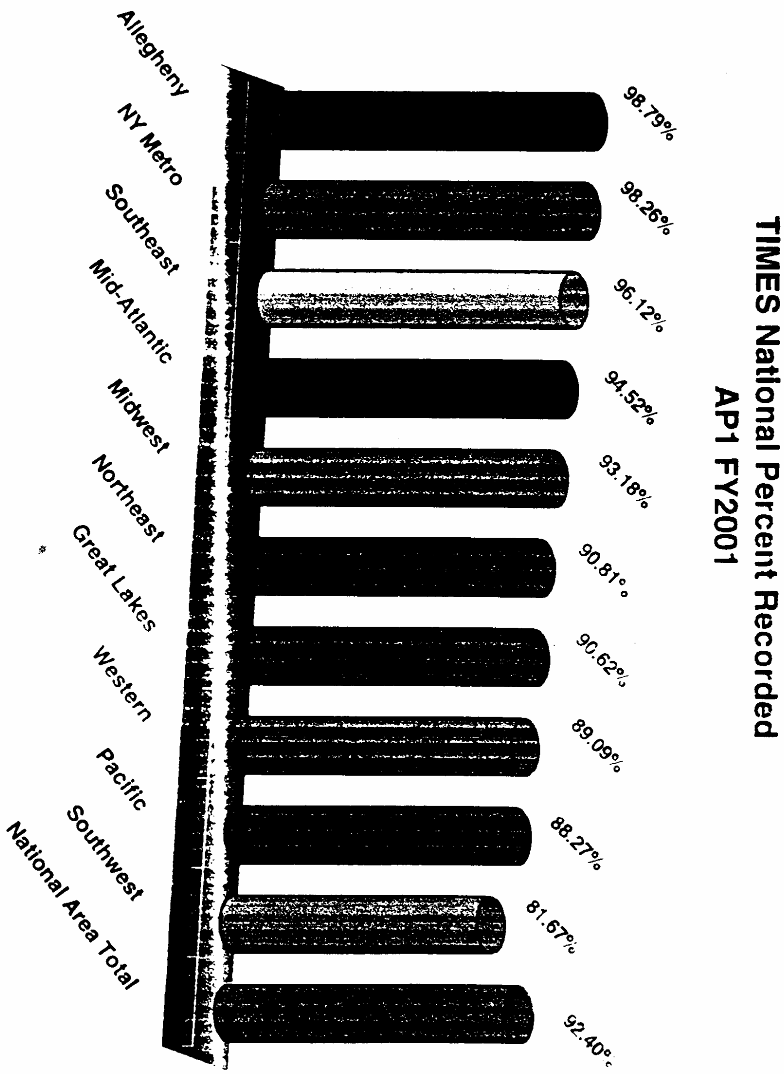

UNITED STATES
POSTAL SERVICE
TIMES National Data Collection Performance
FY 1998
%
100
90
80
70
60
50
AP1
AP3
AP5
* AP7
AP9
AP11
AP13
Does Not Include NE Area Data


TIMES National Percent Recorded
AP2 FY2001
Allegheny
NY Metro
Southeast
Mid-Atlantic
Midwest
Great Lakes
Northeast
Western
Pacific
Southwest
National Area Total
98.42%
97.66%
96.44%
93.17%
92.65%
92.65%
89.30%
88.36%
87.01%
79.98%
91.89%

Area TIMES Scorecard (A/P 02 Summary)

