



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

**Nationwide Analysis of Tier 1
Network Distribution
Centers – Postal Vehicle
Service Operations**

Audit Report

September 27, 2013

Report Number NO-AR-13-008

September 27, 2013



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

**Nationwide Analysis of Tier 1 Network
Distribution Centers – Postal Vehicle
Service Operations**

HIGHLIGHTS

Report Number NO-AR-13-008

BACKGROUND:

U.S. Postal Service network transportation using Postal Service vehicles and employees is called Postal Vehicle Service (PVS). PVS operations at Network Distribution Centers (NDCs) include yard operations where drivers use specific trucks to move trailers and equipment in or around a facility yard (spotting). Headquarters provides nationwide oversight of PVS operations and area vice presidents are responsible for the local implementation of efficient PVS operations, including ensuring required annual vehicle utilization reviews are performed and enforcing established yard move productivity standards.

Our objective was to identify issues requiring nationwide attention based on the results of our prior work, which identified PVS staffing and safety inefficiencies at four Tier 1 NDCs. Tier 1 NDCs process destinating bulk mail and originating turn-around bulk mail for their service area. They also send and receive mail from Tier 2 NDCs, which serve as consolidation and transfer points. There are 11 Tier 1 NDCs nationwide.

WHAT THE OIG FOUND:

Postal Service Headquarters needs to enforce nationwide compliance and oversight of PVS trailer move standards to improve efficiency at Tier 1 NDCs. In our previous audits, we found PVS

drivers averaged 27 moves a day, significantly below the 40 moves per driver per day standard. This occurred because local managers at four Tier 1 NDCs were not conducting annual PVS schedule and vehicle utilization reviews. In this audit, we found PVS drivers averaged 28 moves at six of seven Tier 1 facilities. Strengthening nationwide compliance and oversight would ensure that managers efficiently match workhours with workload. We estimate this would save the Postal Service about \$1.5 million in PVS transportation costs annually. We also found in our previous audits that drivers were not consistently wearing safety belts when conducting PVS operations.

WHAT THE OIG RECOMMENDED:

We recommended the vice president, Network Operations, require the six Tier 1 NDCs identified in this report to conduct an assessment of driver workload and staffing and make appropriate adjustments to workhours based on compliance with yard move productivity standards. In addition, the Postal Service should ensure these Tier 1 NDCs annually assess PVS driver workload and staffing requirements. Finally, we recommended the Postal Service ensure that NDC managers enforce using seat belts and monitor compliance.

[Link to review the entire report](#)



September 27, 2013

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

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

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

SUBJECT: Audit Report – Nationwide Analysis of Tier 1 Network
Distribution Centers – Postal Vehicle Service Operations
(Report Number NO-AR-13-008)

This report presents the results of our audit of the Nationwide Analysis of Tier 1 Network Distribution Centers – Postal Vehicle Service Operations (Project Number 13WG009NO001).

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

Attachment

cc: Corporate Audit and Response Management

TABLE OF CONTENTS

Introduction	1
Conclusion	2
Enforcing Trailer Move Standards to Improve Efficiency.....	2
Safety Concerns.....	4
Recommendations	4
Management’s Comments	5
Evaluation of Management’s Comments.....	5
Appendix A: Additional Information	6
Background	6
Objective, Scope, and Methodology	8
Prior Audit Coverage	11
Appendix B: Summary of Findings at Four Tier 1 Network Distribution Centers Previously Audited.....	13
Appendix C: Monetary Impacts	14
Appendix D: Management's Comments	15

Introduction

This report presents the results of our self-initiated audit of the Nationwide Analysis of Tier 1 Network Distribution Centers (NDCs) — Postal Vehicle Service (PVS) Operations (Project Number 13WG009NO001). The U.S. Postal Service Office of Inspector General (OIG) initiated this audit based on the results of our prior audits that focused on PVS operations at four NDCs.¹ The objective was to identify issues requiring nationwide attention based on the results of our prior work (see the [Prior Audit Coverage](#) section of this report), which identified PVS staffing and safety inefficiencies at four Tier 1 NDCs. Tier 1 NDCs process destinating bulk mail and originating turn-around bulk mail for their service areas and send and receive mail from Tier 2 NDCs, which serve as consolidation and transfer points. There are 11 Tier 1 NDCs nationwide. See [Appendix A](#) for additional information about this audit.

