OFFICE OF
INSPECTOR
GENERAL
UNITED STATES POSTAL SERVICE

Efficiency of the Atlanta Network Distribution Center – Processing and Transportation

Audit Report

August 16, 2013

Report Number NO-AR-13-005

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OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

HIGHLIGHTS

BACKGROUND:

In 2009, the U.S. Postal Service began re-aligning its former bulk mail centers into network distribution centers (NDCs), saving over $111 million in transportation and processing costs. There are 21 NDCs nationwide, mainly responsible for sorting and transporting Standard, Periodicals, and Package services. Our objective was to evaluate the efficiency of the Atlanta NDC mail processing and transportation operations.

WHAT THE OIG FOUND:

Atlanta NDC operations and associated transportation to and from the Memphis NDC could be more efficient. The Atlanta NDC did not attain the average productivity of those NDCs above median productivity. Consequently, the Atlanta NDC used about 130,300 more workhours than necessary. If the Postal Service eliminated these workhours, there would be an annual labor cost avoidance of about $5.2 million.

We also found that some mail was being unnecessarily transported from the Atlanta NDC and that space in mail transport equipment, such as over-the-road containers, were underutilized. In addition, overall transportation between the Atlanta and Memphis NDCs, and transportation from some feeder processing plants to the Memphis NDC was underutilized. Finally, we observed some mail transport equipment was not properly restrained by straps for transportation to and from the NDCs.

Officials were not always following NDC guidelines for properly sorting, labeling, and consolidating mail. In addition, officials did not fully analyze existing transportation among NDCs and feeder facilities. We estimate the Postal Service could save about $2.8 million annually in transportation costs by complying with NDC guidelines and combining or eliminating some trips.

WHAT THE OIG RECOMMENDED:

We recommended the vice president, Capital Metro Area, improve the efficiency of the Atlanta NDC's processing operations by attaining the average productivity of all above-median NDCs. We also recommended the vice presidents, Southern, Capital Metro, and Eastern areas, remove unnecessary highway contract route transportation associated with the Atlanta and Memphis NDCs, reinforce field compliance with NDC guidelines, and realign and reinforce existing safety procedures for restraint of mail transport equipment in trailers.

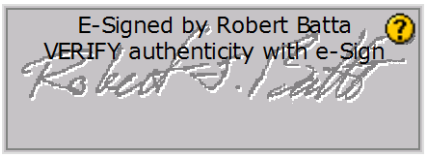
Link to review the entire report

August 16, 2013

MEMORANDUM FOR: DAVID C. FIELDS
VICE PRESIDENT, CAPITAL METRO AREA

JO ANN FEINDT,
VICE PRESIDENT, SOUTHERN AREA

JOSHUA D. COLIN
VICE PRESIDENT, EASTERN AREA



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

SUBJECT: Audit Report – Efficiency of the Atlanta Network Distribution Center – Processing and Transportation
(Report Number NO-AR-13-005)

This report presents the results of our audit of the U.S. Postal Service's network distribution centers (NDCs), specifically the Atlanta, GA, Tier 1 NDC and its associated Tier 2 NDC in Memphis, TN, as well as feeder plants (Project Number 12XG024NL000).

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

Attachment

cc: David E. Williams, Jr.
Mary T. Taylor
Linda M. Malone
John A. Darden
Corporate Audit and Response Management

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Introduction

This report presents the results of our audit of operations and transportation of the U.S. Postal Service's Atlanta, GA, network distribution center (NDC), its associated NDC in Memphis, TN, and associated feeder plants (Project Number 12XG024NL000). Our objective was to evaluate the efficiency of Atlanta NDC mail processing and transportation operations. This self-initiated audit addresses operational risk. See Appendix A for additional information about this audit.

In 2009, the Postal Service reorganized its 21 bulk mail centers (BMCs)[1] into NDCs. NDCs are part of a national system of automated mail processing facilities linked by a dedicated transportation network. NDCs were designed to consolidate mail processing and dispatch to increase operational efficiency, reduce workhours and transportation costs. The Postal Service saved over $111 million in transportation and processing costs based on the re-alignment. NDCs are categorized as Tiers 1, 2, or 3, depending on what operations their employees perform. All 21 NDCs perform at least the Tier 1 functions. Tiers 2 and 3 NDCs act as transfer and consolidation points for other NDCs as well.

As part of the NDC implementation process, manual sorting operations were instituted in and adjacent to dock operations at processing and distribution centers (P&DCs), and processing and distribution facilities (P&DFs). The manual operations are for separating and consolidating mail for transport to the Tier 2 NDCs. In addition, an extra layer of transportation was created from Tier 1 service areas to the Tier 2 NDCs to accommodate transportation of manually sorted Tier 1 mail. The extra layer of transportation added from the Atlanta NDC service area to the Memphis NDC for originating mail was planned to be efficient in only one direction - inbound to Memphis.

Conclusion

We determined that Atlanta NDC operations and associated transportation to and from the Memphis NDC and their feeder processing plants could be more efficient. While the Atlanta NDC has been taking steps to manage workhours, process more mailpieces, and reduce some workhours over the past several years, further opportunities exist for improvement. We found that in 2012 the Atlanta NDC did not attain the average productivity of all NDCs above the median productivity. Consequently, the Atlanta NDC

[1] This dedicated network was developed to reduce delays and damage when handling bulk mail within a system designed primarily for letter mail and has to compete with First-Class Mail and other classes of mail for processing time and transportation space. The term 'bulk mail' includes Package Services, Periodicals, and Standard Mail classes with service standards from 1 to 10 days. Some NDCs have incorporated Surface Transfer Center (STC) operations that handle significant volumes of First-Class and Priority mail.

used 130,391 more workhours than necessary to process its mail volume, thus missing an annual cost avoidance of about $5.2 million[2] based on mail volume. See Appendix B for monetary impacts.

These conditions occurred because Atlanta NDC management did not fully evaluate operational efficiency by benchmarking operations against other NDCs. To increase productivity to the average productivity of all above-median NDCs, Atlanta NDC management needs to:

- Reduce workhours by 130,391, which would produce a cost avoidance of about $5.2 million annually or, as an alternative:
    - Increase mail volume by 20 million pieces.
    - Combine workhour reductions and mail volumes increases.

We also found that some mail was being unnecessarily transported from the Atlanta NDC to the Memphis NDC. This local mail should have remained in Atlanta. Further, we found that mail handling units from feeder locations were not being consolidated into fewer mail transport equipment (MTE) rolling stock[3] containers at plant docks, resulting in excess MTE and trailer space being used.[4]

We also found that overall transportation between the Atlanta and Memphis NDCs and transportation from some feeder processing plants to the Memphis NDC was underutilized. This occurred because officials were not always following NDC guidelines[5] for properly sorting, labeling, and consolidating mail prior to transporting it to the Memphis NDC. In addition, Postal Service management did not fully analyze existing transportation among the NDCs and feeder processing plants during NDC realignment and added an unnecessary layer of transportation in some cases. We estimate the Postal Service could save about $2.8 million in transportation costs annually by complying with NDC guidelines and combining or eliminating unnecessary or underutilized transportation.

Finally, we observed that some MTE rolling stock and pallets were not properly restrained for transportation to and from the NDCs.

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[2] The U.S. Postal Service Office of Inspector General (OIG) acknowledges that every NDC has different processing equipment that can impact productivity; however, based on the analysis of Management Operating Data System and Breakthrough Productivity Initiative data, the Atlanta NDC has the capability to eliminate 130,391 workhours in Function 1.

[3] Various container types used to transport individual mail handling units (sacks, tubs, trays, packages).

