



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

The Removal and Disposal of Capital Property – Atlanta Network Distribution Center

Management Advisory Report

December 5, 2013

Report Number NO-MA-14-002

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**INSPECTOR
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UNITED STATES POSTAL SERVICE

HIGHLIGHTS

The Removal and Disposal of Capital Property – Atlanta Network Distribution Center

Report Number NO-MA-14-002

BACKGROUND:

In 2009, the U.S. Postal Service began reorganizing its 21 bulk mail centers into network distribution centers (NDCs). NDCs are part of a national system consisting of 21 facilities dedicated to processing and transporting bulk mail, including Package Services, Standard Mail, and Periodicals. In 2010, the Postal Service closed the Atlanta Surface Transfer Center and moved its functions into the Atlanta, GA NDC. Surface transfer centers are mail consolidation and redistribution facilities used primarily to increase vehicle capacity and utilization.

Due to the move, 35 mail loaders formerly used by the Atlanta NDC were removed to free up floor space for surface transfer center operations. Mail loaders load and unload containers the Postal Service uses to transport mail within its facilities and throughout the country.

Our objective was to determine whether the disposal of mail loaders at the Atlanta NDC was performed under established procedures.

WHAT THE OIG FOUND:

Management did not properly dispose of 20 of the 35 mail loaders at the Atlanta NDC. This occurred because some

Atlanta NDC management and staff did not receive training on capital property disposal policies. We determined that personnel involved in disposal of this property did not document efforts to trade in the equipment to the vendor, sell the equipment, use its parts for other equipment, or recycle it prior to disposal. Instead, we found the equipment was listed as retired property in the Postal Service's accounting records with retirement classifications noted as "loss or theft," "destroyed," or "not found." Ultimately, we could not determine what became of this equipment. We made referrals to our Office of Investigations.

We estimated the Postal Service lost at least \$26,700 in scrap value for this equipment. We also determined this equipment could have been replacement parts at the Atlanta NDC or other NDCs, potentially avoiding additional costs.

WHAT THE OIG RECOMMENDED:

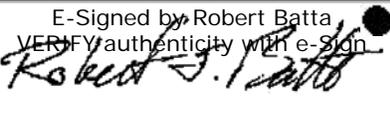
We recommended the vice president, Capital Metro Area, ensure Atlanta NDC officials provide training on capital equipment disposal policies.

[Link to review the entire report](#)



December 5, 2013

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

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


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

SUBJECT: Management Advisory Report – The Removal and Disposal
of Capital Property – Atlanta Network Distribution Center
(Report Number NO-MA-14-002)

This report presents the results of our review of the Removal and Disposal of Capital Property at the Atlanta Network Distribution Center (Project Number 13XG038NO000).

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: Corporate Audit and Response Management

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Introduction

This report presents the results of our self-initiated review of the U.S. Postal Service's removal and disposal of mail loader capital property equipment at the Atlanta Network Distribution Center (NDC) (Project Number 13XG038NO000). Our objective was to determine whether the disposal of mail loaders at the Atlanta NDC was performed under established procedures.¹ See [Appendix A](#) for additional information about this review.

In May 2009, the Postal Service began reorganizing its 21 bulk mail centers (BMCs)² into NDCs³ to improve package processing efficiency and reduce costs. Management began realignment of the Atlanta BMC to an NDC in September 2009 and completed it in 2010. In further efforts to reduce costs, the Postal Service moved the Atlanta Surface Transfer Center (STC)⁴ into the Atlanta NDC.⁵ According to management, this realignment necessitated removal of 35 mail loaders⁶ (see Figure 1) to open up dock space and make room for a high-speed tray sorter (HSTS).⁷

Figure 1. Seven of the Removed Atlanta NDC Mail Loaders



This picture shows seven mail loaders on the Newell recycling company's flat bed trailer prior to removal from the Atlanta NDC yard. Both types of equipment appear to be whole (or complete) with few to no parts cannibalized (spare parts for future repairs). These mail loaders were among the 15 disposals properly documented.

¹ We modified our objective slightly from the original announcement letter to be more concise.

² This dedicated network was developed to reduce delays and damage when handling bulk mail within a system designed primarily for letter mail. The term "bulk mail" includes Package Services, Periodicals, and Standard Mail[®] classes with service standards from 1 to 10 days.

³ NDCs are part of a national system of automated mail processing facilities linked by a dedicated transportation network.

⁴ STCs are mail consolidation and redistribution facilities that are primarily used to increase vehicle cubic capacity and utilization.

⁵ By consolidating the Atlanta STC into the Atlanta NDC, the Postal Service closed a contracted facility.

⁶ Mail loaders load and unload containers the Postal Service uses to transport mail within its facilities and throughout the country. The Postal Service considers mail loaders capital equipment. Capital equipment records show the median year of purchase for these 35 removed mail loaders was 1996, with a median purchase value exceeding \$42,200 (per loader).

