



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

**Management of Equipment in
Capitol Heights, MD**

Management Advisory Report

November 20, 2013

Report Number HR-MA-14-001



HIGHLIGHTS

BACKGROUND:

The U.S. Postal Service's Southern Maryland Processing and Distribution Center (P&DC) and Washington Network Distribution Center (NDC) are co-located in Capitol Heights, MD. Both facilities stored mail transport equipment (MTE) and mail processing equipment outside. The MTE included pallets, all-purpose containers, and heavy duty, over-the-road containers. The mail processing equipment included container loaders, which are used to load mail from a variety of containers onto other mail processing equipment.

Our objective was to evaluate compliance with equipment handling and use policies and procedures at the Southern Maryland P&DC and the Washington NDC and the environmental effects of outside storage of equipment.

WHAT THE OIG FOUND:

There are opportunities to improve MTE and mail processing equipment storage and use procedures at the Southern Maryland P&DC and Washington NDC. The facilities stored 1,389 pieces of unsheltered MTE outdoors for a prolonged period, exposing the equipment to potential weather damage, theft, and improper use. We observed MTE containing fire extinguishers, machine parts, rubber floor mats, debris, and other MTE. We also observed damaged or excess equipment that were not properly identified and sent for repair, including pallets discarded in the

dumpster. Additionally, the Washington NDC stored 12 container loaders outdoors that were not adequately protected. These conditions occurred because policies and procedures for equipment storage were not clear. Also, although management was aware of the requirements for handling damaged and excess equipment, they did not ensure compliance with policies and procedures.

Finally, improper outdoor MTE storage poses an environmental risk of discharging rust and other materials into storm water. We estimate assets valued at \$1.3 million were at risk due to improper storage and handling.

WHAT THE OIG RECOMMENDED:

We recommended management establish procedures to comply with the revised MTE policy when implemented and reinforce proper MTE handling guidelines. We also recommended management ensure MTE is used only to transport mail and ensure maintenance and operations managers comply with policies and procedures for disposing of damaged or excess MTE. Finally, we recommended management replace coverings on existing container loaders stored outside, and establish procedures to monitor the condition of current and future mail processing equipment stored outside.

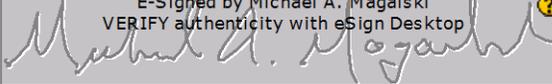
[Link to review the entire report](#)



November 20, 2013

MEMORANDUM FOR: KRISTIN A. SEAVER
VICE PRESIDENT, CAPITAL METRO AREA

MARK D. HOGAN
MANAGER, OPERATIONS SUPPORT
CAPITAL METRO AREA

E-Signed by Michael A. Magalski
VERIFY authenticity with eSign Desktop 


FROM: Michael A. Magalski
Deputy Assistant Inspector General
for Support Operations

SUBJECT: Management Advisory Report – Management of Equipment
in Capitol Heights, MD (Report Number HR-MA-14-001)

This report presents the results of our review of the U.S. Postal Service's Management of Equipment in Capitol Heights, MD, specifically at the Southern Maryland Processing and Distribution Center and Washington Network Distribution Center (Project Number 13YG026HR000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Lorie Nelson, director, Human Resources and Support, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

TABLE OF CONTENTS

Introduction 1

Conclusion 1

Safeguarding and Use of Mail Transport Equipment..... 1

Damaged and Excess Mail Transport Equipment 4

Safeguarding and Use of Mail Processing Equipment 7

Recommendations 8

Management’s Comments 8

Evaluation of Management’s Comments 9

Appendix A: Additional Information 10

 Background 10

 Objective, Scope, and Methodology 10

 Prior Audit Coverage 12

Appendix B: Other Impacts 13

Appendix C: Management’s Comments 14

Introduction

This report represents the results of our self-initiated review of the management of mail transport equipment (MTE) and mail processing equipment (MPE) in Capitol Heights, MD. The equipment is co-located at the Southern Maryland Processing and Distribution Center (P&DC) and the Washington Network Distribution Center (NDC) (Project Number 13YG026HR000). Our objective was to evaluate compliance with MTE and MPE policies and procedures at the affected facilities and the environmental effects of outside storage of MTE and MPE. See [Appendix A](#) for additional information about this audit.