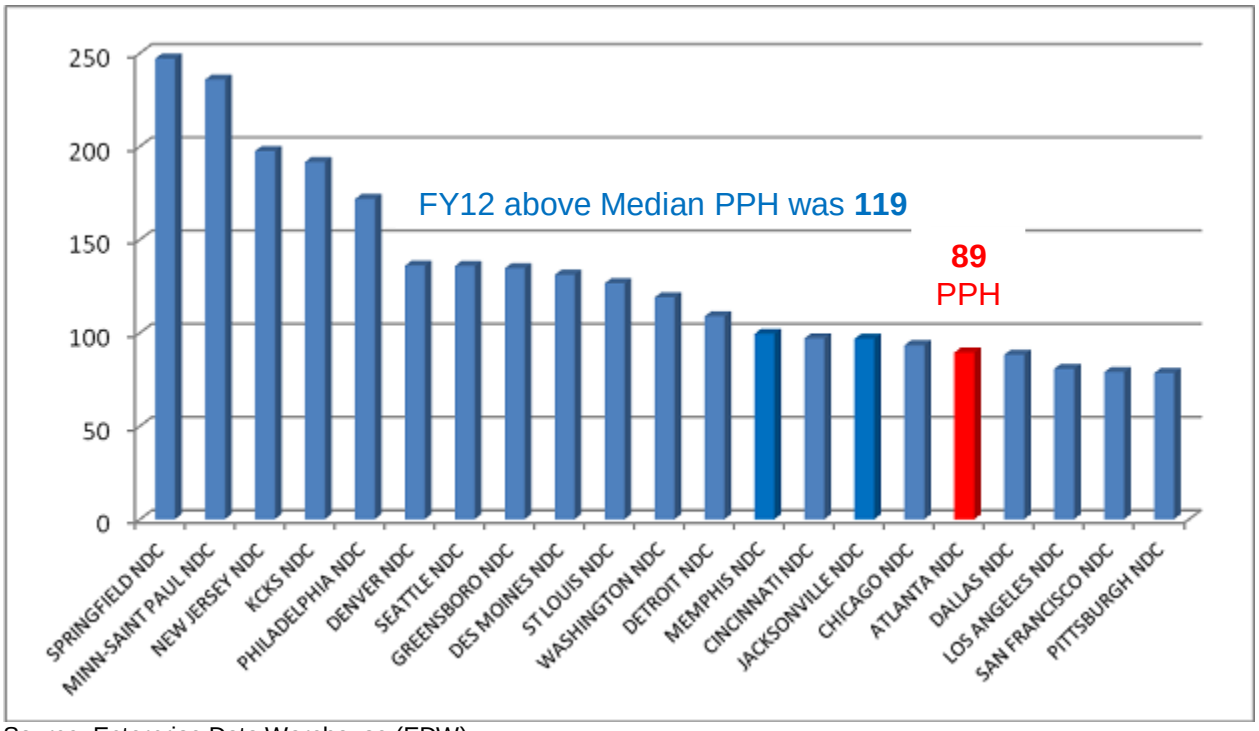
[4] We observed that sometimes more MTE containers than necessary were used because consolidations were not being performed. Consequently, with more containers, more trailer floor space than necessary was used to transport this mail.

[5] In 2009 (as part of the NDC activation process), the Postal Service's acting manager, NDC Operations, issued *Network Distribution Center Activation* guidelines for the proper sortation, labeling, and consolidation of NDC mail to be transported for processing.

Inefficient Sorting Operations

While the Atlanta NDC has recently taken steps to manage workhours, process more mailpieces, and reduce some workhours over the past several years, further opportunities exist for efficiency improvement. We found that in fiscal year (FY) 2012 the Atlanta NDC did not attain the average productivity of all NDCs above the median productivity. Comparing the Atlanta NDC to other NDCs provides a benchmark for operational efficiency. The Atlanta NDC's total pieces handled (TPH) and non-additional (NA) pieces handled[6] productivity ranks 17 out of the 21 NDCs as shown in Figure 1. Atlanta had a piece per hour (PPH) productivity of 89, while the nationwide above-median PPH was 119.

Figure 1. NDC Nationwide TPH and NA Productivity for FY 2012



Source: Enterprise Data Warehouse (EDW).

We also found that overall productivity for the Atlanta NDC progressively decreased (with the exception of a slight increase in 2012) while national averages increased overall from FYs 2009 to 2012 (as show in Table 1).

[6] The TPH count in non-distribution operations is recorded as TPH, but not added to the bottom line for mail processing distribution, thus the name 'non-additional total pieces handled.'

Table 1. Productivity Comparison (TPH and NA)

	Above - Median NDCs	Atlanta NDC
FY 2009	103 PPH	138 PPH
FY 2010	103 PPH	97 PPH
FY 2011	117 PPH	88 PPH
FY 2012	119 PPH	89 PPH
Percentage Increase FYs 2009 - 2012	15.19 %[7]	-35.22 %[8]

Source: EDW.

Variations in the operations performed at the different NDCs required a review of the specific labor distribution codes (LDCs). Thus, we reviewed the corresponding LDC codes in Table 2.

Table 2. The LDCs Reviewed

LDC Code	Description
13	Mechanized Distribution
14	Manual Distribution
17	Allied Operations

Source: EDW.

These conditions occurred because Atlanta NDC management did not fully evaluate operational efficiency by benchmarking operations against other NDCs. Overall, to increase productivity to meet the average productivity of all above-median NDCs, Atlanta NDC management needs to reduce workhours by 130,391, or continue to increase mail volume by 20 million pieces, or a combination of both, which would produce a cost avoidance of about $5.2 million annually. See Appendix C for more information.

Unnecessary and Underutilized Highway Contract Route Transportation

We determined that some mail was unnecessarily being transported from the Atlanta NDC to the Memphis NDC. In addition, we found some highway contract route (HCR) transportation associated with the Atlanta and Memphis NDCs, as well as feeder processing plants, were underutilized and could be combined or eliminated.

[7] Slight difference due to rounding.
[8] Slight difference due to rounding.

Unnecessary Transportation of Local Mail. From our observations and inspection of rolling stock containers, as well as discussions with officials at the Atlanta and Memphis NDCs, we determined that about 4 percent of local Atlanta mail was not remaining at the Atlanta NDC for processing. Instead, the mail was being unnecessarily transported to the Memphis NDC for processing and then returned to the Atlanta NDC for re-processing and distribution. This occurred because local Atlanta associated offices and stations were sending mail containers to the Atlanta P&DC with local (Tier 1) and network (Tier 2) mail comingled.[9] We determined the local plants and stations were not making the required separations and were using incorrect placarding.[10] In addition, we found that machinable parcels[11] were commingled in containers with NMO parcels, making it more difficult for the P&DCs to easily consolidate containers.[12] The plant supervisors stated that there was not enough time for the mail handlers on the docks to do the separations and correct the errors from stations and post offices.

In addition, we observed that some MTE rolling stock containers at the Atlanta NDC for transportation to the Memphis NDC were not loaded to capacity. For example, we observed that 45 percent of the containers (about 440) dispatched to and from the Atlanta NDC on February 21, 2013, and February 28, 2013, were less than half full. This occurred because area plant officials were not consolidating the rolling stock containers as required by NDC guidelines.[13] Supervisors at the plants stated this was occurring because they did not have enough mail handlers on the docks to consolidate the containers. As a result, more rolling stock containers than necessary were being used and transported and they were using more trailer space than necessary. These conditions resulted in unnecessary transportation of mail from the Atlanta NDC to the Memphis NDC and required additional handling and workhours.[14]

Underutilized HCR Transportation. During our review, we also found that some HCR trips were underutilized between the Atlanta and Memphis NDCs and their feeder locations during the implementation of the NDC tier concept. Based on our analyses of the existing HCR transportation, we concluded that a “triangular approach” to this transportation scenario could improve utilization by reducing the number of required

[9] Specifically, we found Retail Distribution Code (RDC) 01 (RDC 01 – Local NDC machinable Packages – Tier 1 Package Services) and RDC 02 (RDC Code 02 – Network NDC Machinable Packages – Tier 2 Packages Services) mail comingled within individual mail containers with RDC 02 placards. Additionally, we found RDC 11 (Local NDC non-machinable outside (NMOs)) and RDC 12 (Network NDC NMOs) mail comingled in containers with RDC 12 placards. RDC 01 and RDC 11 mail is supposed to be transported to the local NDC.

[10] Placarding involves the use of unique barcodes (on a single page) placed on MTE to identify the origin, destination and mail class.

[11] An NMO is defined by the *Domestic Mail Manual* as a parcel larger than 27" x 17" x 17" and heavier than 35 pounds, irregular shaped parcels, or outside parcels.

[12] If mail was coming into the P&DC correctly separated, then the plants could easily combine containers and thus use less transportation to move the mail.