U.S. Postal Service network transportation using Postal Service vehicles and employees is called PVS. Because PVS operations are local, they are managed at the facility level under guidance from district, area, and headquarters transportation officials. PVS activities at NDCs include yard operations, which is the movement of trailers and equipment in or around a facility yard (spotting), typically to and from the facility dock doors. This movement of trailers is performed by PVS drivers using spotter trucks² (see Figure 1).

Figure 1. Spotter Truck at Washington, DC NDC



Source: OIG photograph taken August 16, 2012.

¹ The four facilities we visited were the Atlanta, St. Louis, Washington, DC, and Springfield NDCs.

² Spotters are heavy duty trucks used to move trailers within an NDC yard operation.

Postal Service Headquarters provides oversight of PVS operations nationwide and area vice presidents are responsible for the local implementation of efficient PVS operations, including conducting annual vehicle utilization reviews and enforcing established yard move productivity standards. The standards specify that drivers (tractor-trailer operators) complete 40 trailer moves in an 8-hour period.

Conclusion

Postal Service Headquarters management needs to enforce nationwide compliance and oversight of PVS trailer move standards at Tier 1 NDCs. In our previous audits, we found that PVS drivers averaged 27 moves a day, which is significantly below the 40 moves per driver per day standard. This occurred because local managers at four Tier 1 NDCs were not conducting annual PVS schedule and vehicle utilization reviews. In this review, we likewise found PVS drivers averaging 28 moves at six of the seven Tier 1 NDCs. Taking nationwide action to strengthen compliance and oversight would ensure managers more efficiently staff operations, match workhours with workload, and reduce driver workhours. By making these changes nationally, we estimate the Postal Service could save about \$1,498,530 annually in PVS transportation costs. We also found in our previous reviews that drivers were not consistently following prescribed safety procedures by wearing safety belts when conducting PVS operations.

Enforcing Trailer Move Standards to Improve Efficiency

According to Postal Service requirements,³ Postal Service officials are required to conduct PVS schedule and vehicle utilization surveys (reviews) at least annually. Surveys are completed to determine that:

- The full-service requirement is met with the minimum number of postal-owned and leased vehicles or other contractual services.
- Required service is provided with the fewest possible number of vehicle hours used and miles operated.
- All vehicle usage is integrated to the maximum extent ensuring optimization and avoiding duplication and overlapping of service.

We found NDC management could make operations more efficient by holding PVS drivers to a standard of 40 moves⁴ per workday for each driver according to established productivity standards. NDC PVS yard move operation productivity standards were recognized in 2005 in the Postal Service's Breakthrough Productivity Initiative.⁵ This equates to one driver accomplishing 200 trailer moves in an NDC yard during a 40-hour

³ *Handbook PO-701 Fleet Management*, March 1991.

⁴ A move consists of moving trailers and equipment from one location to another in the NDC yard.

⁵ The breakthrough productivity initiative was initiated to drive costs out of the Postal Service while creating continuous improvement capability.

work week. The standards specify that drivers (tractor-trailer operators) are expected to complete 40 trailer moves in an 8-hour period.⁶

As part of our prior audits, we reviewed 197,315 trailer moves at the four facilities reviewed. At all four NDCs, PVS drivers averaged less than 40 trailer moves per workday (see Table 1). We conducted observations and analyzed operational workload data⁷ and confirmed that the established productivity standard of 40 moves per day was reasonable and attainable for PVS drivers at all facilities reviewed. We found productivity standards were not met because NDC managers did not fully assess workload and staffing requirements. See [Appendix B](#) for additional details of our prior findings on yard move standards at the previously audited NDCs.