During site visits, we observed a large quantity of unsheltered MTE and MPE that had been stored outside on the Eastern yard of the facilities. The MTE we observed included pallets, all-purpose containers (APCs), and heavy duty, over-the-road (OTR) containers. The MPE we observed included container loaders. Storing MTE and MPE in this manner exposes the equipment to weather impacts, including sun, rain, and snow.

Conclusion

Personnel at the Southern Maryland P&DC and the Washington NDC did not always comply with MTE and MPE policies and procedures. Specifically, they did not always safeguard or properly use MTE and did not always promptly identify and send damaged or excess MTE to the material transport equipment service center (MTEESC) for repair. The Washington NDC also stored container loaders outdoors where they were not adequately protected. Finally, improper outdoor MTE storage poses an environmental risk of discharging rust and other materials into storm water.

Safeguarding and Use of Mail Transport Equipment

Personnel did not always safeguard or properly use MTE. Specifically, Southern Maryland P&DC and Washington NDC personnel stored unsheltered MTE outdoors, exposing the equipment to potential weather damage and other improper use. Additionally, they improperly used some of the MTE to store other MTE and debris.

Through a physical inventory conducted on June 27, 2013, we accounted for 1,389 pieces of MTE—including APCs, OTR containers, pallets, and other MTE—stored in the Eastern yard of the facilities. We found indications that outdoor storage at these facilities had been ongoing for a prolonged period. For example, four of the five environmental compliance reviews (ECRs)¹ conducted at the Washington NDC between fiscal years (FYs) 2007 and 2012 cited improper outdoor storage of equipment, such as mail containers, heavy duty OTRs, and pallets. Further, we observed that some

¹ The ECR program provides an internal process to periodically assess high-risk facilities to determine compliance with applicable federal, state, and local regulations and Postal Service policies.

items, such as flat tubs, general mail containers, and wire containers showed rust (see Figure 1) and appeared to have been subjected to extended weather exposure. Additionally, the mail tubs in Figure 2 crumbled at physical touch. A U.S. Postal Service mechanical engineer indicated it would take years of exposure to deteriorate the tubs to this degree.

Figure 1. Rusted APC



Source: U.S. Postal Service Office of Inspector General (OIG) photograph taken June 27, 2013.

Figure 2. Deteriorated Plastic Tub



Source: OIG photograph taken June 27, 2013.

Regarding improper use, we observed numerous pieces of MTE containing fire extinguishers, machine parts, rubber floor mats, debris, and other MTE (see Figures 3 and 4).

Figure 3. Storing Parts



Source: OIG photograph taken June 27, 2013.

Figure 4. Storing Debris



Source: OIG photograph taken June 27, 2013.

Current Postal Service policy states that operations managers and Postal Service managers responsible for mail processing and delivery operations must ensure that MTE is used "properly, efficiently, and safely."² It also indicates that MTE may be used only to transport mail and that any other use (storing or transporting records, equipment, waste, or other MTE) is specifically prohibited.³

MTE was not always safeguarded and properly used because policies and procedures are not clear regarding proper handling of MTE. Specifically, Postal Service policy does not explicitly state that MTE should not be stored outside, exposed to the weather, or that it is the facility manager's responsibility to safeguard MTE. However, headquarters officials informed us that they are revising current policy, expected in January 2014, to explicitly state that MTE should be stored inside buildings or trailers, protected from theft and weather (sun, rain, and snow).

Unsheltered MTE stored outside is at risk of damage caused by exposure to weather impacts, including sun, rain, and snow. Although MTE is generally designed with relative durability, it is not impervious to weather. Various parts are vulnerable, such as plastic linings, screws, hinges, and cables. For example, APCs, particularly those with plastic lining, will deteriorate after extended exposure to the weather. OTR containers, although primarily made of aluminum and thus not susceptible to rust, contain several parts that are susceptible to weather impacts. OTR container parts such as brakes, load door latches, and wheels experience accelerated deterioration when exposed to weather.⁴ However, Capital Metro Area management maintain that outdoor storage is not harmful to OTR containers, which have traditionally been stored outside.

Additionally, outdoor MTE storage poses an environmental risk of discharging rust and other materials into storm water. MTE, such as the APCs, poses a risk of discharging rust runoff into storm water when the APCs are staged near storm drains (see Figure 5). According to the U.S. Environmental Protection Agency, heavy metals are toxic to aquatic life and can contaminate ground water. Also, other hazardous materials stored inside the MTE could discharge into storm water.

