



OFFICE OF  
**INSPECTOR  
GENERAL**  
UNITED STATES POSTAL SERVICE

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**Mail Transport Equipment –  
Needs, Distribution, and Use**

**Audit Report**

September 23, 2011

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Report Number NL-AR-11-006



## **HIGHLIGHTS**

### **IMPACT ON:**

Network Operations - Mail Transport Equipment (MTE) at the Network Distribution Center (NDC).

### **WHY THE OIG DID THE AUDIT:**

Our objective was to determine whether the U.S. Postal Service effectively planned for the needs, distribution, and use of MTE during the planning and implementation of the NDC network. MTE are various types of containers used to hold mail during processing and transportation within or between Postal Service facilities. Rolling stock are MTE with wheels.

### **WHAT THE OIG FOUND:**

There was an imbalance of MTE rolling stock in the network, with some NDCs having excess rolling stock and other centers having a shortage. This occurred because Postal Service Headquarters did not perform a comprehensive analysis of needed MTE rolling stock. In addition, the Postal Service did not enforce or, in some cases, establish effective processes to manage, control, and redistribute existing MTE rolling stock. As a result, some NDC sites purchased cardboard containers they may not have needed for about \$3.4 million in Fiscal Year (FY) 2009 and \$4.1 million in FY 2010.

### **WHAT THE OIG RECOMMENDED:**

We recommended the vice president, Network Operations, perform a

comprehensive MTE needs analysis for the NDCs and monitor the purchases of cardboard containers (other than Postal Paks) to ensure they are necessary for NDC operations. We also recommended the vice president reissue the over-the-road container policy to reflect present and future operational needs and use of the containers within and outside the network. Furthermore, we recommended the vice president ensure that Postal Service Headquarters takes a more active role in managing and monitoring the needs, distribution, and use of MTE rolling stock within the NDC network.

### **WHAT MANAGEMENT SAID:**

Management agreed with the findings and recommendations. Management stated they would conduct a comprehensive rolling stock needs assessment; implement controls on the use of cardboard; re-issue and re-enforce policy on OTRs; and increase controls over redistribution of OTRs in the NDC network.

### **AUDITORS' COMMENTS:**

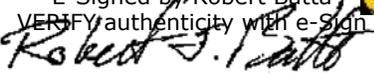
Management's comments are responsive to the recommendations in the report and corrective actions should resolve the issues identified in the report.

[Link to review the entire report](#)



September 23, 2011

**MEMORANDUM FOR:** DAVID E. WILLIAMS  
VICE PRESIDENT, NETWORK OPERATIONS

E-Signed by Robert Batta  
VERIFY authenticity with e-Sign  


**FROM:** Robert J. Batta  
Deputy Assistant Inspector General  
for Mission Operations

**SUBJECT:** Audit Report – Mail Transport Equipment – Needs,  
Distribution, and Use  
(Report Number NL-AR-11-006)

This report presents the results of our audit of Mail Transport Equipment – Needs, Distribution, and Use (Project Number 10XG052NL000).

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.

Attachments

cc: Megan J. Brennan  
Susan M. Brownell  
Cynthia F. Mallonee  
Frank Neri  
John M. Dunlop  
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Susan A. Witt  
Corporate Audit and Response Management

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## Introduction

This report presents the results of our audit of Mail Transport Equipment (MTE) – Needs, Distribution, and Use (Project Number 10XG052NL000). This self-initiated audit addresses operational, strategic, and financial risks. Our objective was to determine whether the U.S. Postal Service effectively planned for the needs, distribution, and use of MTE during its planning and implementation of Network Distribution Centers (NDCs). The focus of our review was the management and control of MTE rolling stock<sup>1</sup> and the purchase and use of cardboard containers within the NDC network. See [Appendix A](#) for additional information about this audit.