Period:10/07/2000 - 11/03/2000

Area/Name	Total Trips	Recorded	%	Ontime	%	Unrecorded	%	Incomplete	%	Canceled	%	Extra	%	Load%
NY Metro	343978	335915	97.66%	164038	48.83	8063	2.34	8511	2.53%	25270	7.35%	1813	0.53%	52.75
Northeast	284670	254220	89.30%	140387	55.22	30450	10.70	810	0.32%	11793	4.14%	1596	0.56%	56.12
Allegheny	259551	255440	98.42%	108499	42.48	4111	1.58	1471	0.58%	19683	7.58%	2332	0.90%	55.96
Mid-Atlantic	322538	300524	93.17%	137233	45.66	22014	6.83	1683	0.56%	36391	11.28%	1090	0.34%	55.81
Western	188963	166975	88.36%	70592	42.28	21988	11.64	1544	0.92%	18809	9.95%	785	0.42%	59.85
Pacific	340291	296088	87.01%	117037	39.53	44203	12.99	1646	0.56%	30119	8.85%	672	0.20%	55.74
Southwest	229574	183614	79.98%	98258	53.51	45960	20.02	843	0.46%	16905	7.36%	1129	0.49%	60.50
Southeast	268828	259251	96.44%	114813	44.29	9577	3.56	799	0.31%	15262	5.68%	3706	1.38%	57.73
Midwest	280284	259694	92.65%	109675	42.23	20590	7.35	1429	0.55%	35510	12.67%	3434	1.23%	61.25
Great Lakes	349287	323612	92.65%	155366	48.01	25675	7.35	3906	1.21%	32586	9.33%	1617	0.46%	54.80
National Area Total	2867964	2635333	91.89%	1215898	46.14%	232631	8.11%	22642	0.86%	242328	8.449%	18174	0.63%	57.03


TIMES National Percent Recorded
AP1 FY2001
Allegheny
NY Metro
Southeast
Mid-Atlantic
Midwest
Northeast
Great Lakes
Western
Pacific
Southwest
National Area Total
98.79%
98.26%
96.12%
94.52%
93.18%
90.81%
90.62%
89.09%
88.27%
81.67%
92.40%

Area TIMES Scorecard (A/P 01 Summary)
Period:09/09/2001 - 10/06/2001

Area/Name	Total Trips	Recorded	%	Ontime	%	Unrecorded	%	Incomplete	%	Canceled	%	Extra	%	Load%
NY Metro .	350236	344148	98.26%	168153	48.86	6088	1.74	8178	2.38%	25153	7.18%	1615	0.46%	51.73
Northeast	286853	260494	90.81%	145046	55.68	26359	9.19	724	0.28%	10887	3.80%	1018	0.35%	54.44
Allegheny	259781	256640	98.79%	112595	43.87	3141	1.21	1284	0.50%	18709	7.20%	1846	0.71%	55.22
Mid-Atlantic	321099	303492	94.52%	140973	46.45	17607	5.48	1597	0.53%	36527	11.38%	922	0.29%	54.65
Western	187679	167200	89.09%	72434	43.32	20479	10.91	1572	0.94%	16794	8.95%	659	0.35%	59.20
Pacific	349196	308236	88.27%	120734	39.17	40960	11.73	1521	0.49%	33075	9.47%	578	0.17%	54.90
Southwest	229910	187772	81.67%	100835	53.70	42138	18.33	818	0.44%	17896	7.78%	773	0.34%	59.59
Southeast	265283	255002	96.12%	115049	45.12	10281	3.88	949	0.37%	14313	5.40%	3562	1.34%	57.29
Midwest	281574	262381	93.18%	110801	42.23	19193	6.82	1507	0.57%	36126	12.83%	3583	1.27%	56.51
Great Lakes	350546	317672	90.62%	150547	47.39	32874	9.38	3052	0.96%	28871	8.24%	1403	0.40%	54.02
National Area Total	2882157	2663037	92.40%	1237167	46.46%	219120	7.60%	21202	0.80%	238351	8.270%	15959	0.55%	55.75

NATIONAL TIMES COORDINATORS MEETING
August 2-3, 2000
St. Louis MO

Minutes

The following minutes provide a recap of the major issues discussed at the National TIMES Coordinator meeting. The highlight of the meeting was a demonstration provided by the St. Louis IBSSC programming staff to introduce the new TIMES WEB and system enhancements.

Cheryl Martin – Logistics HQ

- The meeting opened with a discussion of the current situation regarding the organizational restructure within Network Operations Management HQ. The impact (new positions, program responsibility) will not be known until the final structure is approved. However, what we do know is that the Logistics Learning Center (LLC) will be eliminated. Cheryl Martin suggested a need for TIMES training and solicited ideas from the coordinators to determine how training should be continued and conducted in the future.