² Postal Service Handbook PO-502, *Container Methods*, paragraph 136, dated September 1992; and the *Postal Operations Manual (POM)*, Issue 9, paragraph 589, dated July 2002, updated with *Postal Bulletin* revisions through April 18, 2013.

³ POM, Issue 9, paragraph 581.2.

⁴ A Postal Service mechanical engineer indicated that the normal life span of parts on the OTR containers would be about 10 years in an indoor environment but only 2 to 4 years when subjected to the outdoor environment.

Figure 5. Rusting MTE Near Storm Drain

Source: OIG photograph taken June 13, 2013.

Based on the replacement costs associated with the MTE we physically inventoried on June 27, 2013, we estimated the value of the assets at \$1.03 million. See [Appendix B](#) for our calculation of assets at risk.

During the course of our review, Washington NDC management depleted the excess APCs stored outside by using them for the High Speed Tray Sorter (HSTS) operation.⁵ Also, Washington NDC management indicated that before our review they initiated a project to move or properly dispose all items that should not be stored in the Eastern yard by September 2013. As of August 20, 2013, the Washington NDC had made significant progress towards completing that project.

Damaged and Excess Mail Transport Equipment

Personnel at the Southern Maryland P&DC and Washington NDC did not always promptly identify and send damaged or excess MTE to the MTE SC for repair. We identified several damaged pieces of equipment that were not identified as such, as depicted in Figures 6 and 7.

⁵ For its HSTS operation, the Washington NDC normally uses another type of MTE called tri-walls, which are containers made of cardboard.

Figure 6. Broken MTE



Source: OIG photograph taken June 13, 2013.

Figure 7. Broken MTE



Source: OIG photograph taken June 13, 2013.

We also found pallets that had been discarded in the dumpster, as depicted in Figures 8 and 9.

Figure 8. Pallet in Dumpster



Source: OIG photograph taken June 27, 2013.

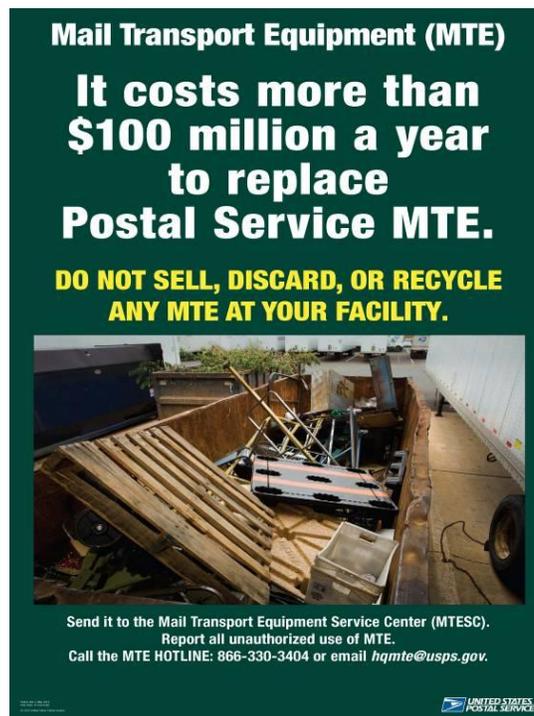
Figure 9. Pallets in Dumpster



Source: OIG photograph taken June 27, 2013.

Current Postal Service policy states that all unsafe or unserviceable equipment should be red tagged by attaching Postal Service Form 4707, Out of Order (tag), on the equipment. Red-tagged equipment must be removed from service and dispatched without delay to the appropriate repair center.⁶ Also, other policy documents issued by the headquarters MTE team indicate that MTE should not be sold, discarded, or recycled at facilities but should be sent to the MTE SC for proper handling. The manager, headquarters MTE, stated that in FY 2012 the Postal Service conducted an information campaign to stop the misuse and abuse of MTE. One of the goals of the campaign was to discourage facilities from discarding MTE in the trash. Figure 10 depicts a poster distributed by headquarters to area and district officials in FY 2012.

Figure 10. MTE Policy Poster



Source: Postal Service Headquarters MTE team.

Facility management officials were aware of the damaged equipment and of the policies regarding handling damaged or excess equipment. Further, they acknowledged their noncompliance with the policies and procedures for sending damaged or excess equipment to the MTE SC.

MTE inventory shortages could result if damaged or excess MTE is not immediately dispatched to the MTE SC for repair and redistribution. More importantly, there are safety concerns because untagged, unserviceable equipment could contribute to employees being injured.