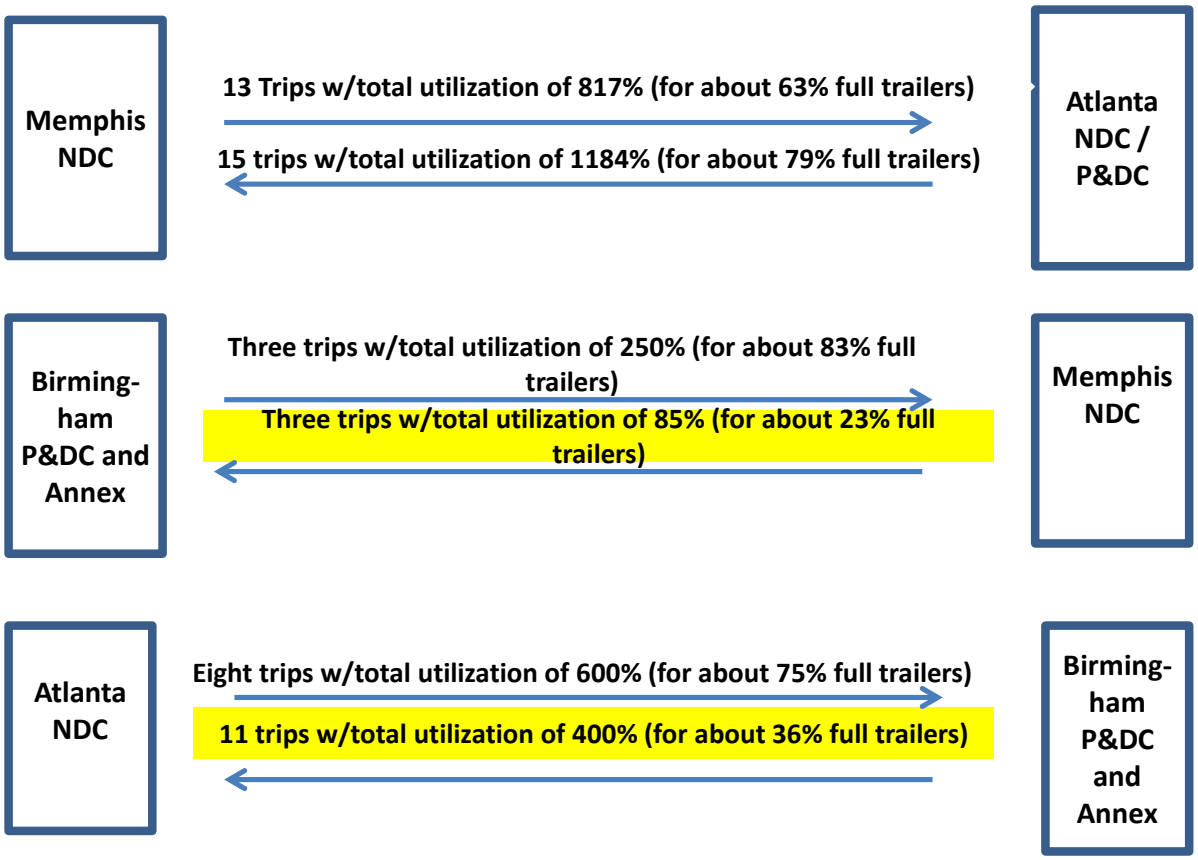
[13] In the *Network Distribution Center Activation* guideline titled ‘Tier 1 NDC Communications’ dated June 15, 2009, less than full MTE rolling stock “must be consolidated before loading to maximize container and transportation utilization.”

[14] We did not assess the monetary impact of rehandling mail due to time constraints and our limited observations. We did confirm through observations and discussions with Postal Service officials that the mail was being unnecessarily handled (processed more than once).

trips between the feeder sites of the Atlanta and Memphis NDCs. In addition, we determined that mail on certain other lanes could be combined into fewer trips and some trips could be eliminated (see Appendix D for our detailed analysis of trips).

For instance, Figure 2 shows trips between the Birmingham Metropolitan area, the Memphis NDC, and the Atlanta NDC, and lists the number of trips and their utilization averages based on our analyses. A number of the trips have low utilization percentages (see yellow highlights). We believe the low volume of mail on the trips is primarily the result of implementing the NDC tiered concept and resulted in low volumes available for return trips.

Figure 2. Daily Trips Between Birmingham, Memphis, and Atlanta



Source: OIG analysis of current HCR transportation associated with the Atlanta and Memphis NDCs.

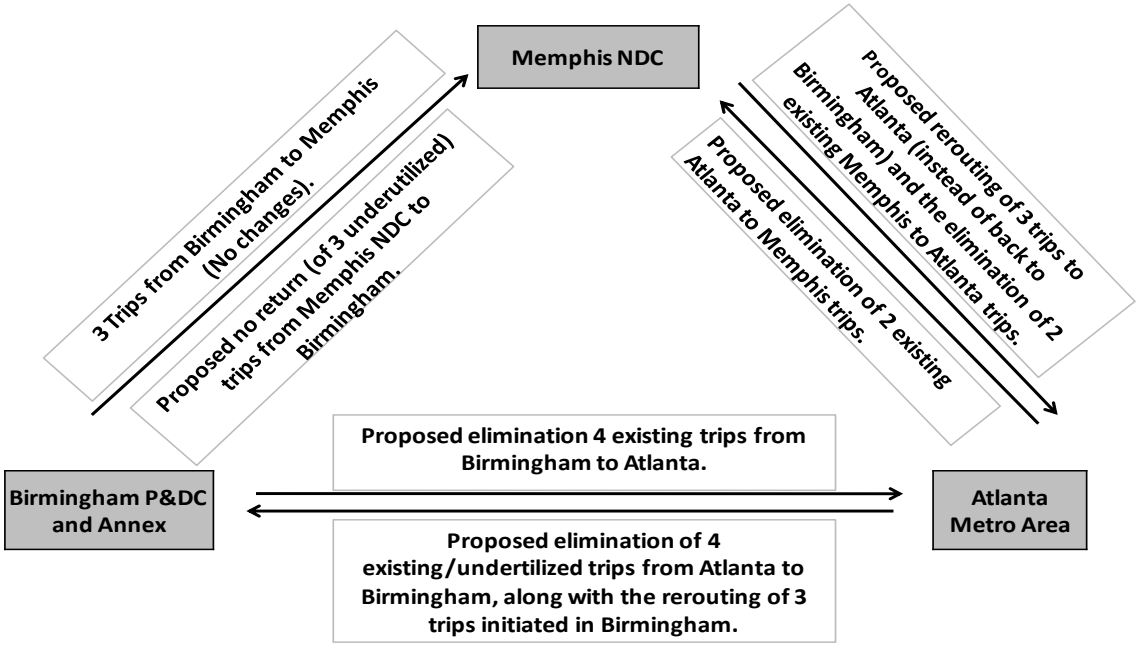
As a result of our analysis and observations, we propose a triangular approach as follows and shown in Figure 3. Specifically, we propose that management:

- Eliminate two round trips from the Atlanta Metro Area to the Memphis NDC.

- Eliminate three return trips from the Memphis NDC to the Birmingham area and, instead, reroute those trips from the Memphis NDC to the Atlanta NDC, then to the Birmingham area.

- Eliminate four round trips from the Atlanta NDC to the Birmingham area and place the mail for the Birmingham area on the triangle route (Birmingham - Memphis NDC - Atlanta NDC).

Figure 3. Proposed Daily Trips
Birmingham Area – Memphis NDC – Atlanta NDC Triangle Approach



Source: OIG analysis of current HCR trips associated with the Atlanta and Memphis NDCs.

In addition, we propose management eliminate one round trip from the Atlanta NDC to the Montgomery and place the mail on a triangle route (we do not show this routing in Figure 3 to simplify the illustration).

Finally, we propose reductions in other underutilized transportation lanes as follows:

- Eliminate one round trip between Atlanta and Huntsville.
- Eliminate one round trip between Atlanta and Mobile.
- Eliminate one round trip between Atlanta and Macon.
- Eliminate one round trip between Atlanta and Chattanooga.

We determined that the Postal Service could eliminate about 1.9 million miles and save about $2.8 million annually in HCR costs. We also determined the Postal Service could change these trips without negatively affecting on-time service performance.

Other Matters — Safety and Security Concerns

During our review of the loading and unloading of containers at the Atlanta and Memphis NDCs, we consistently observed a deficiency in the number of restraining straps used. In all of the trailer loadings/unloadings we observed, only two straps at the back end of the trailers were used to secure MTE rolling stock, thus increasing the risk of the load shifting during transportation and potentially causing a hazard.[15] Postal Service policy requires the use of two straps for every 10 feet.[16] Failure to secure mail containers in a moving vehicle could place Postal Service employees and contractors at risk, cause workplace injuries, and damage the mail. Furthermore, unsecured mail containers in moving trailers could endanger the general public if contents are spilled onto roadways (see Figure 4).

[15] Improperly restrained trailer loads of mail have resulted in unnecessary movement of containers within trailers, damaging containers and mail.
[16] Logistics Order LO200407, dated April 16, 2004, prescribes policies for safe loading and proper restraint during transportation of mail to facilities. In particular, the order states, “All vehicles transporting containers and pallets must have the load secured with two restraining devices about every 10 feet.”

