



May 4, 2010

SYLVESTER BLACK
VICE PRESIDENT, WESTERN AREA

SUBJECT: Management Advisory Report – Des Moines Network Distribution
Center Congressional Request (Report Number EN-MA-10-003)

This report presents the results of a review at the Des Moines Network Distribution Center (NDC) (Project Number 10XG027EN000). The report responds to a congressional request to determine whether the NDC¹ maintained a high rate of employees on disability² and light-duty status,³ used monitors⁴ properly, and appropriately managed the disposition of sorting equipment. This review addresses financial and operational risks. See [Appendix A](#) for additional information about this review.



Des Moines, IA, NDC

¹ NDCs were originally called bulk mail centers (BMC). In August 2009, the Postal Service changed the name to NDC, which we use throughout this report.

² Disability includes employees on temporary limited duty or permanent rehabilitation status due to a job-related injury.

³ Light duty is a voluntary request for a temporary assignment requested by an employee hurt on or off the job.

⁴ Monitors include televisions, computers, and DVD players.

We conducted this review in response to a congressional request received on February 5, 2010. The request was on behalf of a constituent that expressed concerns regarding management of the Des Moines NDC.

Conclusion

The results of our review do not support the claims of mismanagement asserted in the complainant’s letter. Approximately 6 percent of the employees at the Des Moines NDC were on disability or light-duty status at some time during fiscal year (FY) 2010,⁵ which was slightly higher than the Hawkeye District⁶ average of 5.2 percent, and appeared reasonable. Facility personnel properly used television monitors in authorized locations and management’s disposal of parcel sorting equipment⁷ appeared reasonable, based on various processing enhancement initiatives from FY 2005 to FY 2009. However, management did not complete required paperwork when disposing of sorting equipment components. As a result, mail processing equipment (MPE) with a replacement cost of \$3 million may be at risk of loss due to inadequate internal controls.

Employee Status

The percentage of employees who spent some time on disability and light-duty status at the Des Moines NDC for FYs 2009 and 2010 was higher than the percentages in the Hawkeye District. However, the percentage difference was less than 1 percent for FY 2010 and therefore did not appear unreasonably high. See Table 1.

Table 1. Comparison of Disability and Light-Duty Status of Employees at the Des Moines NDC and Hawkeye District

	Des Moines NDC					Hawkeye District				
	Total	Disability		Light Duty		Total	Disability		Light Duty	
FY 2009	461	32	6.9%	20	4.3%	8,614	508	5.9%	184	2.1%
FY 2010	530	27	5.1%	5	0.9%	8,312	346	4.2%	80	1.0%

Use of Monitors

NDC employees appropriately used monitors throughout the facility. U.S. Postal Service management advised us there was no tunnel at the Des Moines NDC where employees could watch television while on the job, as alleged in the complainant’s letter. During our site visit, we noted several areas that some might construe to be tunnels; however, we

⁵ FY 2010 year-to-date as of February 25, 2010.

⁶ Disability and light-duty status is tracked by the Hawkeye District for facilities within its district, including the Des Moines NDC. Further, the district provides consolidated disability data to headquarters to be reviewed at a national level. Due to this limitation, we did not include national comparisons.

⁷ Parcel sorting equipment are large machines with input stations controlled by a computer that sorts and discharges parcels from transport trays to primary and secondary separations based on a particular scheme.

did not see any indication that NDC employees used televisions or monitors in these locations. We noted televisions and other monitors in several authorized areas of the facility, such as breakrooms, training areas, and a control room. Management stated that floor supervisors are attentive to where employees are located in the plant to help ensure they are performing their assigned jobs.

Disposition of Sorting Equipment

Management's disposal of sorting equipment appeared reasonable, based on the various processing enhancement initiatives conducted at the facility from FY 2005 to FY 2009. However, NDC management did not follow procedures as required in Postal Service guidance⁸ to ensure the proper documentation of the disposition of MPE. As a result, MPE with a replacement cost of \$3 million may be at risk of loss due to inadequate internal controls. See [Appendix B](#) for details.

As mail volumes declined, there was no longer a need for some MPE at the Des Moines NDC.