- A review of FY 2000 accomplishments was discussed (see attached). There is a national focus on transportation data since the inception of the Breakthrough Productivity Initiative (BPI). It is vital that all information contained in TIMES is accurate so that it is useful to the BPI team in determining cost reductions. As information, TIMES information was also analyzed to determine redundant transportation segments by the 2/3 Transportation Realignment team. In their analysis, they discovered utilization performance of the surface transportation system continues to remain around 52%. The national goal is 60%.

- Additional accomplishments cited were Clare's efforts in creating a national SOP for TIMES and the on-site training provided to the Western Area earlier this year by Jim Anderson. (Thanks to you both!)

- Future plans for FY 2001 includes development of a barcode solution to encourage collection of data by hand-held equipment. We all agreed barcodes will eliminate keystrokes and the Postal Service should pursue a standard barcode application to enable ease of use. Cheryl stated she would discuss this issue with Harry Aldstadt.

- A small work team will develop a plan for equipment replacement. All coordinators were encouraged to investigate new technologies and submit ideas to St. Louis and HQ.

- Cheryl committed to publishing a national AP scorecard for TIMES to showcase the agreed upon indicators – utilization performance, recorded/complete and cancelled trip information – in an effort to improve data integrity.

Clare Powers – Northeast Area

- Clare provided summary performance data for fiscal year 2000 (YTD). (*See actual performance data contained in her presentation.*) To review, Clare indicated that this information establishes a baseline from which to measure in the future. Performance categories included:
  - Recorded/Complete – goal is 100% (Northeast leads in this category)
  - Cancellations – goal is 6%. (Northeast and Southeast - under goal).

- All coordinators indicated that they publish an area scorecard.

- Clare cited possible reasons that impact data collection and performance. They include:
  - Inconsistency of the data recorded by users.
  - Newly activated TIMES sites do not record data immediately. This delay affects overall score. Activation of new sites should be coordinated with the field.
  - Cancellations are high, especially with drop shipments.
  - AP 4 statistics show high cancellations and a low percentage recorded [during holiday mailing season].
  - There are several offices that are just poor performers.
  - Schedule information in TIMES is inaccurate.

- It is expected that the AP TIMES report will provide useful information to highlight problems for timely correction.

National SOP – Clare Powers

- A draft national SOP was reviewed by the group. The SOP will establish the basis for data entry. Essentially, all data fields become mandatory input. Clare will update the draft and reissue. The SOP will not be disseminated until deployment of the new system.

Management Instruction

Date Issued	Filing Number
02 10 89	PO-530-89-1
Effective Date	**Obsoletes**
Immediately	MI PO-530-88-2

Originating Organization & OCC Code
Delivery. Distribution and Transportation Department
DT350

Title

Processing Trailer Damage Claims

Signature & Title

Allen R. Kane
Assistant Postmaster General DD&TD

I. Purpose

To establish an expedited method of processing trailer damage claims submitted by highway transportation contractors.

II. Background

Highway contractors occasionally incur damages to their trailer equipment through the fault or negligence of the Postal Service. Reimbursement to the contractor is effected when the contractor provides a properly documented claim.

III. Scope

Contractors may file claims for up to $1,000 per incident under these procedures. These procedures do not limit such other claims procedures as are available to the contractor under the contract and applicable laws. However, the Postal Service will not process more than one contract claim for a single incident of damage.

IV. Procedures

The following sections outline the procedures to be used in handling expedited trailer damage claims by a contractor.

A. Submitting Claims

1. In order for a trailer damage claim to be processed under these procedures, highway contractors must submit their claims within 60 days of the date damage was incurred.

2. Highway contractors must submit all claims to the Transportation Management Service Center (TMSC) which has jurisdiction as contracting officer for the route. Administrative officials must forward all claims submitted to them immediately to the TMSC manager.