⁶ POM, Issue 9, paragraph 583.11.

Safeguarding and Use of Mail Processing Equipment

The Washington NDC also stored unsheltered MPE outdoors. During the physical inventory we conducted on June 27, 2013, we identified 12 container loaders that were not adequately protected. The Washington NDC received the container loaders from another facility and stored them outdoors due to space constraints resulting from remodeling and reconfiguration efforts ongoing at the facility. Maintenance management indicated the loaders were covered with tarps at one time; however, as depicted in Figures 11 and 12, we found the tarps had deteriorated and management had not monitored or replaced them.

Figure 11. Uncovered Loader



Source: OIG photograph taken June 13, 2013.

Figure 12. Uncovered Loaders



Source: OIG photograph taken June 13, 2013.

Postal Service policy states that all Postal Service employees are responsible for safeguarding all Postal Service material in their custody. It further indicates the Postal Service system depends on the responsible actions of each individual to care for and safeguard material under his or her control.⁷ Similar to MTE, this policy does not explicitly state that MPE should not be stored outside exposed to the weather. However, best business practices suggest that MPE should be protected from theft, improper cannibalization, and weather; and responsible actions could include properly protecting the container loaders.

Extended outdoor storage exposes the container loaders to weather, which could cause damage, particularly to electrical components. Based on the median cost of all container loaders purchased between January 1, 1995, and September 30, 2008, we valued these assets at \$284,544. See [Appendix B](#) for our calculation of assets at risk.

Recommendations

We recommend the vice president, Capital Metro Area, in coordination with the Capital Metro Area manager, Operations Support:

1. Establish procedures to comply with the revised mail transportation equipment policy when implemented.
2. Reinforce proper mail transportation equipment handling guidelines with maintenance and operations managers at the Southern Maryland Processing and Distribution Center and Washington Network Distribution Center and ensure mail transportation equipment is used only to transport mail.
3. Ensure maintenance and operations managers at the Southern Maryland Processing and Distribution Center and Washington Network Distribution Center comply with policies and procedures for disposing of damaged or excess mail transportation equipment.
4. Replace coverings on existing container loaders stored outside and establish procedures to monitor the condition of current and future mail processing equipment stored outside.

Management's Comments

Management generally agreed with the findings and recommendations in the report. They agreed there are opportunities to improve both MTE and MPE handling and to eliminate misuse at the Capitol Heights facilities. Management also agreed that the processes for properly identifying and returning defective MTE for repair were lacking, and that some of the equipment staged in the yard poses an environmental risk as a result of storm water contamination. They stated the local management team was aware of and had a project plan to rectify these issues.

⁷ Postal Service Handbook AS-701, *Material Management*, Chapter 1, paragraph 129.

Regarding recommendation 1, management stated that once the new policy is released they will evaluate it and incorporate it into their existing policies and procedures. They targeted implementation of the new policy for the end of December 2013. Regarding recommendation 2, management will issue facility-wide service talks to all employees on proper MTE handling specifically referencing the policy restricting MTE use to transporting mail only. They plan to complete those talks by November 30, 2013. Regarding recommendation 3, they are presently conducting weekly yard inspections to monitor improper staging or disposal of MTE in the yard (see Attachment 1 for picture from recent inspection) and those inspections will be ongoing. Regarding recommendation 4, management purchased new covers for the container loaders and deployed them in September (see Attachment 2). They also plan to clear out the existing maintenance building to make room for the loaders, targeted for completion by November 30, 2013.

Management did not agree with the count and value of the assets at risk calculation, because they estimated that most of the unsheltered MTE staged in the yard were OTR containers, which based on longstanding practice are not at risk from outdoor storage. Management also stated there were mitigating circumstances explaining why APCs were temporarily staged in the yard. Specifically, they stated the Washington NDC assisted the Merrifield P&DC with a project that resulted in excess APCs that exceeded local demand as well as transportation's ability to reposition them to other sites. As a result, they stored them outside. See [Appendix C](#) for management's comments, in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in the report.

Regarding our calculation of assets at risk, our report acknowledged management's belief that outdoor storage is not harmful to OTR containers, which have traditionally been stored outside. However, we continue to agree with a Postal Service mechanical engineer's opinion that the normal life span of parts on the OTR containers is greatly diminished when subjected to the outdoor environment. We acknowledge the short-term need to store excess APCs outside and management's efforts to remove them from the yard upon completion of the project.