- In FYs 2004 and 2005, management stopped using two parcel sorting machines (PSM), PSM-1 and PSM-2, and began removing parts for use on its two remaining active sorters, PSM-3 and PSM-4.
- In FYs 2006 and 2007, the two discontinued sorters were to be removed from the facility to make room for new equipment, because the facility was scheduled to become a regional distribution center (RDC). PSM-2 was rendered inoperable by the removal of trays, track, conveyors, and chain.
- In FYs 2007 and 2008, headquarters management discontinued the RDC concept. The decision was made to salvage materials from PSM-2, using NDC labor. Most of PSM-2 remained in place at the facility.
- In FY 2009, the Postal Service began transforming the BMC network into the NDC network. Under the NDC concept, the Des Moines facility would receive increased mail volume. Although use of PSM-1 was discontinued in FY 2005, the sorter remained mostly intact. To accommodate the mail volume increase, management began reconnecting PSM-1 at a cost of approximately \$1.35 million.

Management advised that, in addition to using components of PSM-1 and PSM-2 as replacement parts on the remaining sorters, they sent the chain from PSM-2 to the Memphis NDC and the trays to other facilities that needed replacement trays. Also, some metals were removed and sold for recycling.

⁸ Handbook AS-701, *Material Management*, Section 64, June 2005.

Track Removed from PSM-2⁹



Track removed

Management provided supporting documentation for the recycled metal sale from PSM-2. However, management could not provide the documentation¹⁰ required for disposing of equipment and components. Management believed the documents may not have been completed. Although proper documentation was not available to identify which components of PSM-1 and PSM-2 had been removed and disposed of, management did provide work order reports, check deposit information, and e-mails showing the disposition of some components.

We recommend the vice president, Western Area direct the manager, Des Moines Network Distribution Center, to ensure:

1. Personnel responsible for the management and accountability of mail processing equipment adhere to established policies and procedures.

Management's Comments

Management agreed with the findings and recommendation and has taken action to ensure personnel adhere to established policies and procedures. See [Appendix C](#) for management's comments, in their entirety.

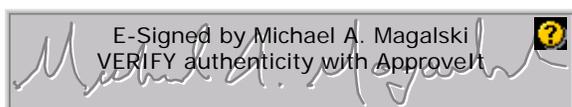
⁹ The red arrow shows where track had been removed.

¹⁰ AS-701 requires a Postal Service Form 969, Material Recycling and Disposal, to be completed, signed, and approved when disposing of equipment, including cannibalization for parts and selling for recycling.

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendation in the report. Management took action to address this recommendation prior to providing their management response and the corrective action should resolve the issue.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Michael A. Magalaski, director, Network Optimization, or me at 703-248-2100.



For
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Attachments

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APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

On January 27, 2010, a congressional letter to the OIG requested assistance with a constituent inquiry. The constituent's letter, dated December 11, 2009, stated that the Postal Service had not addressed the following issues from a previous inquiry:

1. Why is the rate of employees on disability and light-duty status so high?
2. Why are employees allowed to have televisions in the tunnel at the Des Moines bulk mail center?
3. What happened to the multimillion dollars worth of sorting and identifying equipment that was removed by torching and destroyed?

The Postal Service created BMCs in the early 1970s to support the distribution and transportation of Standard, Periodical, and Package mail. Declines in mail volume, increased customer sortation of mail, and mail entered closer to destinations resulted in excess capacity and shrinking workloads at the 21 BMCs. In May 2009, the Postal Service re-engineered the BMC network into a new system of NDCs. The core principle of the NDC concept is to fill containers and trucks early in the network and to dispatch them as deep into the network as possible.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to determine whether the Des Moines NDC:

- Maintained a high rate of employees on disability and light-duty status.
- Used monitors properly.
- Appropriately managed the disposition of sorting equipment.

To accomplish this review, we:

- Interviewed the complainant and Postal Service managers.
- Reviewed Government Accountability Office (GAO) reports regarding work provided to injured employees.
- Reviewed OIG reports regarding the management of excess MPE.
- Reviewed and analyzed light-duty and disability rates at the Des Moines NDC.
- Visited the Des Moines NDC and processing and distribution center (P&DC).¹¹
- Reviewed documentation pertaining to MPE that was removed or destroyed.

¹¹ We made an unscheduled visit to the Des Moines P&DC, because we were informed there was a tunnel at the facility. The tunnel is actually the basement of the facility, which is used for storage and various maintenance activities. We did not find television monitors in unauthorized areas.

