



March 17, 2010

MEGAN J. BRENNAN  
VICE PRESIDENT, EASTERN AREA OPERATIONS

SUBJECT: Audit Report – Management of Mail Transport Equipment – Eastern Area  
(Report Number NL-AR-10-004)

This report presents the results of our self-initiated audit of Management of Mail Transport Equipment (MTE) (Project Number 10XG008NL000). The objective was to assess the effectiveness of the U.S. Postal Service's management and control of MTE,<sup>1</sup> including distribution, flow, security, and inventory management. This report is the second in a series and focuses on the Eastern Area.<sup>2</sup> See [Appendix A](#) for additional information about this audit.

### Conclusion

The Eastern Area's effectiveness was limited over the management and control of MTE. Although management identified the Eastern Area as a "deficit" MTE Area that often experienced MTE shortages,<sup>3</sup> area and local officials did not always ensure there were adequate controls over inventory and accountability processes required by the *Postal Operations Manual* (POM). Specifically:

- MTE "on-hand" inventories were generally unknown since management did not always conduct the required weekly inventory counts at all facilities, major mailers, or other external customers to provide an estimated MTE inventory within the area.
- Although facilities generally maintained records of MTE distributed to mailers and other customers, they did not have visibility over the MTE flow once it left the facilities and did not establish accountability for managing, tracking, or reconciling MTE.

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<sup>1</sup> MTE consists of various types of containers, specifically designed, marked, manufactured, and distributed for the sole purpose of transporting United States mail within or between Postal Service facilities, its contractors, its mailers, and other external customers.

<sup>2</sup> The Postal Service views MTE as a national asset and it is procured and allocated to areas by headquarters. Further, areas and facilities are responsible for properly inventorying, accounting for, and safeguarding MTE.

<sup>3</sup> The Postal Service moves more mail east to west, generally resulting in facilities in the east having less MTE than needed (referred to as "deficit" locations) to meet operational requirements. The Eastern Area normally has a shortage of MTE, requiring a higher level of management of this shortage to redistribute MTE (i.e., the transport of excess MTE from the west back to the east).

We determined these conditions occurred because:

- Facility managers did not always provide sufficient priority, resources, training, and oversight to manage MTE effectively.
- Area management did not assign sufficient resources to monitor MTE activities and comply with POM requirements.
- The Eastern Area did not have standard operating procedures (SOP) to complement and reinforce POM requirements and fully address all necessary controls over MTE.
- The Postal Service does not have a nationwide comprehensive inventory system for identifying and tracking all MTE to support area and local oversight responsibilities.<sup>4</sup>

As a result, mail may be delayed because some facilities do not have sufficient MTE to move the mail. Further, the Postal Service may be unnecessarily purchasing MTE because of the unavailability of the equipment. For example, the Eastern Area and several associated facilities have purchased cardboard containers to compensate for the shortage of rolling MTE stock. We also concluded some MTE assets in the Eastern Area are at risk of loss, theft, and misuse; present a danger to public safety and security; and reflect poorly on the Postal Service's brand and public image.<sup>5</sup> See [Appendix B](#) for our detailed analysis of this topic.

We recommend the vice president, Eastern Area Operations:

1. Reinforce national Mail Transport Equipment (MTE) policies and procedures contained in the *Postal Operations Manual* (POM) that require facility managers to provide sufficient priority, resources, training, and oversight to effectively manage MTE, including:
  - Designating and training MTE coordinators or equivalents, ensuring that sufficient time and resources are allocated to perform all the duties the POM requires and that management establishes controls for monitoring MTE coordinators' (or their equivalents') activities and results.
  - Conducting weekly "on-hand" inventory counts of MTE at all major facilities and mailers to promote better management of MTE and provide for the estimated MTE inventory within the Eastern Area.

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<sup>4</sup> We will conduct a subsequent audit to review and assess overall MTE management from a nationwide perspective and will provide recommendations regarding a comprehensive inventory and tracking system at that time.

<sup>5</sup> The essence of the Postal Service brand is customer perception and the control and management weaknesses above could pose a high risk if the public negatively perceives the Postal Service's ability to properly manage, account for, and protect their assets.