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

On June 5, 13, and 27, 2013, we visited the co-located Southern Maryland P&DC and Washington NDC and observed a large quantity of MTE, along with MPE,⁸ sitting uncovered in the Eastern yard adjacent to the facilities.

MTE consists of various types of containers used to hold mail during processing and transportation within or between Postal Service facilities, its contractors, mailers, and other external customers. MTE includes plastic tubs, trays, sacks, and equipment referred to as rolling stock.⁹ In FY 2012 the Postal Service purchased about \$106 million in new MTE.

Generally, the useful life of MTE will vary considerably based on type and some types of MTE, such as rolling stock, can be in service for as long as 20 years. Individual MTE items cost the Postal Service as much as \$1,400 and are expensed when purchased. The Postal Service incurred more than \$2 million in associated MTE repair costs between the beginning of FY 2011 and June of FY 2013.

While conducting our site visit on June 13, 2013, we were informed that an ECR conducted at the facilities in April 2013 included a finding related to uncovered scrap metals from equipment located outside near storm drains at the Washington NDC. In addition, four of the six ECRs conducted between FYs 2007 and 2013 included similar findings in which various pieces of equipment, such as APCs, OTR containers, and pallets, had been stored in that same location outside the NDC. The report for the ECR conducted at this facility in FY 2009 indicated that traces of oil and other potential chemicals were found leaking from the equipment.

Objective, Scope, and Methodology

Our objective was to evaluate compliance with MTE and MPE handling and storage policies and procedures at the Southern Maryland P&DC and the Washington NDC and the environmental effects of outside storage on MTE and MPE.

The scope of the review covered the current inventory of MTE and MPE stored outdoors on the Eastern yard of the co-located Southern Maryland P&DC and Washington NDC. To assess the nature of storage and handling procedures and the current condition of that MTE and MPE, we relied on direct observations we made on June 5, 13, and 27, 2013.

⁸ The MPE included container loaders that are used to load mail from a variety of containers onto other MPE.

⁹ Rolling stock refers to equipment such as hampers, general purpose mail containers, Eastern region mail containers, and heavy duty OTR containers, or equipment with wheels.

To accomplish our objective, we:

- Took photographs and conducted a physical inventory count of the MTE and MPE stored outside the Southern Maryland P&DC and Washington NDC and obtained and reviewed pricing information for MTE and MPE to determine applicable replacement values.
- Identified and reviewed current Postal Service policies and procedures regarding proper MTE and MPE handling and use and interviewed responsible Postal Service Operations officials.
- Interviewed officials at Postal Service Engineering Material Handling, the Office of Sustainability, and the Maryland Department of the Environment to determine the impact of weather exposure on MTE and the environmental impact of outdoor MTE and MPE storage.

We conducted this review from June through November 2013 in accordance with the Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation*. We discussed our observations and conclusions with management on September 3 and October 21, 2013, and included their comments where appropriate.

We did not rely on any computer-generated data to support our conclusions. Therefore, we did not assess the reliability of any computer-generated data for the purposes of this report.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Mail Transport Equipment – Needs, Distribution, and Use</i>	NL-AR-11-006	9/23/2011	None
<p>Report Results: 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, in part, because Postal Service Headquarters did not perform a comprehensive analysis of needed MTE rolling stock. Management agreed with the findings and recommendations, including the recommendation to update the OTR container policy.</p>			
<i>Management of Mail Transport Equipment – National Analysis</i>	NL-AR-10-009	9/29/2010	\$29.1
<p>Report Results: Postal Service Headquarters could provide updated, comprehensive policy, guidance, and oversight that support current MTE operational requirements. 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, including to further develop, update, and reinforce MTE policies and procedures contained in the POM and Postal Service Handbook PO-502.</p>			

Appendix B: Other Impacts

Recommendations	Impact Category	Amount ¹⁰
1	Assets at Risk ¹¹ (MTE)	\$1,027, 488
1, 4	Assets at Risk (MPE)	284,544
Total		\$1,312,032

The value of the MTE at risk represents the current unit replacement cost of the 1,389 pieces of MTE we physically inventoried, by MTE type. The value of the MPE at risk represents the median cost of all container loaders purchased between January 1, 1995, and September 30, 2008, or \$23,712 per loader, for each of the 12 container loaders we physically inventoried.

¹⁰ Assets at risk amounts are based on replacement values of the equipment identified.