In March 2010, the U.S. Postal Service completed the transition of its 21 bulk mail centers (BMCs) into the NDC network, with the intent to better align workhours with workload and improve utilization of long-haul transportation. MTE plays a vital role in holding mail for transportation and distribution purposes in the NDC network. MTE are containers of various types and include containers with wheels of varied sizes, shapes, and materials (known as ‘rolling stock’), which is primarily used internally to move mail within or between Postal Service facilities. The Postal Service also uses cardboard containers of various sizes to supplement its inventory of MTE rolling stock. We estimate the Postal Service has 1.9 million pieces of rolling stock (about 160,000 pieces of which are OTR containers) and has purchased \$7.5 million in cardboard containers the past 2 years<sup>2</sup> to supplement its rolling stock inventory.

The Postal Service’s NDC Operations under Network Operations, assumed responsibilities for developing operational instructions and national policies pertaining to requirements, distribution, and use of OTR containers within the NDC network; monitoring compliance with national MTE policies within the NDC network; and providing operational advisory in the development of new equipment. Further, the managers of the 21 NDCs, as well as the Postal Service’s geographic areas, are responsible for day-to-day management of MTE and for monitoring the needs, distribution, and use of rolling stock.

## Conclusion

There was an imbalance of MTE rolling stock in the network, with some NDCs having excess rolling stock while others had a shortage of rolling stock. This occurred because Postal Service Headquarters did not perform a comprehensive analysis of needed MTE rolling stock before NDC implementation; and did not enforce or, in some cases

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<sup>1</sup> While the NDC network uses all types of rolling stock, NDCs have the primary responsibility of managing and controlling the inventory of over-the-road (OTR) containers, which is a primary focus of the NDC network as it relates to management of MTE.

<sup>2</sup> This covers cardboard containers purchased for the NDC network for fiscal years (FYs) 2009 and 2010, which are funded in the field. This excludes the purchase of Postal Paks.

establish effective processes to manage, control, and re-distribute existing MTE rolling stock in the network after implementation. As a result, some NDC sites purchased cardboard containers for about \$3.4 million in Fiscal Year (FY) 2009 and \$4.1 million in FY 2010 that may not have been needed. See [Appendix B](#) for additional information.

### MTE Rolling Stock Imbalance

We found an imbalance of MTE rolling stock within the NDC network where some locations had excess rolling stock, while others had a deficit (see Table 1). See [Appendix D](#) for a more detailed analysis of deficit and excess locations.

**Table 1. Number of Months of Excess/Deficit OTR containers at NDC Locations for FY 2010**

NDC Location	Number of Months of Excess OTR Containers	Number of Months of OTR Container Deficit
Atlanta NDC	12	0
Chicago NDC	10	2
Cincinnati NDC	5	7
Dallas NDC	12	0
Denver NDC	12	0
Des Moines NDC	11	1
Detroit NDC	5	7
Greensborough NDC	11	1
Jacksonville NDC	12	0
Kansas NDC	9	3
Los Angeles NDC	12	0
Memphis NDC	12	0
Minneapolis/St. Paul NDC	12	0
New Jersey NDC	11	1
Philadelphia NDC	12	0
Pittsburgh NDC	11	1
San Francisco NDC	11	1
Seattle NDC	12	0
Springfield NDC	9	3
St. Louis NDC	7	5
Washington DC NDC	5	7

Red numbers depict a deficit

We conducted site visits at several NDCs and observed the MTE flow being further impacted since some centers were not distributing the surplus MTE rolling stock within

the network. Instead, these facilities were stockpiling OTR containers to meet seasonal fluctuations.

The Postal Service established policy to ensure OTR containers were being used only within specified Postal Service facilities and operations, mainly in the NDC network. In addition, in May 2011, the Postal Service implemented the use of MTE inventory counts in the *Plant Mail Transport Equipment Inventory User Guide*, requiring all plants, including NDCs, to count excess rolling stock weekly. The counts were tracked in the Web Mail Condition Reporting System (webMCRS),<sup>3</sup> which was used to create the NDC OTR matrix.<sup>4</sup> The NDC OTR matrix was established for tracking and redistributing OTR containers using existing transportation to achieve balance and availability of MTE rolling stock inventory within the NDC network.

The following caused the imbalance of MTE rolling stock.