Figure 4. Inadequate Number of Load Restraining Straps

A trailer with only two straps at the end of the load and no other straps restraining the rolling stock at the Atlanta NDC.
Source: OIG photograph taken March 5, 2013.

We also determined that MTE rolling stock pins were not being secured in the stake pockets available on the trailer bed floors, as shown in Figure 5. This increased the risk of the load not being properly restrained. Securing MTE rolling stock heavy with mail (such as over-the-road, or OTR, containers) in the stake pockets complies with safety procedures.

Figure 5. Large OTR Containers not Secured in Trailers at the North Metro P&DC

Trailer departing North Metro P&DC with OTR tow pins not in the stake pockets.
Source: OIG photographs taken August 9, 2012.

Recommendations

We recommend the vice president, Capital Metro Area:

1. Improve the efficiency of the Atlanta Network Distribution Center's mail processing operations by attaining the above-average median productivity level of 119 pieces per workhour by fiscal year 2016.

We also recommend the vice presidents, Southern, Capital Metro, and Eastern areas:

2. Realign, remove, and modify Highway Contract Route transportation associated with the Atlanta and Memphis network distribution centers, as identified in Appendix D.

3. Reinforce field compliance with network distribution center guidelines for properly sorting, labeling, and consolidating mail prior to transport.

4. Reinforce existing safety procedures requiring restraint of mail transport equipment rolling stock containers in trailers.

Management's Comments

Overall, management generally agreed to our findings and recommendations, except as noted below, related to productivity and transportation, and fully agreed with our finding and recommendation regarding safety and security concerns.

Management partially agreed with our findings related to mail processing productivity and the potential sources of workhour reductions we identified. Specifically, Capital Metro Area agreed with LDC 17 being a potential source of workhour reductions, but did not agree with our assessments of LDCs 13 and 14, because they were not based on Breakthrough Productivity Index (BPI).[17] Additionally, management stated that BPI scores were better able to rank NDCs productivities in relation to the varied processing, machinery, and operations; and the Atlanta NDC was performing well, given its limited processing machinery. Consequently, the Capital Metro Area only agreed to take actions to achieve about $3.6 million of the $10.4 million that could be achieved by full implementation of recommendation 1 by FY 2016.

Management generally agreed with our unnecessary and underutilized HCR transportation findings and targets implementation of all agreed upon transportation changes by October 2013. Management also provided written agreement for about $4.3 million of the $5.5 million that could be achieved by implementation of recommendation 2. The Southern Area disagreed with our recommended trip reductions

[17] Our productivity analyses were based on data from Management Operating Data System (MODS), the EDW, and the Web End-of-Run System.

associated with the triangular approach. Management stated that HCRs 350L5, 30195 and 30197 are required for mail class and volume purposes.[18]

Management fully agreed with our safety and security findings and recommendations 3 and 4. In August 2013, the Capital Metro Area intends to reinforce the applicable safety policies and require supervisors to periodically evaluate compliance. The Eastern and Southern areas agreed to have full implementation of these recommendations by September 2013. See Appendix E 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, with exceptions related to recommendations 1 and 2.

Regarding recommendation 1, we still believe our findings and related monetary impact are valid based on our assessment of productivity. The results of both the Postal Service's BPI analysis and our productivity analysis show similar opportunities for overall significant efficiency improvements and workhour savings. In fact, the BPI for FY 2012 indicated that the Atlanta NDC has 264,997 opportunity workhours available for improvement[19] versus the 130,391 we determined. Further, our productivity analysis showed the Atlanta NDC was 17 out of the 21 NDCs in TPH and NA productivity for FY 2012, and the BPI showed the Atlanta NDC was 16 of the 21 for the same function.

Capital Metro Area management also stipulated in their comments that the Atlanta NDC is not equipped with automated mail processing machinery that other NDCs have, and this negatively affects mechanized processing productivity. If management pursued the installation of this type of machinery in FY 2014, there would still be enough time to capture the workhour savings by the expected implementation date of recommendation 1.

We will work with Capital Metro Area management in closing out this significant recommendation and resolving the differences in monetary impact. We will also request the Capital Metro Area reconsider its partial disagreement with our finding that the Atlanta NDC used 130,391 more workhours than necessary based on our productivity analysis of LDC codes and its plans for more efficient equipment installation at the Atlanta NDC.

Regarding recommendation 2 and Southern Area management's disagreement with the triangular approach for three HCRs, we still believe our findings are valid based on our

[18] Southern Area management stated the trips "on HCR 350L5 are used to dispatch First-Class Mail between the Memphis STC and Birmingham, AL, and the trips on 30195 are required because the volume dispatch is higher from the Atlanta NDC to Montgomery, AL.

[19] The BPI also provides the potential sources of the 264,997 opportunity hours. For example, Mechanized Other Direct (LDC 13) had 50,456 opportunity hours reported and Other Manual Total (LDC 14) had 31,962 opportunity hours reported.

analysis of the trips. We determined that other transportation currently exists with sufficient space to accommodate the mail classes and volumes in question. HCR 350L5 has two STC return trips from the Memphis STC that can return STC volume to Birmingham and Montgomery facilities. Our review of the FY 2012 utilization for these two trips shows sufficient available space to move this mail.

We will work with Southern Area management in closing out this significant recommendation and resolving the differences in monetary impact. We will also request the Southern Area management reassess their disagreement of these trips since our trip and volume analysis shows that other transportation currently does exist with sufficient available space to accommodate the mail volumes in question.

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 Postal Service's NDCs are part of a national system consisting of 21 automated mail processing facilities linked by a dedicated transportation network. The system incorporates processing facilities and a transportation network dedicated to sorting and transporting bulk mail; Package Services, Standard Mail, and Periodicals. Network Operations is responsible for domestic mail processing and transportation networks.

After several years of declining mail volume, a changed mail mix, and mailers entering more mail near final destinations, much of the mail former BMCs processed has also declined significantly. Facing significant cost reduction targets and recognizing the opportunity to make better use of space in trailers being sent on long distance transportation routes, as well as opportunities to improve mail dispatching and processing operations, the Postal Service began developing an internal re-engineering effort to transform BMCs into NDCs.

In an effort to reduce costs and excess capacities, management reorganized the 21 facilities into NDCs with a three-tiered structure. NDCs would consolidate the processing and dispatching of mail to achieve economies of scale and greater operational efficiency to reduce workhours and transportation costs. The Postal Service saved over $111 million in transportation and processing costs based on the re-alignment. According to the NDC realignment plans, Tier 1 facilities send and receive mail to or from their Tier 2 NDCs. In May 2009, the Postal Service activated Phase 1 of the NDC concept. Implementation began in Atlanta in September 2009.

The Postal Service did the NDC implementation in phases, accelerating Phases II through IV being accelerated into implementation before completing, sufficiently analyzing, and properly evaluating Phase I. Manual sorting operations in and adjacent to dock operations at P&DCs and P&DFs were instituted. The manual operations are responsible for separating and consolidating mail for transport to Tier 2 NDCs.

In addition, management created an extra layer of transportation from Tier 1 service areas to the Tier 2 NDCs to accommodate transportation of the manually sorted Tier 1 mail. The extra layer of transportation added from the Atlanta NDC service area to the Memphis NDC for originating mail was planned to be efficient in only one direction – inbound to Memphis. See the map with all 21 NDCs by tier in Figure 6.

Figure 6. Location of NDCs Nationwide by Tier

Source: Postal Service Blue Pages – Network Operations.

Objective, Scope, and Methodology

The objective was to evaluate the efficiency of the Atlanta NDC mail processing and transportation operations. This report focuses on NDC processing and transportation at the Atlanta NDC, related processing and transportation at the Memphis NDC, and other feeder plants.

We performed this audit by comparing NDC productivity and evaluating the realignment of the transportation network. We identified the Atlanta NDC as having the potential for significant savings through improved efficiency of productivity and transportation. To maximize efficiency, the goal is to process and transport mail with the least amount of resources and still meet service timeframes.

To assess efficiency, we observed mail processing operations and transportation operations; analyzed mail volume and workhours; reviewed HCR transportation trailer utilization, and analyzed machine utilization. We conducted site visits to evaluate transportation utilization and processing at the Atlanta NDC, Atlanta P&DC, North Metro P&DC (in GA), and the Memphis NDC. We identified trips for consolidation, removal and rerouting. We interviewed Postal Service officials, and benchmarked achievement to target productivities with similar-sized plants. We calculated the TPH and non-TPH productivities for LDCs 13, 14, and 17 for FY 2012. We benchmarked the Atlanta NDC

against the NDCs that were above the median productivity. We calculated the difference between the Atlanta workhours and the median NDC workhours per LDC and the difference was the NDC workhour savings. The corresponding workhour costs were calculated leading to the workhour costs savings.