We did not compare disability and light duty statistics nationwide, because the data is not available at the headquarters level by facility. Light duty data is maintained only at the local facility level, and disability information is rolled up by areas.

We conducted this review from February through May 2010 in accordance with the *Quality Standards for Inspections*.¹² We discussed our observations and conclusions with management on April 7, 2010, and included their comments where appropriate.

¹² These standards were last promulgated by the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE) in January 2005. Since then, The Inspector General Act of 1978, as amended by the IG Reform Act of 2008, created the Council of the Inspectors General on Integrity and Efficiency (CIGIE), which combined the PCIE and ECIE. To date, the *Quality Standards for Inspections* have not been amended to reflect adoption by the CIGIE and, as a result, still reference the PCIE and ECIE.

PRIOR AUDIT COVERAGE

Report Title	Report Number	Final Report Date	Report Results
<p><i>Excess Mail Processing Equipment in the Portland District</i></p>	<p>EN-AR-10-002</p>	<p>January 11, 2010</p>	<p>Management did not properly and promptly dispose of excess carrier sequence barcode sorter machines. As a result, there was an increased risk of loss and misstated value of MPE in financial records. The OIG recommended providing training to personnel responsible for the management and accountability of MPE and adhering to established policies and procedures. Management agreed with both recommendations.</p>
<p><i>The Program for Reassessing Work Provided to Injured Employees Is Under Way, but Actions Are Needed to Improve Program Management</i></p>	<p>GAO-10-78</p>	<p>December 14, 2009</p>	<p>The Postal Service had not completely implemented the National Reassessment Process. Available data on employee outcomes were limited and preliminary, because implementation was ongoing and the Postal Service did not track employees who received medically suitable and necessary work — the goal of the program. The Postal Service reported to Congress that the program saved \$146 million in FY 2008. However, the Postal Service did not disclose that these reported savings did not reflect any limitations in its cost estimation methodology.</p> <p>The GAO recommended the Postal Service establish program completion timeliness, track and measure outcomes, and disclose limitations of its reported cost savings. Management agreed with the GAO's third recommendation and disagreed with the first two.</p>

APPENDIX B: NON-MONETARY IMPACTS

Finding	Impact Category	Amount
Disposition of Sorting Equipment	Safeguarding Assets ¹³	\$3 million

¹³ Assets or accountable items that are at risk of loss because of inadequate internal controls.

APPENDIX C: MANAGEMENT'S COMMENTS

SYLVESTER BLACK
Western Area Vice President, Area Director



April 19, 2010

Office of the Inspector General
Attention: Lucine M. Willis
Director, Audit Operations
1735 N Lynn Street
Arlington, VA 22209-2020

SUBJECT: Draft Management Advisory Report – Des Moines Network Distribution Center
Congressional Request (Report Number EN-MA-10-DISCUSSION DRAFT)

Thank you for the opportunity to review and provide comments on the Draft Management Advisory Report associated with the Des Moines Network Distribution Center. We appreciate the time and effort put forth in both the research and preparation of the advisory report.

The report provides a single recommendation, and we agree, that the Western Area Vice President direct the Manager of the Des Moines Network Distribution Center to ensure that personnel responsible for the management and accountability of mail processing equipment adhere to established policies and procedures. That direction has been provided under separate cover to the Plant Manager, Des Moines Network Distribution Center.

In addition, we have improved overall accountability for mail processing equipment relocations and disposals by requiring Area Office (In-Plant Support) approval for all equipment relocations and disposals within the Western Area. Equipment relocation requests are reviewed at the Area Office to ensure achievement of stated business objectives (normally service improvements or workhour savings), and if approved, are coordinated with the requesting site to assure accurate transfer of all capital property records and accountabilities.

If equipment identified for disposal is approved by the Area Office, the request for disposal is forwarded to Headquarters for review and approval and, if approved, disposed of consistent with Headquarters' instructions. All property disposal documentation (i.e., PS Form 969) is reviewed and a file is maintained at the Area Office prior to confirmation with Headquarters that requested equipment has been properly disposed of. We view equipment disposal activities and proper documentation as essential to SOX compliance and have emphasized this to our Processing and Distribution Centers and Network Distribution Centers.

If you have questions or need additional information, please contact Jeffrey Harris, Manager, In-Plant Support at (303) 313-5995.


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