- No NDC MTE Needs Requirement Analysis Performed. A comprehensive needs requirement analysis of MTE rolling stock was not conducted before the planning and implementation of the NDC network. A needs requirement analysis would have helped ensure sufficient availability of MTE rolling stock and distribution throughout the NDC network to sustain the increased demand for rolling stock as the NDCs assumed more processing activities.<sup>5</sup> Management stated they had not conducted a comprehensive needs requirement analysis, because they intended to use a new type of MTE in the network. However, they had not performed the required analysis to evaluate planned usage of the new MTE and its impact on the use and distribution of the existing MTE inventory in the NDC network. A comprehensive needs requirement analysis should identify the total available rolling stock within the Postal Service network; the rolling stock required by each NDC to meet its operational requirements daily; and the number of days of rolling stock each NDC is authorized to have 'on hand.' The analysis should also include all applicable direct and related costs, such as the cost of transportation to distribute rolling stock, the total cost of purchasing cardboard, the life expectancy of cardboard in terms of how many uses per cardboard container, and other costs, such as forklift costs.

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<sup>3</sup> A repository for information related to facility conditions. Each facility manually enters data into the webMCRS system for use in the NDC network to report excess MTE rolling stock, including OTR containers, to provide visibility of these MTE types to headquarters.

<sup>4</sup> The NDC 'matrix' is labeled both the NDC MTE matrix and NDC OTR matrix. The NDC OTR matrix has been prepared on an as-needed basis but is generally prepared quarterly.

<sup>5</sup> As a result of implementation of the NDC network, these centers began processing destinating and originating turn around Standard Mail<sup>®</sup>, Periodicals, and package services; and six NDCs process First-Class Mail and Priority Mail.



**OTR containers used on Parcel Sorter –  
Cincinnati NDC – October 26, 2010.**

Source: OIG.

- **MTE Leakage.** Management did not enforce its policy on the exclusive use of OTR containers at specified postal facilities and operations. In addition, before implementation of the NDC network, there were dedicated trips between and within facility intra-service areas, which provided ‘closed loop’ available transportation for MTE distribution. This ‘closed loop’ transportation activity substantially diminished with the implementation of the NDC network, disrupting the distribution and flow of rolling stock and other MTE types across the entire Postal Service network. We observed leakage of OTR containers, which were being routinely used at postal operations outside the NDC network. For example, the Cincinnati NDC experienced shortfalls of OTR containers, as the Cincinnati Processing and Distribution Center (P&DC) sent OTR containers from its outgoing distribution operations to other out-of-area postal facilities for its First-Class and Priority Mail.
- **Ineffective Monitoring and Compliance.** Tracking controls were set up to ensure the Postal Service maintained the proper balance of OTR containers; however, the Postal Service has not effectively monitored compliance using these tools. For example, the Dallas NDC, a surplus OTR container site, was dispatching mail to the Cincinnati NDC in Postal Paks rather than in OTR containers. We identified the Cincinnati NDC as a deficit OTR container site, experiencing constant lack of available OTR containers for its operations. This resulted in the need for the Cincinnati NDC to continuously purchase tall cardboard boxes for its parcel processing operations. Had there been adequate oversight and controls in place to ensure compliance, the Cincinnati NDC may not have spent more than \$600,000 for cardboard boxes in FYs 2009 and 2010.



**Cardboard boxes on pallets used to supplement  
OTR containers – Cincinnati NDC – October 26, 2010.**

Source: OIG.

Overall, the imbalance of MTE rolling stock caused some NDCs to purchase cardboard containers. These purchases of cardboard for about \$3.4 million in FY 2009 and \$4.1 million in FY 2010 may not have been necessary if available MTE rolling stock was effectively distributed to NDCs based on need.

## Recommendations

We recommend the vice president, Network Operations:

1. Perform a comprehensive mail transport equipment needs analysis for the network distribution center network to determine the amount of rolling stock, by type, needed on a daily basis to meet operational requirements.
2. Monitor the purchases of cardboard containers (other than Postal Paks) for network distribution center facilities to ensure they make only necessary purchases and are the best mail transport equipment option for the Postal Service given rolling stock inventory in the network.
3. Reissue over-the-road container policy to reflect the present and future operational needs and use of the containers within and outside the network.
4. Ensure Network Operations takes a more active role in the management and monitoring of the need, distribution, and use of existing mail transport equipment rolling stock within the network distribution center network.