Table 1. Average Moves Per Driver Per Day

Facility	Average Weekly Moves	Drivers	Average Move Per Driver Per Week	Average Move Per Driver Per Day
Atlanta NDC	1,805	11	164	33
Springfield NDC	3,743	28	134	27
St. Louis NDC	1,657	15	110	22
Washington, DC NDC	1,611	12	134	27

Source: OIG analysis.

Based on our findings at the four NDCs, we performed a data analysis of the remaining Tier 1 NDCs, regarding the number of trailer moves per driver per 8-hour day. We found that the remaining facilities, except for the Minneapolis/St. Paul NDC,⁸ also have opportunities to improve trailer move efficiency (see [Table 2](#)).

⁶ Headquarters and senior area transportation managers have explained that this productivity standard was reasonable and appropriate.

⁷ Our analysis also included PVS driver workload associated with the Surface Transfer Center (STC), which is located within the NDC facility and is supported by the drivers.

⁸ While the data shows that the Minneapolis/St. Paul NDC far exceeds the 40 yard moves per driver per day, further assessment may be necessary to validate the data given the high number of moves per hour identified and to identify any best practices that might be employed at the facility to improve yard moves at other facilities.

Table 2. Average Moves Per Driver Per Day

Facility	Average Weekly Moves	Drivers	Average Move Per Driver Per Week	Average Move Per Driver Per Day
Chicago NDC	4,408	45	98	20
Cincinnati NDC	1,719	15	115	23
Detroit NDC	1,383	11	126	25
Kansas City NDC	1,737	9	193	39
Minneapolis/St. Paul NDC	3,105	10	311	62
Philadelphia NDC	2,508	17	148	30
San Francisco NDC	2,266	16	142	29

Source: OIG analysis.

Safety Concerns

We also found that Postal Service Headquarters management needs to ensure local oversight and compliance with safety policies for PVS drivers. During our fieldwork, we observed some PVS drivers at three of the four facilities visited not wearing safety belts while driving in the NDC yard, as required. Postal Service policy states “drivers must wear safety belts whenever the vehicle is in motion.” We determined this occurred because management was not always enforcing the required safety policy. Therefore, management needs to consistently reinforce Postal Service policy on safety belt use.

Recommendations

We recommend the vice president, Network Operations:

1. Require the six Tier 1 Network Distribution Centers identified in the report conduct an assessment of driver workload and staffing and make appropriate adjustments to workhours based on compliance with yard move productivity standards.
2. Ensure Tier 1 Network Distribution Centers annually assess Postal Vehicle Service driver workload and staffing requirements.
3. Reemphasize the safety policy that Postal Vehicle Service drivers must wear safety belts whenever their vehicles are in motion and provide oversight for enforcement.

Management's Comments

Management agreed with the findings, recommendations, and monetary impact. In response to recommendation 1, the six Tier 1 NDCs are required to assess their PVS spotter driver workload after they complete the Zero Base review in October 2014. The target completion date for this recommendation is January 1, 2015.

In response to recommendation 2, and as mentioned in response to recommendation 1, after the Zero Base reviews are complete, driver workload will be analyzed and adjusted as necessary to meet the productivity minimum of 40 moves per 8 hours. The target completion date for this recommendation is January 1, 2015.

In response to recommendation 3, management will issue a letter to the field emphasizing the proper use of seat belts, chock blocks, and load restraints. The target completion date for this recommendation is September 30, 2013.

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.

The OIG considers recommendations 1 and 2 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

PVS Operations. Postal Service network transportation that uses Postal Service vehicles and employees is called PVS. Management typically assigns PVS vehicles and personnel to Postal Service network facilities, such as NDCs or Processing and Distribution Centers in or near metropolitan areas. PVS operations typically include yard operations in which PVS drivers use spotter trucks (see [Figure 1](#)) to move or ‘spot’ trailers and equipment in or around a facility yard, typically a NDC yard. Postal Service Headquarters provides oversight of PVS operations nationwide. Area vice presidents are responsible for local implementation of this guidance and local monitoring of compliance with policies governing PVS operations, including conducting annual vehicle utilization reviews and enforcing established yard move productivity standards.