We also reviewed relevant Postal Service policies and procedures, interviewed managers and employees, observed and photographed operations, assessed mail container contents, and evaluated mail placarding (container labels).

We relied on Postal Service computer-processed data, including the MODS, the EDW, and the Web End-of-Run System to analyze mail volume and workhours. We also relied on HCR information from the Transportation Contract Support System and trailer utilization data from the Transportation Information Management and Evaluation System. We determined that the data used were sufficiently reliable for the purposes of this report.

We conducted this performance audit from April 2012 through August 2013 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 May 30, 2013, and included their comments where appropriate.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact
Efficiency Review of the Los Angeles Network Distribution Center	NO-AR-12-007	8/3/2012	$14,001,557
Report Results: Management agreed with the recommendation to improve operational efficiency by reducing workhours by 200,019 and disagreed with the associated workhour savings. They also agreed to provide more training, including employee oversight training, and improve the maintenance program and sorting operations.			
Atlanta Network Distribution Center — Postal Vehicle Service Operations	NL-AR-12-007	7/24/2012	$694,105
Report Results: Management generally agreed with the recommendations to ensure that the Atlanta NDC managers follow prescribed standard operating procedures for movement of trailers in the yard and periodically assess Postal Vehicle Service (PVS) spotter truck driver workload and staffing. They also agreed to the recommendation to reduce the 1,746 annual workhours associated with eliminating about 200 moves in the yard per week. Finally, they agreed to eliminate 6,984 annual workhours associated with improving PVS productivity to about 40 trailer moves in the yard per day.			
POSTAL SERVICE INITIATIVE: Consolidation of Mail for Transportation Between Network Distribution Centers	NL-AR-12-006	5/29/2012	$15,365,532
Report Results: Management generally agreed with our recommendations, but not our monetary impact, stating that they expanded the number of consolidation lanes in February 2012, would continue to pursue additional opportunities and a 2.5:1 utilization ratio, as well as evaluate the consolidation of mail bound for Puerto Rico. Management also stated they would conduct locally managed quarterly meetings with suppliers.			

Report Title	Report Number	Final Report Date	Monetary Impact
Network Distribution Center Activation Impacts	EN-AR-11-002	3/14/2011	$ 171,539,629

Report Results:
We made recommendations to ensure that trailer capacity is being optimized to eliminate excess capacity in the transportation network and to review trips in the NDC network for additional consolidation opportunities. Management agreed with the recommendations and continued to address the challenge of under-utilized transportation capacity.

Appendix B: Monetary Impacts

Recommendations	Impact Category	Annual Amount	Total Amount
1	Funds Put to Better Use[20]	$5,227,851	$10,455,702
2	Funds Put to Better Use	2,772,003	5,544,006
Total			**$15,999,708**

We estimate that the Postal Service could save about $16 million in funds put to better use in the next 2 years by implementing recommendations 1 and 2. For more information regarding these saving see the Detailed Transportation Analyses and Observations — Triangular Approach in Appendix D.

Recommendation 1 – We concluded that management could reduce workhours at the Atlanta NDC by achieving and maintaining an average productivity of all NDCs that are above-median productivity.

- We based the cost savings calculation on a reduction of 130,391 workhours phased in over a 6-month period multiplied by the escalated labor rate discounted over a 2-year period.
- We calculated the net present value using the discount rate of 2.3 percent over a 2-year period.
- We based labor rates on the Atlanta NDC Labor Utilization Reporting System for total Function 1.
- The yearly escalation factor is 1.7 percent, based on the Postal Service's Decision Analysis Factors effective November 2012.

The estimated annual savings for the first year would be about $5,227,851 (discounted for net present value). In summary, the total savings would be $10,455,702 over the next 2 years.

Recommendation 2 – This figure is the net result of reducing $5,544,006 in HCR transportation. We also found that overall transportation between the Atlanta and Memphis NDCs and transportation from some feeder processing plants to the Memphis NDC was underutilized. The Postal Service could save about $2.8 million in transportation costs annually by complying with NDC guidelines and combining or eliminating some trips (see Appendix C for further details).

[20] Funds that could be used more efficiently by implementing recommended actions.

Appendix C: Operational Analysis
Comparison to Other Network Distribution Centers

Comparing the Atlanta NDC to other NDCs provides a benchmark for operational efficiency. The Atlanta NDC's TPH and NA productivity ranks 17 of 21 NDCs as shown in Figure 1. Productivity for the Atlanta NDC decreased while national averages increased from FYs 2009 to 2012 (see Table 1). Variations in operations performed at the different NDCs require a review of the specific LDCs.[21] Raising the Atlanta NDC's productivity for these comparable operations to the above-median level would require a reduction of 130,391 workhours at existing first-handled pieces (FHP) levels.

Potential Sources of Workhour Reductions

We identified specific mail processing functions for which the Atlanta NDC could improve efficiency. Table 3 shows a complete breakdown of potential workhour savings by LDC. We calculated the potential workhour savings by raising Atlanta NDC productivity to the average productivity of all above-median NDCs. We calculated LDC 13 productivity as PPH, since mail volume is directly involved, calculated LDC 14 productivity as FHP, and calculated LDC 17 productivity as a percentage of total workhours, as they are ancillary functions.

Table 3. Summary of Potential Workhour Savings

LDC[22]	Potential Workhour Savings
LDC 13 – Mechanized Distribution	48,623
LDC 14 – Manual Distribution	37,027
LDC 17 – Allied Operations	44,741
Total	**130,391**

Source: EDW.

LDC 13 – Mechanized Distribution

The Atlanta NDC can improve the efficiency of its LDC 13 – mechanized distribution operation. Above-median NDCs processed, on average, 288 PPH during FY 2012, while the Atlanta NDC processed 233 PPH. Increasing the Atlanta NDC to the average of the above-median NDCs could save 48,623 workhours annually (see Table 4).

[21] The Postal Service compiles workhour, labor use, and other financial reports for management's use by functional category or LDC.
[22] The Postal Service uses LDC 13 to record mechanized distribution operations and LDC 14 to record manual sortation of letters and flats. LDC 17 records hours in allied operations or mail processing operations other than distribution including mail preparation, presort operations, opening, pouching, and platform operations.

Table 4. LDC 13 – Mechanized Distribution Potential Workhour Savings

	Above-Median Plants	Atlanta NDC
LDC 13 Volume	747,665,999	59,198,618
LDC 13 Workhours	2,598,637	254,378
LDC 13 Productivity	288 PPH	233 PPH
Atlanta NDC Target Workhours*[23]		205,755
Potential Workhour Savings		**(48,623)**

*The number of workhours necessary to raise Atlanta NDC productivity to the average of above-median NDCs.
Source: EDW.

LDC 14 – Manual Distribution

The Atlanta NDC has the opportunity to save workhours through improved efficiency of its LDC 14 – manual distribution operation. Above-median NDCs process, on average, 167 pieces per hour, while the Atlanta NDC processes 39 PPH. Increasing the Atlanta NDC to the average of the above-median NDCs could save 37,027 workhours annually (see Table 5).

Table 5. LDC 14 – Manual Distribution Potential Workhour Savings

	Above-Median NDCs	Atlanta NDC
LDC 14 Volume	40,855,287	1,853,797
LDC 14 Workhours	244,504	48,121
LDC 14 Productivity	167PPH	39PPH
Atlanta NDC Target Workhours*	11,094	
Potential Workhour Savings	**(37,027)**	

*The number of workhours necessary to raise Atlanta NDC productivity to the average of the above-median NDCs.
Source: EDW.

LDC 17 – Allied Operations

Allied operations provide another opportunity for the Atlanta NDC to reduce workhours. LDC 17 (or allied operations) include mail preparation — presort operations, opening, pouching, and platform operations. During FY 2012, the Atlanta NDC used over 50 percent of its processing workhours in LDC 17, while above-median NDCs, on average, used just over 44 percent of their workhours in allied labor. Reducing LDC 17

[23] We calculated Atlanta's target workhours by multiplying Atlanta's mail volume by median NDC productivity. The workhour savings is the difference between the target workhours and the Atlanta NDC workhours.

workhours by 44,741 would enable the Atlanta NDC to raise productivity to the average of the above-median NDCs (see Table 6).