## Management's Comments

Management agreed with our findings and recommendations. Management stated they would conduct a comprehensive baseline analysis to determine the amount of rolling stock needed to meet NDC operational requirements. Management also stated they will implement tracking controls to monitor cardboard purchasing at NDCs, agreed to update the OTR policy, and reissue guidelines on OTR use. Finally, management stated they would update the frequency of reporting for the NDC OTR matrix to ensure more effective management and redistribution of OTRs to balance the supply in the NDC network. 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 the recommendations, and 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.

## Appendix A: Additional Information

### Background

The NDC Network. The BMC network was a system of 21 BMCs, which processed bulk mail such as magazines, advertisements, and merchandise shipped by major mailers. In May 2009, the Postal Service began developing an internal re-engineering effort focused on transforming its former BMCs into NDCs to consolidate the processing and dispatching of mail to achieve economies of scale, greater operational efficiency, and reduced transportation. The NDC transformation was to improve the flow of mail into the network, consolidate package distribution, improve transportation utilization, and save money. When the BMCs were transitioned into the NDC network, the mission was expanded to include processing operations.

MTE – Rolling Stock and Cardboard. MTE rolling stock consists of various types of containers with wheels used to hold mail during processing and transportation within or between Postal Service facilities. Rolling stock consists of various types of containers with wheels of varied sizes, shapes, and materials (including aluminum, canvas, and plastic). One type of rolling stock, which is used in the NDC network, is the OTR container,<sup>6</sup> designed to move bulk business mail and Parcel Post<sup>®</sup> within and among facilities using tow-lines at the NDCs. NDCs also use cardboard containers in various sizes (ranging from 30 to 69 inches), including Postal Paks,<sup>7</sup> which are used in conjunction with plastic pallets and require the use of a forklift to move between mail processing operations and to trailers for dispatch.



OTR Container – Light Duty



OTR Container – Heavy Duty

Source: Postal Service's MTE List (with MTE descriptions and pictures).

The NDC Pak. During NDC planning and implementation, the MTE Headquarters group tested other cardboard containers and pallets (known in combination as the 'NDC Pak') designed specifically for the NDC network to maximize trailer load utilization from floor to ceiling and reduce transportation costs. The NDC Pak was suppose to be a stackable

<sup>6</sup> OTR containers are large aluminum containers on wheels designed for use with automatic container loaders and unloaders or for safe and mechanized unloading of bulk items.

<sup>7</sup> Postal Paks are rigid 69-inch triwall fiberboard boxes used on specific mail processing equipment exclusively within the NDC network and funded by Postal Service Headquarters.

cardboard container to be used on automated package processing systems and small parcel bundle sorters to reduce the network's reliance on rolling stock and increase trailer use. A 28- and 44-inch cardboard prototype sleeve was tested along with the supporting base pallet designed for the sleeves at a total cost of over \$1.1 million.<sup>8</sup> However, the NDC Pak had operational constraints, which made it difficult to stack and use. As such, further development and deployment of the NDC Pak was discontinued. No other alternative was considered beyond the use of regular cardboard containers as described in the previous section.

OTR Policy. The vice president, Network Operations, issued a policy letter on OTR Container Usage on August 28, 2009, which provided standardized policy for the usage and transporting of OTR containers, for the NDC network. The policy stipulates that OTR containers should be used in a 'closed loop' either between NDCs, or between Postal Service plants and their servicing NDCs. This policy further stipulates exceptions, providing plants outside of the NDC network may use OTR containers if it has processing equipment that is designed to use OTR containers, or it uses OTR containers as the primary means of conveyance to a FedEx Terminal Handling Services site.

### Objective, Scope, and Methodology

The objective of our audit was to determine whether the Postal Service effectively planned for the need, distribution, and use of MTE during its planning and implementation of the NDC network.