PVS is capital- and personnel-intensive. Nationwide, PVS capital assets include about 1,931 cargo vans, 2,143 tractors (including spotter tractors), and 3,705 trailers. The Postal Service has about 5,795 PVS drivers. The American Postal Workers Union represents PVS drivers and support personnel.

NDC Network. In 2009, the Postal Service reorganized its 21 Bulk Mail Centers⁹ 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 and reduce workhours and transportation costs. Only four of the 11 Tier 1 sites have seen a reduction in workhours. See Table 3 for fiscal year fiscal year (FY) 2012 PVS driver hours.

Table 3. Tier 1 NDC Sites PVS Driver Hours

Facility	Total Actual PVS Driver Hours in FY 2012	Total Planned PVS Driver Hours in FY 2012	Difference
Atlanta NDC*	25,035	22,399	2,636
Chicago NDC	51,298	46,785	4,513
Cincinnati NDC	26,083	29,754	-3,671
Detroit NDC	20,134	19,372	762
Kansas City NDC	16,296	15,840	456
Philadelphia NDC	36,521	38,440	-1,919

⁹ 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 (FCM) 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 STC operations that handle significant volumes of FCM and Priority Mail.

Facility	Total Actual PVS Driver Hours in FY 2012	Total Planned PVS Driver Hours in FY 2012	Difference
San Francisco NDC	30,249	33,872	-3,623
Springfield NDC*	87,294	76,110	11,184
St. Louis NDC*	26,849	25,986	863
Washington, DC NDC*	20,296	24,857	-3,931

Source: OIG analysis.

*Facilities we reviewed.

NDCs are categorized as Tier 1, Tier 2, or Tier 3, depending on what operations their employees perform. All 21 NDCs perform at least the Tier 1 functions. Tier 2 and 3 NDCs act as transfer and consolidation points for other NDCs as well. There are 11 Tier 1 NDC facilities. The Tier 1 facilities have a greater opportunity for efficiencies because of their limited processing and transportation functions. See [Figure 2](#) to see where the NDC facilities are located.

four Tier 1 NDCs reviewed. We determined there were no nationwide, reportable issues related to trailer loading and unloading, but identified trailer loading issues at two facilities. Detailed observations at each facility would be necessary to assess the requirements nationwide. Recommendations were made to address those issues locally.

To accomplish our nationwide objective, we reviewed prior work at four Tier 1 NDCs and identified systemic issues requiring attention. During our work, we interviewed Postal Service officials at headquarters and reviewed relevant Postal Service policies and procedures.

At the four NDCs previously audited, we interviewed managers and employees, and observed and photographed operations.

Figure 3. Spotter Truck Moving Trailer at the St. Louis NDC Yard



Source: OIG photograph taken May 16, 2012.

For those facilities, we also obtained computer-generated data from the Yard Management System (YMS) for a specific period of time for each facility showing the PVS yard operational workload (trailer moves) for NDC operations at the facility. We identified and examined 197,485 trailer moves for the period during which each facility was reviewed. We examined this workload with a previously established Postal Service productivity standard of 40 moves per day (five moves per hour) for PVS driver operations. We assessed the reliability of YMS data by observing PVS drivers moving trailers in each NDC yard and compared that to the YMS spotter move report.

We concluded the data were accurate and reliable. We also verified the accuracy of the data of both YMS and Vehicle Information Transportation and Logistics through discussions with Postal Service officials knowledgeable about the data and the system that produced the data. We determined that the data were sufficiently reliable for the purposes of this report.

This nationwide report focuses on PVS operations at Tier 1 NDC facilities only. As part of this nationwide review, we analyzed yard move data for the remaining Tier 1 NDCs to determine whether opportunities existed to improve efficiency at those facilities. We did not visit the remaining seven NDCs and could not validate the results of our analysis.