2. Develop Eastern Area standard operating procedures that complement and reinforce the *Postal Operations Manual* and fully address all necessary Mail Transport Equipment (MTE) controls, including addressing accountability controls, such as validating customer MTE needs and tracking and reconciling MTE loaned to mailers and other external customers.
3. Ensure that the Distribution Networks Office assigns sufficient area resources to monitor the management of Mail Transport Equipment (MTE) and compliance with *Postal Operations Manual* MTE requirements and any developed standard operating procedures.

### **Management's Comments**

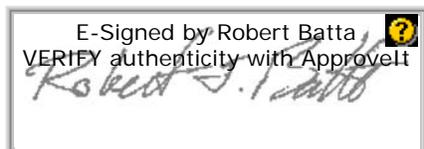
Management agreed with our findings and recommendations. Management responded that the Eastern Area would require the identification and training of facility MTE coordinators or equivalents. Specifically, the Postal Service will roll out training with all facility transportation network managers in FY 2010. The training will include procedures for complying with MTE POM requirements and for conducting weekly "on-hand" inventory counts. Further, management stated they would develop standard operating procedures by June 1, 2010, to complement and reinforce the POM to fully address all necessary MTE controls. Additionally, management noted that the area's Distribution Networks Office would have oversight and would work with field and marketing to develop MTE controls for mailers and external customers. See [Appendix E](#) for management's comments in their entirety.

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

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to all the recommendations, and the corrective actions should resolve the issues identified in the report.

The OIG considers all the recommendations significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Jody Troxclair, director, Transportation, or me at 703-248-2100.



Robert J. Batta  
Deputy Assistant Inspector General  
for Mission Operations

Attachments

cc: Patrick R. Donahoe  
Steven J. Forte  
Jordan M. Small  
Susan M. Brownell  
James E. Hull  
Thomas P. Ware  
James D. Adams  
Cynthia F. Mallonee  
James R. Hardie  
Sally K. Haring

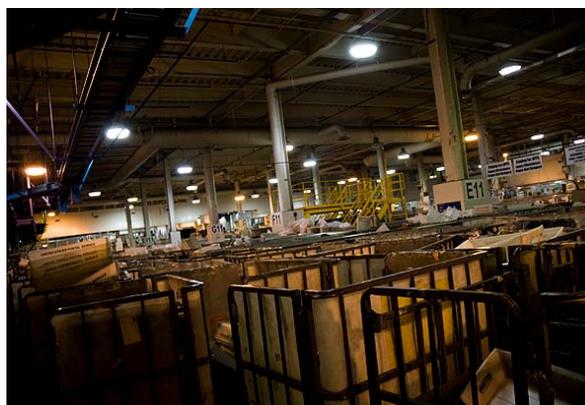
## APPENDIX A: ADDITIONAL INFORMATION

### BACKGROUND

MTE consists of various types of containers used to hold mail during processing and transportation within or between Postal Service facilities, its contractors, its mailers, and other external customers.<sup>6</sup> The Postal Service purchased over 354 million pieces of MTE totaling more than \$916 million over the last 10 years.

The various types of MTE include:

- Pallets made of plastic, wood, or chipboard.
- Containers with wheels of varied sizes, shapes, and material (known as “rolling stock”).
- Trays of varying sizes for letters and flats (known as “tubs”).
- Mailbags (known as “sacks”).
- Cardboard and fiberboard boxes (known as “Postal Paks”).



**Approximately 200 All-Purpose-Containers (APCs)  
of unprocessed MTE at the Legree Daniels P&DC,  
Harrisburg, PA, October 29, 2009.**

Generally, the useful life of MTE will vary considerably based on type and some types of MTE, such as rolling stock (containers on wheels), can be in service for as long as 20 years. Individual MTE items cost the Postal Service anywhere from less than \$1 to about \$1,400 and are expensed (rather than capitalized) in accordance with Postal Service accounting policies and practices. As such, the Postal Service does not carry MTE inventory as an asset for financial reporting purposes and does not know the size or value of its MTE inventory. Further, the organization views MTE as being consumable or expendable.

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<sup>6</sup> About 400 processing facilities; 33,000 post offices; and numerous mailers, printers, consolidators, and other external customers nationwide use MTE. While the Postal Service loans MTE to mailers and other external customers as a courtesy, it may not give those entities MTE for their internal operating use or personal convenience.