⁷ Atlanta NDC personnel also referred to these mail loaders as Automatic Container Loaders and Postal Pak Loaders.

Conclusion

Management did not properly dispose of 20 of 35 mail loaders at the Atlanta NDC in 2010 because some Atlanta NDC managers and staff members were not properly trained.

Improper Disposal of Equipment

Handbook AS-701⁸ outlines the removal and disposal requirements for capital property. The handbook requires completion of a Postal Service (PS) Form 969 prior to disposal and creation of a destruction committee to oversee the process. Employees did not follow these requirements when disposing of 20 of 35 mail loaders at the Atlanta NDC in 2010. This occurred because some Atlanta NDC managers and staff members did not have proper training on capital property disposal policies.

When disposing of equipment, the policy outlines a preferred order or hierarchy of disposal as follows:

1. Trade in to vendor.
2. Sale by Postal Service installation.
3. Cannibalization for parts.
4. Sale for recycling.
5. Transfers to federal agencies (including military).
6. Donation to a federal or state agency, an academic institution, a non-profit organization, or a public body.
7. Destruction and landfill disposal.
8. Adjustments: loss, theft, and accidental damage or destruction.

Because employees did not adequately document or follow the disposal process, the Postal Service could not ensure the process was in its best interests. The first four disposal options would have brought the best value to the Postal Service. We determined if the Atlanta NDC recycled the 20 mail loaders, it could have obtained at least \$26,700 in scrap value for those items (an average value of \$1,335 per mail

⁸ Handbook AS-701, *Fleet Management*, Section 64, outlines procedures for disposing of capital equipment. It states that a PS Form 969, Material Recycling and Disposal, is to be completed before disposing of capital equipment and sets priorities for methods of disposal being considered.

loader). Instead, the equipment was written off as a loss, theft, or destruction. See [Appendix B](#) for additional information on these assets.

Ultimately, we could not determine what became of this equipment. We made referrals to our Office of Investigation. The Atlanta NDC and other NDCs could have used parts from the excess mail loaders. We documented that, subsequent to the mail loader equipment removal, the Atlanta NDC purchased replacement parts for existing mail loaders that potentially could have come from the excess equipment.⁹

Recommendation

We recommend the vice president, Capital Metro Area:

1. Ensure Atlanta Network Distribution Center officials provide training on capital equipment disposal policies.

Management's Comments

Management agreed with our recommendation to provide training to the appropriate personnel on material management specific to capital property removal and disposal. The training will include service talks and discussions. Management committed to complete this training by December 31, 2013. See [Appendix C](#) for management's comments in their entirety.

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendation in the report.

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

⁹ We obtained a list of mail loader replacement parts the Atlanta NDC purchased between 2010 and 2013 and identified parts totaling \$26,469, excluding parts under \$100. We could not validate that the equipment removed had the same parts as those purchased; however, had the removed mail loaders been cannibalized for parts, the Postal Service may have avoided the added cost of parts.

Appendix A: Additional Information

Background

After several years of declining mail volume, a changed mail mix, and mailers entering more mail near final destinations, much of the mail that former BMCs processed has also declined significantly. Facing significant cost-reduction targets and recognizing the opportunity to improve mail dispatching and processing operations, the Postal Service developed an internal re-engineering effort to transform BMCs into NDCs. 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.

Management began realigning the Atlanta BMC to a NDC in September 2009 and completed it in 2010. In further efforts to reduce costs, the Postal Service moved the Atlanta STC¹⁰ into the Atlanta NDC.¹¹ According to management, inclusion of the Atlanta STC necessitated removal of 35 mail loaders to open up dock space and make room for a HSTS.¹²

Mail loaders are used to load and unload mail from the containers the Postal Service uses to transport mail within its facilities and throughout the country. The Postal Service considers mail loaders capital equipment. Capital equipment records for the Atlanta NDC show the median year of purchase for the 35 removed mail loaders was 1996, with a median purchase value exceeding \$42,200 (per loader).

Objective, Scope, and Methodology

Our objective was to determine whether the disposal of mail loader capital equipment at the Atlanta NDC was performed in accordance with established procedures.

To accomplish our objective, we interviewed Postal Service managers and employees and reviewed all available documentation related to the disposal of 15 of the 35 mail loaders. No documentation existed for the remaining 20 loaders identified in this report. We identified and reviewed the policies and guidelines pertinent to the disposal and removal of capital property. We observed and photographed operations at the Atlanta NDC.

We conducted this review from May through November 2013 in accordance with the Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for*

¹⁰ STCs are mail consolidation and redistribution facilities with the primary function of achieving increased vehicle cubic capacity and utilization.

¹¹ By consolidating the Atlanta STC into the Atlanta NDC, the Postal Service closed a contracted facility.

¹² Atlanta NDC personnel also referred to these mail loaders as Automatic Container Loaders, Integrated Mail Handling Systems, or Postal Pak Loaders.