We conducted this performance audit from June through September 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 August 21, 2013, and included their comments where appropriate.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Springfield Network Distribution Center – Postal Vehicle Service Operations</i>	NO-AR-13-006	8/26/2013	\$1,570,135
<p>Report Results: The OIG identified 20,280 unnecessary workhours during the audit at the Springfield NDC and management initiated the elimination of 11,657 excess workhours. We recommended NDC managers periodically assess PVS workload and staffing requirements to maintain appropriate staffing levels. In addition, we recommended management reemphasize the safety policy on the use of safety belts while a vehicle is in motion. Management generally agreed with our findings and recommendations.</p>			
<i>Washington Network Distribution Center – Postal Vehicle Service Operations</i>	NO-AR-13-001	3/21/2013	\$4,767,190
<p>Report Results: The OIG identified 3,492 unnecessary workhours that management should eliminate and recommended NDC managers periodically assess PVS workload and staffing requirements to maintain appropriate staffing levels. In addition, we recommended management follow prescribed procedures for making highway contract routes efficient and verify eliminating or modifying 60 trips identified during our audit and emphasize and enforce that drivers wear safety belts, repair exterior doors' badge readers and locks, and ensure that exterior doors are not left open. Management generally agreed with our findings and recommendations.</p>			

Report Title	Report Number	Final Report Date	Monetary Impact
<i>St. Louis Network Distribution Center – Postal Vehicle Service Operations</i>	NL-AR-12-008	9/21/2012	\$598,948
<p>Report Results: The OIG identified 6,984 unnecessary workhours and had an agreement with the St. Louis NDC to phase out the workhours. NDC managers need to periodically assess PVS workload and staffing requirements to maintain appropriate staffing levels. In addition, we recommended management reemphasize the safety policy on the use of safety belts while a vehicle is in motion. Management generally agreed with our findings and recommendations.</p>			
<i>Atlanta Network Distribution Center – Postal Vehicle Service Operations</i>	NL-AR-12-007	7/24/2012	\$694,105
<p>Report Results: The OIG identified 8,730 unnecessary workhours. We recommended management eliminate 6,984 workhours and NDC managers periodically assess PVS workload and staffing requirements. Also, we recommended management eliminate an additional 1,746 workhours by following prescribed standard operating procedures for movement of trailers in the yard to maintain appropriate staffing levels. Management generally agreed with our findings and recommendations.</p>			

Appendix B: Summary of Findings at Four Tier 1 Network Distribution Centers Previously Audited

Our prior audits of the Atlanta, St. Louis, Washington, DC, and Springfield NDCs found that NDC management could make PVS driver operations more efficient by holding PVS drivers to a standard of 40 moves per workday for each driver according to established productivity standards. We also determined that, although all four of the Tier 1 NDC facilities were efficiently unloading inbound mail from trailers as they arrived at the facility yard, they did not always effectively load the trailers for direct movement from the facility yard. We assessed workhours, workload, and costs associated with making the operations more efficient and estimated that the facilities could reduce PVS driver workhours by 37,740, with a cost of \$1,632,752 in transportation savings annually. The findings are summarized in Table 5.

Table 5. Summary of Results of Tier 1 NDC Yard Moves

NDCs Visited in Prior Audits	Spotter Productivity Finding	Number of Spotter Drivers at Facility
Atlanta	Reduction of 6,984 workhours totaled \$277,642 in savings annually.	13
St. Louis	Reduction of 6,984 workhours totaled \$298,974 in savings annually.	15
Washington, DC	Reduction of 3,492 workhours totaled \$271,075 in savings annually.	12
Springfield	Reduction of 20,280 ¹³ workhours totaled \$785,061 in savings annually.	58 ¹⁴

Source: OIG analysis.

¹³ Includes 11,657 hours of Postal Service-initiated changes to routes during the performance of our audit.

¹⁴ The Springfield NDC not only has dedicated spotters conducting spotter activity, but it also uses PVS drivers to conduct moves during their regular schedule, as well as other duties.

Appendix C: Monetary Impacts

Based on the results achieved at the four facilities, the monetary savings were totaled and projected over the 11 Tier 1 NDC sites. We then subtracted the results from the four sites already reviewed and averaged the savings for a 1-year period to account for the savings in this report. We determined that management could phase out 27,643 workhours by following established productivity standards, saving the Postal Service \$1,498,530 annually (\$2,997,060 over 2 years).