¹¹ Assets or accountable items (for example, cash, stamps, and money orders) that are at risk of loss because of inadequate internal controls.

Appendix C: Management's Comments

November 18, 2013

JUDITH LEONHARDT
DIRECTOR AUDIT OPERATIONS

SUBJECT: Draft Management Advisory – Management of Equipment in Capitol Heights, MD –
(Report Number HR-MA-14-DRAFT)

Thank you for the opportunity to respond to the recommendations from your OIG Audit regarding Management of Equipment in Capital Heights. The Capital Metro Area is in general agreement with the findings of the Audit team. We specifically agree that there are opportunities to improve both MTE and MPE handling at the Capitol Heights facilities, and to eliminate misuse of same. We further agree that the processes for properly identifying defective MTE and returning this equipment to the regional MTE SC for repairs was lacking, and that some of the equipment staged in the yard poses an environmental risk as a result of storm water contamination. As was discussed with the OIG team during the entrance meeting, the local management team was aware of these issues and was progressing through a project plan to rectify. While we recognize that damage to any mail transport or processing equipment due to negligence is a concern, the impacts identified in the audit overstate the count and the value of the assets at risk. We estimate that over 1,100 of the 1,389 pieces (80%) of unsheltered MTE staged in the yard were OTRs, which from our standpoint is an approved and permissible longstanding practice for this specific equipment type. While we are of the opinion that 30 years of this practice demonstrates that this does not place this equipment at risk, at minimum the replacement costs should be limited to the specific parts at risk and not the entire container.

There were also mitigating circumstances, specifically as it applies to the APCs that were temporarily staged in the yard. At the time of the audit, the Washington NDC was assisting the Merrifield VA P&DC in prepping CFS mail that was being consolidated into the Merrifield plant from other districts. During the initial phases of this project, the inventory of excess APCs generated by the CFS prep operation exceeded the local demand for this equipment, as well as transportation's ability to reposition these APCs to other sites. This resulted in a need to store some of the equipment outside in the yard. This condition was short term however, and the APCs were removed from the yard shortly after the OIG review. The CFS mail prep operation has also been moved back to the Merrifield plant. The remaining instances cited in the review were inexcusable and have since been abated.

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Management's responses to the specific recommendations are as follows:

Recommendation #1: *Establish procedures to comply with the revised mail transportation equipment policy when implemented.*

Management Response: Management at the Washington NDC agrees with this recommendation and has assigned an OIE to the management of MTE and has developed processes and standard procedures consistent with the current national policy and programs. Once the new policy is released, we will evaluate and incorporate into our local processes to the fullest extent possible.

Target Implementation Date:
December, 2013

Responsible Official:
Manager, Washington NDC

Recommendation #2: *Reinforce proper mail transportation equipment handling guidelines with maintenance and operations managers at Southern MD Processing and Distribution Center and Washington Network Distribution Center and ensure mail transportation equipment is used only to transport mail.*

Management Response: Management agrees with this recommendation and will issue facility-wide Service Talks to all employees on proper MTE handling guidelines, and include specific reference to policy restricting MTE use for transporting mail only. This task will be completed by November 30, 2013.

Target Implementation Date:
November, 2013

Responsible Official:
Manager, Washington NDC

Recommendation #3: *Ensure maintenance and operations managers at the Southern MD Processing and Distribution Center and Washington Network Distribution Center comply with policies and procedures for disposing of damaged or excess mail transportation equipment.*

Management Response: Management agrees with this recommendation. The NDC Plant Manager, Maintenance Manager, and Sr. OIE, are presently conducting weekly yard inspections to monitor improper staging and/or disposal of mail transportation equipment in the yard. Pictures from today's inspection attached (attachment 1).

Target Implementation Date:
Ongoing

Responsible Official:
Manager, Washington NDC

Recommendation #4: *Replace coverings on existing container loaders stored outside and establish procedures to monitor the condition of current and future equipment outside.*

Management Response: Management agrees with this recommendation and has purchased new covers for the container loaders and they were deployed in September (attachment 2). As discussed in our entrance meeting, the long term plan for MPE storage is to clear out the existing maintenance storage building of obsolete equipment to make space for the loaders in the yard.

Target Implementation Date:

November 2013

Responsible Official:

Manager, Washington NDC

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

Please feel free to contact me with any questions regarding this response.



Kristin Seaver

Attachments

ATTACHMENT 1



ATTACHMENT 2