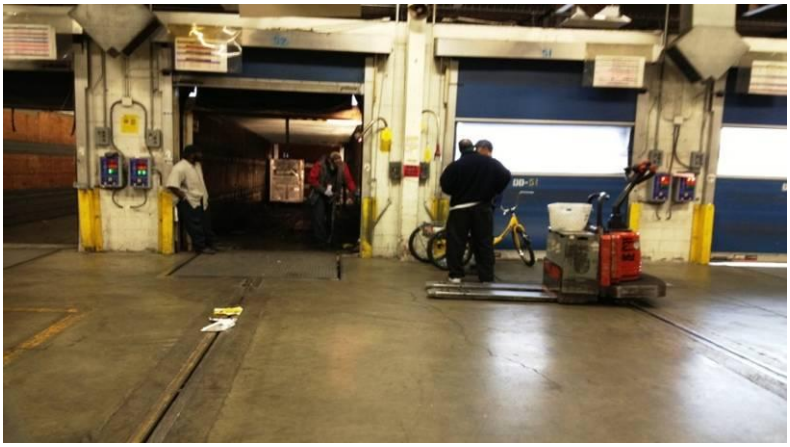
Table 6. LDC 17 – Allied Operations Potential Workhour Savings

	Above Median NDCs	Atlanta NDC
LDC 17 Workhours	9,210,015	776,367
Total Workhours	4,117,494	391,829
LDC 17 Percentage to Total Workhours	44.71%	50.47%
Atlanta NDC Target Workhours*	347,088	
Potential Workhour Savings	**(44,741)**	

*The number of workhours necessary to raise Atlanta NDC productivity to the average of above-median NDCs. (The Atlanta Workhours should be the same percentage as that of those of the above-median NDCs which, in this case is 44.71 percent.)
Source: EDW.

During our observations we noted idle employees, indicating productivity issues (see Figure 7 as an example).

Figure 7. Four Idle Employees at the Inbound Dock



Source: OIG photograph taken February 12, 2013.

Appendix D: Detailed Transportation Analyses and Observations — Triangular Approach

Based on our analyses of existing HCR transportation, we concluded that a triangular approach to this transportation could improve utilization by reducing the number of required trips (return trips) between and among the feeder sites of the Atlanta and Memphis NDCs. Table 7 summarizes the affected HCRs and the related transportation cost impacts. Note that there are nine HCRs for which we recommend reductions to the costs and mileage, and one for which we recommend a modest increase. The net savings identified is about $2.8 million annually.

Table 7: HCR Transportation Savings Based on the Triangular Approach

WORKSHEET	HCR	SEG	PRE MILEAGE	POST MILEAGE	MILEAGE CHANGE	PRE ANNUAL RATE	POST ANNUAL RATE	ANNUAL RATE CHANGE
HCR 1	350l5	a	[redacted]	[redacted]	34,676.7	$ [redacted]	[redacted]	$54,188.57
HCR 2	381y3	a	[redacted]	[redacted]	(396,560.4)	$ [redacted]	[redacted]	($589,403.03)
HCR 3	30095	a	[redacted]	[redacted]	(414,924.0)	$ [redacted]	[redacted]	($711,299.06)
HCR 4	30292	a	[redacted]	[redacted]	(121,228.0)	$ [redacted]	[redacted]	($156,851.98)
HCR 5	30197	a	[redacted]	[redacted]	(240,334.5)	$ [redacted]	[redacted]	($330,848.59)
HCR 6	30096	a	[redacted]	[redacted]	(73,949.1)	$ [redacted]	[redacted]	($122,691.79)
HCR 7	30194	a	[redacted]	[redacted]	(68,667.0)	$ [redacted]	[redacted]	($98,420.21)
HCR 8	381a0	a	[redacted]	[redacted]	(437,549.4)	$ [redacted]	[redacted]	($571,580.28)
HCR 9	350l5	a	[redacted]	[redacted]	(42,126.7)	$ [redacted]	[redacted]	($65,830.60)
HCR 10	30195	a	[redacted]	[redacted]	(112,497.0)	$ [redacted]	[redacted]	($179,266.28)
HCR 11	0	0			0.0	$ -		
HCR 12	0	0			0.0	$ -		
HCR 13	0	0			0.0	$ -		
HCR 14	0	0			0.0	$ -		
HCR 15	0	0			0.0	$ -		
TOTAL			**23,865,681.6**	**21,992,522.2**	**(1,873,159.4)**	**$ 41,598,450.04**	**$ 38,826,446.78**	**$ (2,772,003.26)**

Source: EDW.

Unnecessary and Underutilized Transportation

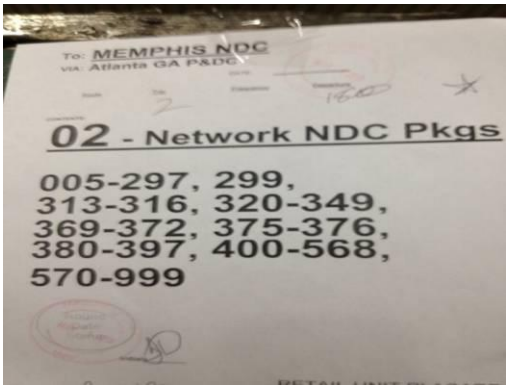
We observed some mail containers arriving at the Atlanta and Memphis NDCs from local plants and stations with local (Tier 1) and network (Tier 2) mail comingled.[24] In addition, we found that some machinable parcels[25] were commingled in containers with NMO parcels. We observed that the Atlanta local processing plants, retail units, and stations were not properly separating local and network mail, and the local plants were not separating the mail on the docks as required prior to sending it to the NDCs.

[24] Specifically, we found: RDC 01 (RDC Code 01 – Local NDC machinable Packages – Tier 1 Package Services) and RDC 02 (RDC Code 02 – Network NDC machinable Packages – Tier 2 Packages Services) mail comingled within individual mail containers with RDC 02 placards. Additionally, we found RDC 11 (Local NDC NMOs) and RDC 12 (Network NDC NMOs) mail comingled in containers with RDC 12 placards. RDC 01 and RDC 11 mail is supposed to be transported to the local NDC.

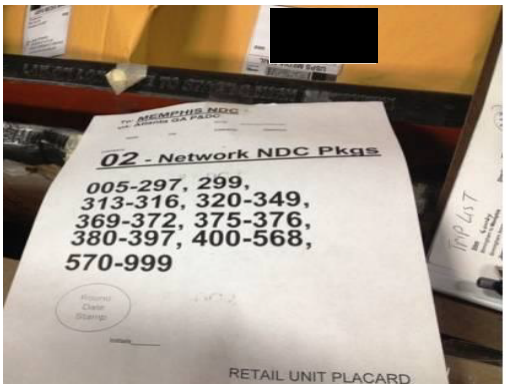
[25] An NMO is defined by the *Domestic Mail Manual* as "a parcel larger than 27" x 17" x 17" and heavier than 35 pounds, an irregularly shaped parcel, or an outside parcel."

Figures 8 and 9 show, respectively, a mail container from a retail unit with its placard containing the wrong mail and a mail container label prepared incorrectly.

Figure 8. Containers Improperly Labeled with a Retail Unit Placard



Retail Placards (labeled RDC 02 machinable parcels). MTE Labeling (MTEL) placards (which have a scannable barcode) should have been used.
Source: OIG photograph taken March 20, 2013, at the Atlanta P&DC.



Retail Placards (labeled RDC 02 (machinable parcels). MTEL Placards (which have a scannable barcode) should have been used.
Source: OIG photograph taken March 15, 2013, at the Memphis NDC.

Figure 9. Improper Container Labels for Mail to the Memphis NDC

The mailpiece (to the right of the retail placard label) that originated in Forest Park, GA, bound for Warner Robbins, GA, should have remained in Atlanta for processing by the Atlanta NDC.
Source: OIG photographs taken March 14, 2013, at the Memphis NDC.

We observed that Postal Service staff was not consolidating mail from stations and post offices in the Atlanta NDC area into MTE containers at the plant docks prior to sending them to the Atlanta and Memphis NDCs. Many of the containers were only 20 to 30 percent full and could have easily been combined on the docks of the plants. In

addition, we observed very low volumes of mail in trailers that should be combined, resulting in fewer HCR trips needed to transport the mail (see Figure 10).

Figure 10. Trailer and MTE Underutilization at the Plants

An MTE container that is underutilized (less than 10 percent capacity).
Source: OIG photograph taken March 20, 2013, at the Atlanta NDC.

An underutilized trailer, with fewer than 30 percent capacity (two straps were used.)
Source: OIG photograph taken February 13, 2013, at the Atlanta NDC.

An underutilized trailer, at about 50 percent capacity (two straps were used).
Source: OIG photograph taken February 13, 2013, at the Atlanta NDC.