3. Trailer damage claims must be submitted on Standard Form 95, *Claim for Damage, Injury, or Death,* with a certifying statement that the damage was caused by Postal Service negligence.

4. Each trailer damage claim must identify the nature and extent of the damage, the vehicles or equipment involved (by number), the highway contract route number, the date the damage was incurred or discovered and, if known, the name of facility where the damage occurred.

5. The claim must include the estimated repair cost for each vehicle damaged, with two repair estimates for claims over $100. or a reference to the predetermined reimbursement schedule. if applicable. (See item IV. C.)

B. Processing Claims

1. The TMSC must process the claim within 28 days of receipt by executing a Form 7440. *Contracl Route Service Order,* authorizing payment. denying the claim or returning the claim to the contractor for further documentation or information as required in IV. A. or IV. B.2.

2. It is anticipated that TMSC's will. in the ordinary course of business. process the majority of damage claims within 28 days, In unusual circumstances, the contracting officer may require additional evidence of damage or negligence. This may include

Distribution	Special Instructions
Standard Distribution plus five copies each to: MSCs for redistribution to associate offices Division Managers, Information Systems	Organizations listed under Distributior may order additional copies from area supply centers. Use Form 7380. Supply Center Requisirion. and specify the filing number You may redistribute this document by photocopying it. but do not paraphrase or otherwise revise it.

U.S. Postal Service

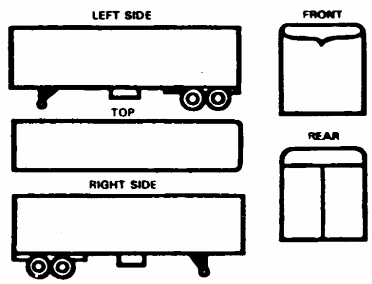
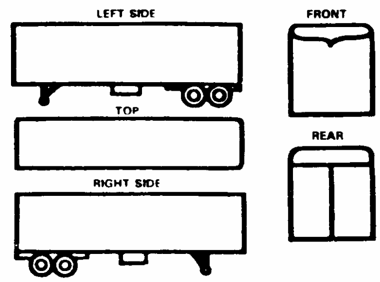
MAIL VAN INSPECTION

Post Office	Van No.	Date

VAN CONDITION

KEY: To identify damages use the following symbols and place in exact location on diagrams.

- **CI - Damage or Break in Interior Cargo Compartment Lining**
- **B - Bruise (Dent or Bump; no break in body metal)**
- **C - Cut (Dent or Bump; break in body metal)**
- **S - Scratch (Small abrasion)**
- **H - Hole in body**
- **BR - Broken (Broken parts)**
- **CR - Cracked (Cracked parts)**
- **PM - Part Missing (missing hub cap, door handle, etc.)**

Initial Receipt Inspection (Before)	Return Receipt Inspection (After)
	

Initial Receipt Inspection (Before)		Return Receipt Inspection (After)	
BRAKES	FLAPS	BRAKES	FLAPS
GLAD HANDS OR AIR HOSE		GLAD HANDS OR AIR HOSE	
TARP	LANDING GEAR	TARP	LANDING GEAR
LIGHTS	DOORS	LIGHTS	DOORS
CLEARANCE STOP TAIL INDICATOR		CLEARANCE STOP TAIL INDICATOR	

TIRES	POSITION	CONDITION	POSITION	CONDITION
	R.O. Front		L.O. Front	
	R.I. Front		L.I. Front	
	R.O. Rear		L.O. Rear	
	R.I. Rear		L.I. Rear	
	SPARE		SPARE	

	A.M.	P.M.	Date
TIME OUT ►			
TIME IN ►			

The above unit was received from the contractor this day in good condition, except as noted below:

The above unit was returned to the contractor as originally received, except as follows:

CERTIFICATION

This is to certify that the van indicated has been examined at time of receipt and deficiencies noted above.	This is to certify that the van indicated has been examined at time of return and deficiencies noted above.
Postmaster's Signature ►	Postmaster's Signature ►
Contractor's Signature *(Mail Transportation)* ►	Contractor's Signature *(Mail Transportation)* ►

PS Form 5201, Apr. 1988 *(Previous edition usable)* reflects unfavorably on the Postal Service. Bringing the trailer into compliance will be considered a repair, and Section B.9.c will apply.