MTE Management and Oversight. POM Section 587 specifies that Postal Service Headquarters, under the direction of the vice president, Network Operations, is responsible for establishing policy for managing all aspects of MTE, including its operation, transportation, distribution, delivery, inventory, storage, and reporting. The Postal Service developed national guidelines for the POM nearly 20 years ago, delineating headquarters, area, plant, and mailer responsibilities for MTE. The POM guidelines are still in effect even though some provisions may be outdated due to changes in the operating environment.

The Postal Service's eight geographical areas, through their Distribution Networks Offices (DNOs), are responsible for ensuring compliance with Postal Service MTE policy at the field level. The area DNOs are required to provide guidance to facilities and each facility is responsible for daily management of its MTE, ensuring compliance with all national MTE policies.

MTE Accounting and Inventory. The Postal Service initially established the Equipment Inventory Reporting System (EIRS) to enable the control and management of MTE by redistributing MTE from surplus to deficit areas. However, management determined the EIRS and its related reporting functions were no longer necessary with implementation of the Mail Transport Equipment Service Center (MTESC) network around 1997, and decided to rely on data provided by the MTESC network for visibility into the MTE program.<sup>7</sup> However, there is limited visibility of MTE outside the MTESC network.

To address its continued lack of MTE inventory management, controls, and visibility, Postal Service Headquarters is exploring the development of the MTE Online Ordering (MTEOR) system. While management put the MTEOR system initiative on hold in April 2009 due to the Postal Service's financial condition, funding for this initiative in FY 2010. The Postal Service re-initiated development of the MTEOR system and plans to begin initial testing in the summer of 2010.

MTESC Network. The MTESC network is a centrally managed system of contractor-operated service centers designed to supply pallets, tubs, mailbags, and other MTE to mail processing facilities and certain large customers nationwide.<sup>8</sup> The MTESC network delivers MTE to users with dedicated transportation, recovers equipment that is no longer needed or serviceable, and then processes it for inventory or redistribution. The Mail Transport Equipment Support System (MTESS),<sup>9</sup> which forms the Postal Service's only formal visibility of MTE inventory, tracks the activities of the

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<sup>7</sup> Although no longer a functioning computerized system, some Postal Service areas use the EIRS framework to manually track and report inventory counts because of the limitations of the MTESC network inventory system. However, the Eastern Area does not use the EIRS framework to manually track and report inventory counts.

<sup>8</sup> Since its inception, the MTESC network consisted of 23 service centers. However, management will reduce the MTESC network to 15 service centers in FY 2010. The goal of reengineering the MTESC network is to minimize surplus and deficit MTESC locations and reduce transportation costs.

<sup>9</sup> Headquarters uses MTESS information, while severely limited in scope of coverage, to determine MTE requirements nationally and forecast what new MTE to order annually. We will review and address national MTE controls in an upcoming audit.

centers. However, the system is limited in that it only tracks inventory physically at MTESCs and does not provide visibility of MTE at facilities, with mailers and other external customers, or in-transit.

## OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to assess the effectiveness of the Postal Service's management and control of MTE, including distribution, flow, security, and inventory management. This report focuses on management and control of MTE in the Eastern Area.

To accomplish our objective, we conducted interviews with representatives from Headquarters Network Operations (Logistics – MTE). We also conducted interviews with the Eastern Area DNO to obtain an understanding of the MTE program and its history. We reviewed MTE operations at 18 Postal Service facilities in the Eastern Area<sup>10</sup> to assess the control environment in the Postal Service network and made physical observations at 15 of these facilities. We also visited and observed MTE operations at 12 mailers and 2 MTESCs in the Eastern Area. See [Appendix C](#) for a list of facilities and mailers reviewed.

In addition, we reviewed national and area policies, procedures, and documents, including the POM, *Material Management Handbook*, and various MTE reports and information. Further, we reviewed and updated 10 years' worth of MTE purchase data provided by headquarters dating back to FY 2000 to help estimate the scope, size, age, and make-up of MTE inventory at the national level.