Appendix E: Management's Comments

MANAGER, OPERATIONS SUPPORT
SOUTHERN AREA

UNITED STATES POSTAL SERVICE

July 31, 2013

JUDITH LEONHARDT
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Efficiency Review of the Atlanta Network Distribution Center – Processing and Transportation
(Report Number NO-AR-13-DRAFT)

Southern Area agrees with two of the three trip eliminations recommended in the report. The Area does not agree with any of the triangulation recommendations for the Alabama facilities to Memphis NDC or to the Atlanta NDC. In addition, the Area agrees to reinforce field compliance in labeling and dispatch discipline and in load restraint safety requirements.

Recommendation [2]: Realign, remove, and modify Highway Contract Route transportation associated with the Atlanta and Memphis Network Distribution Centers, as identified in Appendix D.

Management Response / Action Plan:

Southern Area does not agree with the triangulation recommendation or trip eliminations on HCR 350L5, 30195, and 30197. Trips on HCR 350L5 are used to dispatch First Class Mail between Memphis STC and Birmingham AL. Trips on HCR 30195 are required because the volume dispatch is higher from Atlanta NDC to Montgomery than it is from Montgomery to Atlanta NDC. In regards to HCR 30197, Capital Metro Area DN plans to adjust trips 805 and 806 to operate between Atlanta NDC and Gulfport MS due to current daily volume of 100%. The Southern Area, however, is in agreement with the following eliminations.

- On HCR 30095, the Area agrees to eliminate trips 801 and 802 and move the existing volume to trips 815 and 816, respectively. In addition, the Area agrees to eliminate trips 811 and 812 and move existing volume to trips 803 and 816, respectively. The Area also recommends revising times on trip 816 to reflect the last Birmingham departure. (See attached proposal.)

- The Area agrees to eliminate one round trip between Atlanta and Huntsville. On HCR 30292, eliminate trips 801 and 802 and adjust trip 804. Current TIMES data for HCR 30292 (trips 802, 804 and 806) shows 237% being dispatched from 357 to 30Z, which could be consolidated. (See attached proposal for HCR 30292.) Trip 803 is the DOV from the Atlanta NDC to Huntsville AL.

PO BOX 225459
DALLAS, TX 75222-5459
FAX: 214-905-9225

- The Area agrees to eliminate one round trip between Atlanta and Macon – current volume does not warrant five round trips. On HCR 30194, eliminate trips 805 and 806, move existing volume to trips 807 and 814, and change the frequency from DAILY to Q.

Target Implementation Date: October 2013

Responsible Official: Capital Metro Area is the Administrative Official of HCRs 30095, 30194, 30197, and 30292.

Recommendation [3]: Reinforce field compliance with Network Distribution Center guidelines for properly sorting, labeling, and consolidating mail prior to transport.

Management Response / Action Plan:

Southern Area will issue a memorandum to the Alabama District to reiterate the importance of properly sorting, labeling, placarding, and consolidating mail prior to dispatch in accordance with Dispatch and Routing Policies Handbook M-22.

Target Implementation Date: September 2013

Responsible Official: Manager, Network Operations (Area)

Recommendation [4]: Reinforce existing safety procedures requiring restraint of Mail Transport Equipment rolling stock containers in trailers.

Management Response / Action Plan:

Southern Area will reissue to the Alabama District the Load Restraint Reporting System Training. The training will be required by all dock employees in each processing facility. (See attached LRRS Training.)

Target Implementation Date: August 2013

Responsible Official: Manager, Network Operations (Area)

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

Eric D. Chavez

Attachments

cc: David E. Williams, Jr.
Mary T. Taylor
Linda M. Malone
John A. Darden
Manager, Corporate Audit and Response Management
Jo Ann Feindt
Chuck Smith

AREA VICE PRESIDENT
CAPITAL METRO AREA OPERATIONS

UNITED STATES POSTAL SERVICE

August 1, 2013

Judith Leonhardt
Director, Audit Operations

Subject: **Response to OIG Recommendations on Atlanta Network Distribution Center Efficiency on Operations and Transportation**

Thank you for the opportunity to respond to the Office of Inspector General audit of the Tier 1 Atlanta Network Distribution Center and our associated Tier 2 Memphis NDC, NO-AR-13-DRAFT.

The OIG found the below conditions resulted in unnecessary transportation of Atlanta NDC Local Service Area mail to Memphis NDC that required additional handling/workhours. Additionally, the OIG observed wasteful practice in MTE usage and in trip utilization. Management generally agrees with the recommendations in the audit except as discussed in our response to recommendation #1 as outlined below.

Recommendation #1
Improve the efficiency of the Atlanta Network Distribution Center's mail processing operations by attaining the above-average median productivity level of 119 pieces per workhour by fiscal year 2016.

Management Response/ Action Plan
Although opportunities exist to improve the efficiency of the Atlanta NDC's operations we find challenges in meeting the benchmark for operational efficiency assessed by the OIG as defined in this recommendation. The method that was used to make the comparison between NDCs in productivity and to calculate potential savings utilized the data from WebMODS. WebMODS provides the volumes processed and workhours used but it does not take into consideration which type of equipment mail is processed on and the target productivity for each equipment type. At the Atlanta NDC, we have no automated equipment and process mail on either Mechanized Equipment or manually.

Address: 16501 Shady Grove Road
Gaithersburg MD 20898-9998
Phone: 301-548-1410
Fax: 301-548-1434

LDC13:

- Atlanta NDC is not equipped with an APPS or an APBS machine/s for package processing. We process machineable packages on Parcel Sort Machine (PSM) while some other NDCs process the same type of mail on the APPS. The productivity capacity of the PMS is < 74% of the productivity capacity of a single APPS and < 52% of a Dual APPS machine. Comparing Atlanta NDC to other NDCs with more efficient processing equipment will not be accurate.

- Comparing the Atlanta NDC to other like NDCs around the country has to be based on BPI which factors in differences in; operations, size, and equipment set. At the end of FY-2012 Atlanta NDC finished 3rd at 83.69% BPI behind St Louis (92.51%) and Des Moines (88.84%), Atlanta ranks 4th among all NDCs in LDC 13 efficiency and overall productivity.

As seen from the table below, every NDC has a different type of equipment while some might work outgoing mail, others do not. This can have a significant impact on the level of achieved productivity and this is why it is important to use BPI when comparing the level of productivities rather than WebMODS.

UNITED STATES POSTAL SERVICE PROCESSING OPS

		PROCESSES						EQUIPMENT SET						
AREA	NDC INSTALLATION	Outgoing Parcels	Destinating Parcels	OG Priority	INC AIR Priority	INC Surface Priority	STC	FSS	AFSM 100	APPS	APBS	SPBS	HSTS	LCUS
CMA	Atlanta GA NDC		●		●	●	●						●	
CMA	Greensboro NC NDC	●	●								●		●	
CMA	Washington DC NDC		●		●	●	●			●			●	
EA	Cincinnati OH NDC		●	●	●	●				●			●	
EA	Memphis TN NDC	●	●		●	●							●	
EA	Philadelphia PA NDC	●	●	●	●	●		●	●	●			●	●
EA	Pittsburgh PA NDC	●	●	●	●	●								●
GLA	Chicago IL NDC		●				●			●	●		●	
GLA	Detroit MI NDC		●	●	●	●					●			
GLA	St Louis MO NDC		●		●	●					●		●	●
NEA	New Jersey Int'l NDC	●	●				●	●	●	●			●	●
NEA	Springfield MA NDC		●		●	●	●	●	●	●			●	●
PA	Los Angeles CA NDC		●		●	●	●						●	
PA	San Francisco CA NDC		●		●	●	●					●	●	
SWA	Dallas TX NDC	●	●		●	●					●		●	
SWA	Jacksonville FL NDC		●	●	●	●				●	●			●
WEA	Denver CO NDC		●		●	●				●			●	
WEA	Des Moines IA NDC	●	●		●	●			●		●		●	
WEA	Kansas City KS NDC		●	●	●	●				●			●	
WEA	Minneapolis MN NDC		●	●	●	●				●				●
WEA	Seattle WA NDC	●	●		●	●					●		●	

Updated 1.11.2013

LDC 14:

- In 2010 Atlanta NDC picked up the processing of Surface Destinating Priority Mail. Machineable Priority packages are processed on a PSM but Priority flats are processed manually. Due to the required scanning, our employees have to sort through the Priority flats to pull out pieces that have Delivery Confirmation label and scan them before the sorting can start. This requirement will result in much lower productivity than just simply sorting the mail piece. In addition, our facility has not been accurately reporting 31195 volumes that are being manually processed. IPS staff will be instructed to track and accurately report the manual flats and standard bundles volume so the proper credit is given for the work-hours utilized in LDC 14.