To accomplish our objective, we assessed the MTE management and control weaknesses identified in our prior audits of the Pacific and Eastern areas and headquarters to identify issues, which would impact management of MTE within the NDC network, including the need, distribution, and use of MTE. For this audit, we focused on the need, distribution, and use of rolling stock and cardboard containers within the NDC network. Regarding cardboard containers, we looked at the purchase and use of 30- through 60-inch cardboard containers within the NDC network. However, we excluded Postal Paks because of the nature of their use and distinct role within the NDC network.

We conducted interviews with representatives from Headquarters' Network Operations (NDC Operations and the MTE Group) and Supply Management (MTE and Spare Parts) to understand the MTE program within the NDC network. We reviewed the management of MTE rolling stock and cardboard containers at six NDCs, as well as operations at four P&DCs and three terminal handling services (THS) sites to assess the control environment and make observations (see [Appendix C](#) for a list of facilities included in this audit). In addition, we reviewed national MTE policies and procedures, NDC planning documents, NDC OTR matrices, and other documents relating to

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<sup>8</sup> The Postal Service procured more than 3,600 28-inch sleeves and more than 20,400 44-inch sleeves with 46,500 specialized pallets for the testing phase. While the NDC Pak was discontinued, we did see that facilities found other uses for the sleeves and pallets to deplete the inventory of the NDC Paks.

management of MTE within the NDC network. Further, we estimated current MTE 'rolling stock' inventory (much of which was purchased before FY 1999) based on scanning of Surface Visibility (SV) barcodes<sup>9</sup> for a 12-month period. The scans provide the minimum number of rolling stock pieces in the Postal Service network nationally, because not all MTE is scanned due to SV scanning compliance issues, missing bar codes, and MTE not in use and stored at various Postal Service locations. We also reviewed purchases of cardboard containers within the NDC network covering FYs 2009 and 2010.

We assessed the reliability of computer-generated cardboard purchase data obtained through the Postal Service's system for ordering goods and services (eBuy2) used in our analyses by reviewing existing information about the data. To validate the data, we obtained purchase data source documents and reviewed against the computer generated data. In addition, we assessed the reliability of computer-generated data from the webMCRS in our analysis for determining excess rolling stock. To validate the data we verified the numbers reported by NDC facilities during interviews conducted. We determined the data were sufficiently reliable for the purposes of this report.

We conducted this performance audit from September 2010 through September 2011 in accordance with generally accepted government auditing standards and included such tests of internal controls, as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on August 29, 2011, and included their comments where appropriate.

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<sup>9</sup> SV is a technology system that enables the tracking of mail volume between processing plants and NDCs by scanning bar-coded rolling stock and other MTE.

Prior Audit Coverage

As reflected in the following table, since November 2009, the OIG has issued three prior audit reports addressing the management of MTE. The audits covered the effectiveness of the Postal Service’s management and control of MTE.

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<i>Management of Mail Transport Equipment – National Analysis</i>	NL-AR-10-009	9/29/2010	\$29.1 million	The Postal Service did not provide appropriate guidance, supporting systems or resources, or ensure that MTE requirements were monitored and enforced at headquarters and in the field. Management generally agreed with our findings and recommendations.
<i>Management of Mail Transport Equipment – Eastern Area</i>	NL-AR-10-004	3/17/2010	\$0	The Eastern Area’s effectiveness was limited over the management and control of MTE. Area officials did not always ensure adequate controls over inventory and accountability processes required by national MTE policies and procedures. Management agreed with our findings and recommendations.
<i>Management of Mail Transport Equipment – Pacific Area</i>	NL-AR-10-001	10/22/2009	\$0	The Pacific Area’s management and control of MTE was ineffective. 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.

### Appendix B: Other Impacts

Finding	Impact Category	Amount
1	Financial Assets at Risk <sup>10</sup>	\$7,524,423

We calculated the other impacts based on the following methodology and assumptions:

- We identified financial assets at risk as the cardboard purchases for the NDCs for the last two complete fiscal years, covering 2009 and 2010.
- We did not include Postal Paks in our calculation of purchased cardboard containers due to specific mail processing equipment requiring the use of only a Postal Pak within the NDC network.
- Total cardboard purchases for the NDCs for FYs 2009 and 2010 were obtained through the Postal Service's eBuy management purchase data.
- We considered cardboard purchases between FYs 2009 and 2010 as not being sufficiently justified due to excess rolling stock we observed on-hand at Postal Service facilities and other sites.