During our audit, we noted control weaknesses that constrained our work. For example, there is no complete, accurate, or reliable inventory of MTE at the national or area level and we were unable to determine the scope of MTE within the Eastern Area. However, we compensated for internal control weaknesses and data limitations by applying alternate audit procedures including observations, examination of source documents, discussions with responsible officials, a review of MTE purchases nationally covering the past 10 years, and communication with the Postal Inspection Service and headquarters' MTE group on their respective MTE efforts.

We conducted this performance audit from October 2009 through March 2010 in accordance with generally accepted government auditing standards and included such tests of internal controls, as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management officials on March 1, 2010, and included their comments where appropriate.

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<sup>10</sup> Facilities we reviewed include processing and distribution centers (P&DC), logistics and distribution centers (L&DC), and network distribution centers (NDC).

**PRIOR AUDIT COVERAGE**

As indicated by the chart below, since December 2008, the OIG issued two audit reports addressing MTE management.

| <b>Report Title</b>   | <b>Report Number</b> | <b>Final Report Date</b> | <b>Monetary Impact</b> | <b>Report Results</b>   |
|---|----------------------|--------------------------|------------------------|---|
| <i>Management of Mail Transport Equipment – Pacific Area</i>        | NL-AR-10-001         | 10/22/09                 | \$0                    | The Pacific Area's management and control of MTE was not effective. The area did not always ensure compliance with inventory and accountability processes nor ensure the safeguarding of assets. Management generally agreed with our findings and recommendations. |
| <i>Radio Frequency Identification Technology – Asset Management</i> | DA-AR-09-002         | 12/24/08                 | \$127 million          | The Postal Service has opportunities to adopt Radio Frequency Identification Technology (RFID) to manage MTE inventories and minimize long-standing pallet losses. The OIG reported about \$127 million in funds put to better use. <sup>11</sup>                   |

<sup>11</sup> Management agreed with our findings and recommendations. The Postal Service is exploring RFID technology for pallets, but placed plans for implementation on hold due to the Postal Service's current financial situation.

## APPENDIX B: DETAILED ANALYSIS

### **More Effective MTE Inventory Management and Control Needed**

The Eastern Area's effectiveness was limited over the management and control of MTE. Although management has identified the Eastern Area as a "deficit" area that often experienced MTE shortages, area and local officials did not always ensure adequate controls over inventory and accountability processes required by the POM.<sup>12</sup>

MTE Inventory On-Hand Counting and Reporting. We determined that generally MTE "on-hand" inventories were unknown since management did not always conduct the required weekly inventory counts at all facilities, major mailers, and other external customers to provide an estimated MTE inventory within the area. Although all 18 facilities conducted daily observations and walk-through activities to determine MTE needs, only eight facilities actually took a weekly on-hand inventory. Of the eight facilities, none reported the inventory counts to the area.<sup>13</sup> The inventory count information was only for internal management of MTE at the facility level and not used by the area to manage MTE and monitor deficit and excess locations.

The Eastern Area was not effectively conducting and using the "on-hand inventory counts" to manage MTE because facility managers did not always provide sufficient priority, resources, training, and oversight. In addition, Eastern Area management did not assign sufficient resources to monitor MTE activities and compliance with POM requirements. Further, Eastern Area management did not have a SOP to complement and reinforce the POM requirements; and fully address all necessary controls over MTE.

Accountability and Controls for MTE. Although all facilities reviewed generally kept records of distributed MTE to mailers and other customers, they did not have visibility over the MTE flow once it left the facilities; and did not use the records to manage, track, or reconcile to establish accountability. Of the 14 facilities that service mailers,<sup>14</sup> we determined management was not:

- Advising mailers of their responsibilities and liabilities (12 of 14 facilities).
- Conducting periodic reviews/audits of MTE loaned to mailers and other external customers (11 of 14 facilities).
- Ensuring that loaned MTE was used for its intended purpose and returned in a safe and timely manner (11 of 14 facilities).

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<sup>12</sup> The Eastern Area has not published a MTE SOP to set policies and establish responsibilities and procedures for effective management of MTE and to ensure compliance with national MTE policies.

<sup>13</sup> Due to data limitations and lack of records, we could not determine facility reporting and compliance over time.

<sup>14</sup> The Cincinnati, Philadelphia, and Pittsburgh NDCs, along with the Pittsburgh L&DC, are the facilities that do not service mailers.