B.8 INSPECTION AND ACCEPTANCE

Prior to acceptance, all trailers are subject to inspection by the Postal Service to determine if the trailer meets specification and appearance requirements. The Postal Service reserves the right to refuse any trailer it determines does not meet said requirements. The Postal Service, at the supplier's request, and as appropriate, will provide to the supplier a copy of the applicable inspection form describing the deficiencies of any rejected trailer.

B.9 PREVENTIVE MAINTENANCE

a. A comprehensive preventive maintenance program, including inspections, adjustments, replacement of parts, and repairs should be established, including a tracking system showing the history of equipment maintenance.

b. The supplier will be responsible for all costs associated with the preventive maintenance program. These costs include, but are not limited to, prescribed inspections, adjustments, repair or replacement parts, labor necessary to maintain and administer the program, and drayage costs to position trailers for inspection and/or repair.

c. The Postal Service may, at its option, track trailer miles incurred by the preventive maintenance program and may deduct any associated mileage charges.

d. The following is a non-comprehensive list intended only to indicate the type of items the program should include. It is information only. The supplier should present a program, based on the applicable trailer manufacturer's recommended maintenance schedule.

Tires -
- Inspect condition
- Check air pressure

Landing Legs -
- Inspect for free operation - raise and lower supports
- Inspect for and replace worn or broken parts

Undercarriage -
- Inspect hangers for wear
- Inspect axle for proper alignment
- Inspect for loose hanger bolts or rivets and tighten
- Inspect for loose "U" bolts and tighten
- Inspect kingpin and upper coupler structure
- Inspect sub-frame and cross-members for cracks, loose or broken welds, etc.

Brakes -
- Inspect lining and record remaining thickness
- Inspect brakes operating parts for operation and leaks
- Adjust brakes

Bearings -
- Check oil seal for leaks
- Check oil level

(3) The Postal Service secures a new contract.

b. A release under this clause is not a termination for convenience, and the supplier expressly waives any claim for liquidated damages for such release.

H.15 PROTECTION OF MAILS

The supplier must protect and safeguard the mail from loss, theft, or damage while it is in the supplier's custody or control and prevent unauthorized persons from having access to the mail.

H.16 RENEWAL

This contract may be renewed by mutual agreement of the parties.

H.17 LAWS AND REGULATIONS APPLICABLE

This contract and the services performed under it are subject to all applicable federal, state, and local laws and regulations. The supplier shall faithfully discharge all duties and obligations imposed by such laws and regulations and shall obtain and pay for all permits, licenses, and other authorities required to perform this contract.

H.18 INFORMATION OR ACCESS BY THIRD PARTIES

The Postal Service retains exclusive authority to release any or all information about mail matter in the custody of the supplier and to permit access to that mail in the custody of the supplier. All requests by non-postal individuals (including employees of the supplier) for information about mail matter in the custody of the supplier or for access to mail in the custody of the supplier must be referred to the contracting officer or his or her designee.

H.19 ACCESS BY OFFICIALS

The supplier shall deny access to the cargo compartment of a vehicle containing mail therein to federal, state, or local officials except at a postal facility and in the presence of a postal employee, unless to prevent damage to the vehicle or its contents.

H.20 GRATUITIES OR GIFTS

a. The Postal Service may terminate this contract for default if, after notice and a hearing, the Postal Service Board of Contract Appeals determines that the supplier or the supplier's agent or other representative:

(1) Offered or gave a gratuity or gift (as defined in 5 CFR 2635) to an officer or employee of the Postal Service; and

(2) Intended by the gratuity or gift to obtain a contract or favorable treatment under a contract.

b. The rights and remedies of the Postal Service provided in this clause are in addition to any other rights and remedies provided by law or under this contract.