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<sup>10</sup> Assets at risk are assets that are at risk of loss because of inadequate internal controls.

### Appendix C: Sites Visited

Postal Area	Postal Service or Contractor	Location	Facility Name
Pacific	Postal Service Facility	Bell, CA	Los Angeles NDC
Pacific	Postal Service Facility	Los Angeles, CA	Los Angeles P&DC
Pacific	Contractor	Torrance, CA	Los Angeles THS
Eastern	Postal Service Facility	Cincinnati, OH	Cincinnati NDC
Eastern	Postal Service Facility	Cincinnati, OH	Cincinnati P&DC
Western	Postal Service Facility	Denver, CO	Denver NDC
Western	Postal Service Facility	Denver, CO	Denver P&DC <sup>11</sup>
Western	Contractor	Denver, CO	Denver THS
Western	Postal Service Facility	Federal Way, WA	Seattle NDC
Western	Postal Service Facility	Seattle, WA	Seattle P&DC
Western	Contractor	Seattle, WA	Seattle THS
Southwest	Postal Service Facility	Dallas, TX	Dallas NDC
Great Lakes	Postal Service Facility	Allen Park, MI	Detroit NDC

We conducted interviews and made observations at 13 Postal Service-owned and contracted facilities as follows:

Number of Facilities Visited by Type	Type of Facility Visited
6	NDCs
4	P&DCs
3	Contractor Terminal Handling Services

<sup>11</sup> We also reviewed the management of MTE rolling stock and cardboard containers at the Denver Mail Processing Annex in conjunction with our site visit to the Denver P&DC.

Appendix D: webMCRS Data

OTR CONTAINER INVENTORY REPORTED IN webMCRS FOR FY 2010 <sup>12</sup>												
NDC Location	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
Atlanta	600	578	35	79	49	200	200	300	500	950	1,600	2,000
Chicago	368	0	2,064	1,128	0	32	148	244	180	512	128	64
Cincinnati	161	33	0	33	0	0	0	17	17	0	0	0
Dallas	9,298	8,453	7,191	7,499	7,715	7,698	8,416	8,541	8,471	7,997	7,718	7,596
Denver	3,000	2,100	900	1,400	1,400	1,400	1,400	1,400	1,100	1,400	1,100	1,100
Des Moines	0	1,300	745	825	724	724	735	900	724	542	647	532
Detroit	0	0	18	0	0	0	54	0	18	54	54	0
Greensboro	0	18	18	86	692	500	752	572	500	500	626	518
Jacksonville	1,411	1,285	536	961	1,932	630	1,677	1,407	1,753	1,573	1,915	1,789
Kansas City	50	86	0	16	0	0	488	648	696	649	649	414
Los Angeles	6,420	6,000	2,085	9,360	1,104	805	332	190	924	817	464	610
Memphis	400	667	103	32	384	384	416	320	320	304	304	240
Minneapolis/St. Paul	118	170	161	202	167	100	100	100	100	128	128	128
New Jersey	1,200	2,560	0	3,716	2,368	1,688	1,912	2,040	2,680	1,728	1,056	896
Philadelphia	2,500	850	775	250	500	600	775	775	700	700	850	775
Pittsburgh	0	466	75	75	75	75	75	19	22	60	30	21
San Francisco	95	32	40	125	320	20	0	135	370	130	73	18
Seattle	3,400	3,969	2,575	3,970	3,800	3,900	3,980	4,020	4,110	4,180	2,340	1,823
Springfield	2,043	1,624	0	32	0	3,684	2,028	1,452	1,257	1,288	600	0
St. Louis	0	0	0	48	0	128	48	0	768	1,206	1,260	980
Washington D.C.	0	6	0	89	0	0	793	0	0	2,301	2,112	0

**Deficit** - Zero indicates the NDC reported no empty OTR containers ‘on-hand’ for processing and transportation purposes at the time of the estimated OTR container count. NDCs do not report negative numbers for OTR containers. If NDCs did not have enough OTR containers on-hand, they would use other MTE types or cardboard containers.