- Reconciling MTE loaned to mailers against MTE returned to the Postal Service (14 of 14 facilities).

We also observed misuse of MTE at all Postal Services facilities we visited. The misuse included using MTE for trashcans, as maintenance containers, to store construction supplies, and as makeshift desks, among other things. We also noted one facility had about 200 APCs of unprocessed MTE stockpiled over a 3-week span due to lack of resources available to work and distribute the MTE.



Postal Service APC used as a makeshift desk at the Trenton P&DC. Trenton, NJ, November 5, 2009.



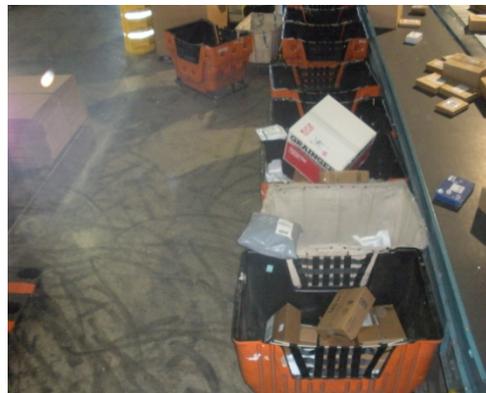
Misuse of Postal Service plastic hampers during construction at the Cincinnati P&DC. Cincinnati, OH, December 10, 2009.

In addition, we found that facilities did not have effective controls and accountability of MTE at mailers. Our observations at the 12 mailers reviewed revealed misappropriation and misuse of MTE. Specifically we determined that:

- Mailers were using Postal Service MTE for their own internal operations, which resulted in unauthorized use of MTE (11 of 12 mailers).
- Mailers stated they did not know of their responsibility to safeguard MTE loaned to them (12 of 12 mailers).
- Mailers retained an excess of MTE on-hand (4 of 12 mailers).
- Mailers stored excess MTE outdoors in unlocked trailers in a lot without a gate and/or security, thereby placing Postal Service assets at further risk of theft (2 of 4 mailers with excess MTE).
- Mailers did not properly safeguard loaned MTE by keeping it in an area with restricted access (3 of 12 mailers).



Postal Service pallets used by building owner to carry cinder blocks at a Postal Service mailer. Moorestown, NJ, November 4, 2009.



Postal Service hampers used in a mailer's internal operations. Pottstown, PA, November 3, 2009.

In addition, we also observed, or were advised of, potential unauthorized possession and improper use of Postal Service MTE by other external parties as follows:

- One company had about 250 Postal Service plastic pallets in its yard, which were exposed to elements. It appeared from the company type that there was not an authorized use of the pallets and the Postal Service subsequently recovered the pallets (see illustration below).



During our audit, we observed unauthorized possession of approximately 250 Postal Service pallets in Philadelphia, PA, November 3, 2009.

- A national trucking company was picking up plastic pallets for a national retailer. Postal Service officials stated they were advised that a retailer was using the pallets to transport merchandise from its main distribution center to some of its retail stores. Over a 6-month period, the transportation company went to the plant at least five times to pick up anywhere from 500 to 900 pallets.
- A pallet company attempted to sell back 1,000 Postal Service-owned plastic pallets to the Postal Service.
- One company was using about 20 to 25 trays and 2 to 3 pallets per month to ship mail to another country. Postal Service officials advised us that adequate controls

were not in place to ensure the MTE was returned to the Postal Service and that foreign equipment was available to transport this company's mail.

Accountability and control issues occurred because facility managers did not always provide sufficient priority, resources, training, and oversight to manage MTE effectively. Further, Eastern Area management did not assign sufficient resources to monitor MTE management and to ensure compliance with POM requirements, such as not requiring inventory counts from mailers or conducting periodic audits at large mailers. In addition, the Eastern Area did not develop a SOP to address accountability controls over reconciling MTE loaned to the mailers and customers.