LDC 17:

- We agree with your report's assessment that opportunities to improve LDC 17 operation exist and our intentions are to seize upon these opportunities and aim to have a much better results in the next quarter or two depending on the outcome of some changes we intend to implement.

- First & foremost we intend to ensure that the accurate accounting of manually worked volume in operation 185, similar to the case in LDC 14 above, is taking place and again IPS will be tasked to ensure the proper workload is accurately reported for this operation. In addition, a review of the staffing & scheduling based on the number of PIVs necessary for the facility will be completed before the end of the year in order to ensure that workload availability & staffing requirements are aligned properly.

Target Implementation Date
End of Q4, FY 2013

Responsible Official
Atlanta NDC Plant Mgr

Recommendation #2
Realign, remove, and modify Highway Contract Route transportation associated with the Atlanta and Memphis Network Distribution Centers, as identified in Appendix D.

Management Response/ Action Plan
Your review pointed out the savings opportunities Atlanta NDC has in the area of transportation through consolidations. Below, please note some of the changes we are implementing by revamping some HCRs including details of those changes, savings and the effective dates we anticipate these changes to begin. The total savings from these changes totals $ 1,940,827.36, which are broken down by HCR as follow:

HCR 30095: Atlanta NDC to Birmingham P&DC:

- Recommend eliminating trips 801,802,811 and 812 due to underutilized.
- Add mail volume from trips 801 & 802 add to trips 815 & 816.
- Add mail volume from trips 811 & 812 add to trips 803 & 816.
- Modify dispatch time on trip 816.
- Estimate savings: $350,460.18
- Estimate effective date: September 7, 2013

HCR 300U1: Atlanta NDC to Birmingham Annex:

- Recommend eliminating trips 103,104,107 and 108.
- Add Atlanta NDC stop on HCR 350L5, trips 402 and 406.
- Estimate savings: $352,170.70
- Estimate effective date: September 7, 2013

HCR 30195: Atlanta NDC to Montgomery P&DC:

- Recommend eliminating trips 805 and 806.
- Add Atlanta NDC stop on HCR 350L0, trip 408
- Estimate savings: $174,208.90
- Estimate effective date: September 7, 2013

HCR 30197: Atlanta NDC to Mobile P&DC:

- Recommend eliminating trips 805 & 806 due to underutilized.
- Estimate savings: $325,577.48
- Estimate effective date: September 7, 2013

HCR 30194: Atlanta NDC to Huntsville P&DC:

- Recommend eliminating trips 805 & 806 due to underutilized.
- Add mail volume to trips 807 & 814 and modify frequency to Q.
- Estimate savings: $99,078.67
- Estimate effective date: September 7, 2013

HCR 30292: Atlanta NDC Huntsville P&DC:

- Recommend eliminating trips 801 & 802 due to underutilized.
- Modify dispatch time and frequency to daily on trips 803 & 804.
- Estimate savings: $157,626.63
- Estimate effective date: September 7, 2013

HCR 30096: Atlanta NDC to Chattanooga P&DC:

- Recommend eliminating trips 815 & 816 due to underutilized.
- Modify frequency to K on trips 807 & 808.
- Estimate savings: $124,704.14
- Estimate effective date: September 7, 2013

HCR 381A0: Atl NDC, Athens, No Metro, & Atl P&DC to Memphis NDC:

- Recommend eliminating trips 415 & 416 due to underutilized.
- Athens can dispatch Memphis mail to North Metro to crossdock to Memphis NDC on
- Trip 12 on HCR 30128.
- Estimate savings: $357,000.66
- Estimate effective date: September 7, 2013

Target Implementation Date
September 7, 2013

Responsible Official
Atlanta NDC Plant Mgr

Recommendation #3
Reinforce field compliance with Network Distribution Center guidelines for properly sorting, labeling, and consolidating mail prior to transport.

Management Response/ Action Plan
Atlanta Network Distribution Center always strives to improve efficiency, reduce workhours, and provide service to plants in our Local Service Area. When presented with the opportunities, we will take the initiatives to tackle these areas in an attempt to realize the potential service improvement and workhour savings.

Regarding field compliance with NDC Guidelines for properly sorting, labeling, and consolidating mail prior to transport we will complete the following:

- A letter will be sent to District Managers and Plant Managers within Atlanta NDC Local Service Area requesting compliance with NDC guidelines (see attached NDC Guidelines Letter).
- Atlanta NDC In-Plant Support staff will conduct periodic audit on proper mail prepped and placarding. Communication will be established with offending parties.
- Atlanta NDC Transportation staff will conduct periodic audit on MTE and trailer utilization. Communication will be established with offending parties.

Target Implementation Date
August 10, 2013

Responsible Official
Atlanta NDC Plant Mgr

Recommendation #4
Reinforce existing safety procedures requiring restraint of Mail Transport Equipment rolling stock containers in trailers.

Management Response/ Action Plan

- A letter will be sent to District Managers and Plant Managers within Atlanta NDC Local Service Area requesting compliance with existing safety procedures requiring restraint of MTE rolling stock containers in trailers (see attached Unsecured MTE Letter). Additionally the Atlanta NDC will be reissuing and hold safety talks with all employees involved with activities related to load/unloading MTE rolling stock containers, (see the attached SOP on the proper restraining of mail containers as well as the attached PDF file on the instructions of how to secure loads and restrain straps in "E" tracks).

- Also, Atlanta NDC Safety staff will conduct audit on compliance to existing safety procedures and ensure the attached instructions is followed. Communication will be established with offending parties to ensure compliance.

Target Implementation Date
August 10, 2103

Responsible Official
Atlanta NDC Plant Mgr

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

Thank you and please let me know if you have any questions.

David C. Fields

JOSHUA D. COLIN, PH.D.
VICE PRESIDENT, AREA OPERATIONS
EASTERN AREA

UNITED STATES POSTAL SERVICE

5315 CAMPBELLS RUN RD
PITTSBURGH PA 15277-7010
PHONE: 412-494-2510
FAX: 412-494-2582

August 2, 2013

MEMORANDUM FOR JUDITH LEONHARDT, DIRECTOR, AUDIT OPERATIONS

SUBJECT: Efficiency Review of the Atlanta Network Distribution Center – Processing and Transportation (Report Number [NO-AR-13-DRAFT])

The Eastern Area and Memphis NDC agree to the following transportation reductions outlined in this Audit.

Recommendation 1

Realign, remove, and modify Highway Contract Route transportation associated with the Atlanta and Memphis Network Distribution Centers, as identified in Appendix D.

Management Response/Action Plan:

Eliminate two round trips from the Atlanta Metro Area to the Memphis NDC on highway contract route 381A0. The Atlanta NDC is the administrative official on this route and will initiate the service change request.

Eliminate one round trip between the Memphis NDC and the Atlanta NDC highway contract route 381Y3 trips 803 and 804 will be eliminated. This will result in a savings of $158217.17.

Reduce frequency on highway contract route 381Y3 trips 807 and 808 from 6 to E1 time change. This will result in a savings of $29979.56.

Change frequency on highway contract route 381Y3 trips 805 and 806 from J6 to J7 needed service for Mondays and days after holidays. This will result in a cost of $5962.37

Target Implementation Date:

September 4, 2013

Responsible Official:

John Dmyterko, Sr. Network Operations Analyst

Recommendation 2

Reinforce field compliance with Network Distribution Center guidelines for properly sorting, labeling, and consolidating mail prior to transport.

Management Response/Action Plan:

The Manager of Transportation and Networks at the Memphis NDC will be responsible in necessary actions to ensure that sufficient number of restraining straps are used in accordance with Postal Service policy of two straps for every 10 feet.

Target Implementation Date:

September 4, 2013

Responsible Official:

Marguerita Edwards, Manager Transportation Networks, Memphis NDC

Recommendation 3

Reinforce existing safety procedures requiring restraint of Mail Transport Equipment rolling stock containers in trailers.

Management Response/Action Plan:

Plant Manager of the Memphis NDC, Justin Glass will be responsible for reinforcement of field compliance with Network Distribution Center guidelines for properly sorting, labeling, and consolidating mail prior to transport.

Target Implementation Date:

September 4, 2013

5315 Campbells Run Rd
Pittsburgh PA 15277-7010
Phone: 412-494-2510
Fax: 412-494-2582

Responsible Official:

Justin Glass, Plant Manager, Memphis NDC

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

Joshua D. Colin, Ph.D.
Vice President, Eastern Area Operations

cc: David E. Williams, Jr.
Mary T. Taylor
Linda M. Malone
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