**Excess** – This reflects the estimated number of empty OTR containers on-hand at the time of reporting. Facilities should have an on-hand supply of OTR containers to meet operational requirements over a number of days, which varies by facility and mail volume. All OTR containers above this requirement are considered excess and should be redistributed.

<sup>12</sup> OTR container requirements will fluctuate from tour-to-tour and day-to-day depending on the day, month, and season. The data above are ‘estimates’ of the number of empty or excess OTR containers as reported by each NDC in webMCRS.

## Appendix E: Management's Comments

DAVID E. WILLIAMS  
VICE PRESIDENT, NETWORK OPERATIONS



September 15, 2011

SHIRIAN B. HOLLAND  
ACTING DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Mail Transport Equipment Needs, Distribution,  
and Use (Report Number NL-AR-11-DRAFT)

We have reviewed the audit performed by the Office of Inspector General on Mail Transport Equipment Needs, Distribution, and Use. Thank you for the opportunity to review and comment on the draft audit report. Management agrees with each of the recommendations and will address each separately below.

Recommendation 1:

Perform a comprehensive mail transport equipment needs analysis for the network distribution center network to determine the amount of rolling stock, by type, needed on a daily basis to meet operational requirements.

Management Response/Action Plan:

Management agrees with the recommendation. Operations Industrial Engineering will conduct a comprehensive baseline analysis to determine the daily amount of rolling stock needed to meet operational requirements in each Network Distribution Center (NDC) installation for both peak and non-peak volume periods.

Target Completion Date:

October 21, 2011

Responsible Official:

Lauren Zalewski, Manager, Operations Industrial Engineering

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Recommendation 2:

Monitor the purchases of cardboard containers (other than Postal Paks) for network distribution center facilities to ensure they make only necessary purchases and are the best mail transport equipment option for the Postal Service given rolling stock inventory in the network.

Management Response/Action Plan:

Management agrees with the recommendation. The purchase of cardboard containers should remain at the discretion of local districts, and/or plants consistent with clearly established tracking and monitoring controls. Corrugated cardboard box purchases are now made under the centralized contract administered by Supply Management in order to take advantage of volume pricing. Network and Logistics Distribution Center Operations will implement tracking controls to monitor NDC cardboard purchasing for compliancy.

Target Completion Date:

September 23, 2011

Responsible Official:

Terry R. Morrow, Acting Manager, Network and Logistics Distribution Center Operations

Recommendation 3:

Reissue over-the-road container policy to reflect the present and future operational needs and use of the containers within and outside the network.

Management Response/Action Plan:

Management agrees with the recommendation. Management will update the referenced August 28, 2009 Over-the-Road Container (OTR) policy letter and reissue the guidelines on the use of OTR containers within and outside the NDC network. Network and Logistics Distribution Center Operations will establish the oversight and controls necessary to ensure compliance and enforcement at the Headquarters level.

Target Completion Date:

October 28, 2011

Responsible Official:

Terry R. Morrow, Acting Manager, Network and Logistics Distribution Center Operations

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Recommendation 4:

Ensure Network Operations takes a more active role in the management and monitoring of the need, distribution, and use of existing mail transport equipment rolling stock within the network distribution center network.

Management Response/Action Plan:

Management agrees with the recommendation. Tracking controls have been established with the implementation of the NDC OTR Matrix, to provide OTR balance throughout the network. Network and Logistics Distribution Center Operations will update the frequency of reporting to ensure the process is effective to manage and re-distribute OTR rolling stock throughout the NDC network to balance the supply of equipment.

Target Completion Date:

Immediately

Responsible Official:

Terry R. Morrow, Acting Manager, Network and Logistics Distribution Center Operations

This report and management's response do not contain information that may be exempt from disclosure under the FOIA.



David E. Williams

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cc: Ms. Brennan  
Ms. Brownell  
Ms. Mallonee  
Mr. Neri  
Mr. Dunlop  
Ms. Moon  
Ms. Witt  
Mr. Batta  
Ms. Haring  
Corporate Audit and Response Management