### Impact of Ineffective Controls

Without effective controls, mail may be delayed because some facilities may not have sufficient MTE to move the mail. In addition, the Postal Service may be unnecessarily purchasing MTE because of unaccounted for or improperly stored or misused equipment. For example, the Eastern Area has purchased over \$8.3 million cardboard containers during FYs 2007-2009, a portion necessitated by the shortage of needed MTE, such as rolling stock.<sup>15</sup> Further, some MTE assets in the Eastern Area are at risk of loss, theft, and misuse and could present a danger to public safety and security and reflect poorly on the Postal Service's brand and public image.

We could not determine the specific impact of weak controls over the inventory, accountability, and safeguarding of MTE in the Eastern Area. However, the Postal Service estimates 3.5 million plastic pallets (with an estimated value of about \$70 million) leaked from its network nationwide during the past several years. These pallets were unaccounted for over the last few years and are missing from the nationwide network. Additionally, recent efforts between the Postal Service and Postal Inspection Service resulted in the identification and recovery of over 293,000 pieces of MTE nationally valued at about \$3.2 million – most of which involved unauthorized use of MTE at external customers or unauthorized possession by other parties, such as recyclers or air cargo warehouses.

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<sup>15</sup> We will conduct a subsequent audit to look at the Postal Service's assessment and determination of "requirements" for all MTE types, including the purchase of cardboard containers by both Postal Service Headquarters and the areas.

**APPENDIX C: FACILITIES, CONTRACTORS AND MAILERS REVIEWED<sup>16</sup>**

| Eastern Area District            | Postal Service or External                            | Location  | Name  |
|----------------------------------|---|---|---|
| <i>Appalachian</i>               | Postal Service Facility                               | South Charleston, WV  | Charleston P&DC   |
| <i>Central Pennsylvania</i>      | Postal Service Facilities<br><br>Mailer               | Lancaster, PA<br>Harrisburg, PA<br>Reading, PA<br><br>Duncanville, PA   | Lancaster P&DC<br>Legree Daniels P&DC<br>Reading P&DC                               |
| <i>Cincinnati</i>                | Postal Service Facilities<br><br>Mailers              | Cincinnati, OH<br>Cincinnati, OH<br><br>Cincinnati, OH<br>Middletown, OH  | Cincinnati NDC<br>Cincinnati P&DC   |
| <i>Columbus</i>                  | Postal Service Facility<br><br>Mailers                | Columbus, OH<br><br>2 in Columbus, OH   | Columbus P&DC   |
| <i>Kentuckiana</i>               | Postal Service Facility                               | Louisville, KY  | Louisville P&DC   |
| <i>Northern Ohio</i>             | Postal Service Facilities                             | Canton, OH<br>Cleveland, OH   | Canton P&DC<br>Cleveland P&DC   |
| <i>Philadelphia Metropolitan</i> | Postal Service Facilities<br><br>Mailers<br><br>MTESC | Philadelphia, PA<br>Philadelphia, PA<br><br>Pottstown, PA<br>Philadelphia, PA<br>Langhorne, PA<br>Chalfont, PA<br><br>Levittown, PA | Philadelphia NDC<br>Philadelphia P&DC<br><br><br><br><br><br>Philadelphia MTEC      |
| <i>South Jersey</i>              | Postal Service Facilities<br><br>Mailers              | Bellmawr, NJ<br>Trenton, NJ<br><br>Moorestown, NJ<br>Swedesboro, NJ   | South Jersey P&DC<br>Trenton P&DC   |
| <i>Western New York</i>          | Postal Service Facility                               | Buffalo, NY   | Buffalo P&DC  |
| <i>Western Pennsylvania</i>      | Postal Service Facilities<br><br>Mailer<br><br>MTESC  | Warrendale, PA<br>Pittsburgh, PA<br>Pittsburgh, PA<br><br>Freedom, PA<br><br>Warrendale, PA   | Pittsburgh L&DC<br>Pittsburgh NDC<br>Pittsburgh P&DC<br><br><br><br>Pittsburgh MTEC |

<sup>16</sup> We reviewed 18 Postal Service facilities, as well as two contractors and 12 mailers, covering facilities at the 10 Postal Service Districts in the Eastern Area.

**APPENDIX D: NON-MONETARY IMPACTS**

| <b>Finding</b> | <b>Impact Category</b>          |
|----------------|---------------------------------|
| 1              | Goodwill/Branding <sup>17</sup> |
|                |                                 |
|                |                                 |
|                | <b>TOTAL</b>                    |

We concluded that control and management weaknesses over MTE diminish the Postal Service’s image, reputation, and brand posing a high risk of perceived public negativity of the Postal Service’s ability to properly manage, account for, and protect their MTE assets.