Recommendation	Impact Category	Amount
1	Funds Put to Better Use ¹⁵	\$2,997,060

The standard OIG practice for calculations of this type employs a 10-year cash flow methodology, discounted to present value by applying factors published by Postal Service Headquarters Finance. To be conservative in our cost savings estimate, we have projected savings over 2 years because of the Postal Service's current financial condition and its plans to restructure operations. This estimate was calculated by our experts using a conservative statistical sample. The savings are what we would have expected to find at the other seven sites had we reviewed their operations.

¹⁵ Impact Category: funds that could be used more efficiently by implementing recommended actions.

Appendix D: Management's Comments

DAVID E. WILLIAMS
VICE PRESIDENT, NETWORK OPERATIONS



September 13, 2013

JUDITH LEONHARDT
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Nationwide Analysis of Tier 1 Network Distribution Centers – Postal
Vehicle Service Operations
(REPORT NUMBER NO-AR-13-DRAFT)

Thank you for the opportunity to respond to the recommendations contained in Draft Audit Report – Nationwide Analysis of Tier 1 Network Distribution Centers – Postal Vehicle Service Operations (Report Number NO-AR-13-DRAFT). Management agrees with the recommendations in the audit and will address each separately below.

Recommendation 1:

Require the six Tier 1 Network Distribution Centers identified in the report conduct an assessment of driver workload and staffing and make appropriate adjustments to workhours. These adjustments should ensure compliance with yard move productivity.

Management Response/Action Plan:

Management agrees with this recommendation. The six Tier 1 Network Distribution Centers (NDCs) are required to assess their Postal Vehicle Service (PVS) Spotter driver workload after their Zero Base review is completed by October 1, 2014. The reviews are planned to reveal contemporary Spotter movement requirements for all PVS drivers assigned to a NDC and in alignment with PVS yard move productivity standard at all NDCs of 40 moves during their eight hour assignment. All NDC drivers are required to record their work hours in Operation 766. Operation 766 work hours and corresponding productivity should be reviewed daily by management, with appropriate adjustments to their local staffing matrix as necessary. The Zero Base review activities and implementation plans are itemized in Project Management templates and further tracked by the Network Operations Project Management Office for on-time completion.

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Target Completion Date:

January 1, 2015

Responsible Official:

Manager, Surface Transportation Operations

Recommendation 2:

Ensure Tier 1 Network Distribution Centers annually assess Postal Vehicle Service driver workload and staffing requirements as required.

Management Response/Action Plan:

Management agrees with this recommendation. All Network Distribution Centers (NDCs) are required to perform an in-house Zero Base Review by October 1, 2014. As stated above, after the reviews are completed, driver workload (spotter productivity) will be analyzed and adjusted as necessary to meet the productivity minimum of 40 moves per 8 hours of operational time in Operation 766. The reviews are required to be performed annually, or when there are major operational changes that require transportation adjustments.

Target Completion Date:

January 1, 2015

Responsible Official:

Manager, Surface Transportation Operations

Recommendation 3:

Reemphasize the safety policy that the Postal Vehicle Service drivers must wear safety belts whenever their vehicles are in motion and provide oversight for enforcement.

Management Response/Action Plan:

Management agrees with this recommendation. A letter will be issued to the field emphasizing the proper use of seat belts, chock blocks and load restraints. It is local management's responsibility to inform their drivers that seat belts are required to be used at all times the vehicle is in motion, including all spotter movement at Postal Service yards.

Target Completion Date:

September 30, 2013

Responsible Management Official:

Manager, Surface Transportation Operations

Additionally, we have reviewed the projected savings of \$1,498,530 annual savings and agree that savings are available; however, a better estimate of savings will be known after the Zero Base reviews are completed at the Tier 1 NDCs.

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



David E. Williams

cc: Sally K. Haring
Corporate Audit and Response Management