Inspection and Evaluation. We discussed our observations and conclusions with management on August 29, 2013, and included their comments where appropriate.

We relied on Postal Service computer-processed data, including the Electronic Data Warehouse (EDW) and the Property Equipment Accounting System. We determined that the data were sufficiently reliable for the purposes of this report based on our comparisons to hard copy documentation and discussions with Atlanta NDC staff.

Prior Audit Coverage

The OIG issued a report, *Efficiency Review of the Atlanta Network Distribution Center – Processing and Transportation* (Report Number [NO-AR-13-005](#), dated August 16, 2013), which determined that 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. The Atlanta NDC used more workhours than necessary. We also found some mail was being unnecessarily transported from the Atlanta NDC and that space in mail transport equipment, such as over-the-road containers, was underutilized. Overall transportation between the Atlanta and Memphis NDCs and transportation from some feeder processing plants to the Memphis NDC was underutilized. Management agreed with part of our processing efficiency findings, all of our transportation findings, and all of our recommendations.

Appendix B: Mail Loader Equipment Disposal Details

We determined that employees at the Atlanta NDC disposed of 20 mail loaders without following proper procedures. This equipment (see Table 1) had its removal from service annotated on the Postal Service's *Property Changes Accounting* report in the EDW with the retirement classifications noted as either "Loss or Theft" (11 items) or "Destroyed" (seven items). Two were noted as "Not Found" during the semiannual certification¹³ process.

Table 1. OIG Estimated Scrap Value of the 20 Mail Loaders Not Recycled

Count	Capital Identification/ Asset Number	Acquisition Date	Retirement Date	Retirement Type	Estimated Purchase Price
1	0067912	September 1980	July 2010	Destroyed	\$ 1,335
2	1047631	November 1997	July 2010	Destroyed	1,335
3	1047630	November 1997	July 2010	Destroyed	1,335
4	1047628	November 1997	July 2010	Destroyed	1,335
5	1047627	November 1997	July 2010	Destroyed	1,335
6	1047629	November 1997	July 2010	Destroyed	1,335
7	1047632	November 1997	July 2010	Destroyed	1,335
8	1123102	March 1998	September 2011	Loss or Theft	1,335
9	1123103	March 1998	September 2011	Loss or Theft	1,335
10	1123101	March 1998	August 2012	Not Found	1,335
11	0897020	November 1996	August 2012	Not Found	1,335
12	0881448	July 1996	January 2013	Loss or Theft	1,335
13	0897022	November 1996	January 2013	Loss or Theft	1,335
14	0897024	November 1996	January 2013	Loss or Theft	1,335
15	0897025	November 1996	January 2013	Loss or Theft	1,335
16	0897032	November 1996	January 2013	Loss or Theft	1,335
17	0897037	November 1996	January 2013	Loss or Theft	1,335
18	0897026	November 1996	January 2013	Loss or Theft	1,335
19	1003433	November 1996	January 2013	Loss or Theft	1,335
20	1000374	December 1996	January 2013	Loss or Theft	1,335
Total					\$26,700¹⁴

¹³ *Semiannual Certification* is a report with a sampling of a facility's capital property assets. The facility then validates having these capital assets (found or not found). This equipment was considered not found.

¹⁴ We made this estimate based on the recycling revenue received for the 15 mail loaders that were recycled by the Atlanta NDC. For the 15 mail loaders that were recycled in 2010, the Atlanta NDC received \$20,030. This amounted to an average value of \$1,335 per mail loader. We applied this value to each of the 20 mail loaders removed without the proper documentation and obtained a scrap value of \$26,700 in total for the 20 items.

Appendix C: Management's Comments

AREA VICE PRESIDENT
CAPITAL METRO AREA OPERATIONS



November 18, 2013

JUDITH LEONHARDT
DIRECTOR AUDIT OPERATIONS

SUBJECT: Management's Response to The Removal and Disposal of Capital Property –
Atlanta Network Distribution Center Report Number NO-MA-14-Draft

Thank you for the opportunity to respond to your Atlanta NDC Removal and Disposal of Capital Property Audit. Capital Metro Area agrees with the recommendation that training needs to be provided to the staff of the Atlanta NDC.

Recommendation #1

Ensure that Atlanta Network Distribution Center officials provide training on capital equipment disposal policies.

Management Response:

The Manager of the Atlanta NDC will provide training materials related to the policy and procedures outlined in Handbook AS-701, Material Management, as it relates to the proper method for documentation of the removal and disposal of Capital Property. While national training may not be available through the Learning Management System, pertinent information will be put together in the form of a Service Talk and discussion for all appropriate personnel. This task will be completed by the end of the calendar year at the Atlanta NDC.

Target Implementation Date:

December 31, 2013

Responsible Official:

Manager, Atlanta NDC

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

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

A handwritten signature in blue ink, appearing to read "Kristin A. Seaver".

Kristin A. Seaver

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