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<sup>17</sup> An actual or potential event or problem that could harm the reputation of the Postal Service.

## APPENDIX E: MANAGEMENT'S COMMENTS

VICE PRESIDENT, AREA OPERATIONS  
EASTERN AREA



March 9, 2010

Lucine Willis  
Office of Inspector General  
Director, Audit Operations  
1735 N. Lynn St.  
Arlington VA 22209-2020

**SUBJECT:** Transmittal of Draft Audit Report – Management of Mail Transport Equipment - Eastern Area (Report Number NL-AR-10-DRAFT)

The Eastern Area has reviewed the subject Discussion Draft Audit Report (Report Number NL-AR-10-DRAFT) and is in general agreement with the findings and recommendations. The Eastern Area will continue working with the Headquarters MTE group to strengthen controls and processes as the ongoing MTE Redesign evolves.

### Recommendation 1:

Reinforce national Mail Transport Equipment (MTE) policies and procedures contained in the Postal Operations Manual (POM) that require facility managers to provide sufficient priority, resources, training, and oversight to effectively manage MTE including:

- Designating and training MTE coordinators or equivalents, ensuring that sufficient time and resources are allocated to perform all of the duties the POM requires, and ensuring that management establishes controls for monitoring MTE coordinators' or equivalents' activities and results.
- Conduct weekly "on hand" inventory counts of MTE at all major facilities, facilities, and mailers to promote better management of MTE and provide for the estimated MTE inventory within the Eastern Area.

### Response

The Eastern Area agrees with the recommendation. The Eastern Area will require the identification and training of facility MTE coordinators or equivalents. The Distribution Networks department will develop training sessions via meeting place with all Transportation Network Managers within the Eastern Area to be rolled out during FY 10. The training will cover the policies and procedures as outlined in the Postal Operations Manual (POM). In addition the weekly "on hand" inventory counts of MTE within the Eastern Area will be included in the Daily Mail Condition Report to be compiled on a weekly basis to provide estimated MTE inventory.

### Recommendation 2:

Develop Eastern Area standard operating procedures that complement and reinforce the POM and fully address all necessary MTE controls, including addressing accountability controls, such as validating customer needs, and tracking and reconciling MTE loaded to mailers and other external customers.

ONE MARQUIS PLAZA  
5315 CAMPBELLS RUN ROAD  
PITTSBURGH PA 15277-7010  
PHONE: 412-494-2510  
FAX: 412-494-2582

Response

The Eastern Area agrees with the recommendation and will develop a standard operating procedure that complements and reinforces the POM to fully address all necessary MTE controls scheduled for completion by June 1, 2010. Area Marketing will assist with MTE controls for mailers and external customers.

Recommendation 3:

Ensure that Distribution Networks Office assigns sufficient Area resources to monitor the management of MTE and compliance with POM requirements and any developed standard operating procedures.

Response

The Eastern Area agrees with the recommendation to assign sufficient Area resources to monitor the management of MTE and be in compliance with POM requirements and local standard operating procedures. This will be accomplished by Area Distribution Networks/Marketing having oversight with the field/marketing maintaining MTE inventory control. Facility managers will be required to report on-hand MTE inventory on the Daily Mail Condition Report (DMCR) with a weekly roll-up, as indicated in response 1 above. The DMCR will be the field control mechanism utilized to assist with the control of MTE.

This report has no exemptions under the Freedom of Information Act.

If you have any questions or require further information contact Tom Ware, Networks Manager at 412-494-2611.

  
Megan J. Brennan

cc: Kristin Seaver, Manager, Operations Support  
James Hull, Manager, Distribution Networks  
Sarah Stubbs, Manager, Marketing  
Mark Tappe, Area Accounting Manager  
Tom Ware, Manager, Networks  
Mark Devane, Manager, Business Services Network

ONE MARQUIS PLAZA  
5315 CAMPBELLS RUN ROAD  
PITTSBURGH PA 15277-7010  
PHONE: 412-494-2510  
FAX: 412-494-2582