

August 2, 2001

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VICE PRESIDENT, NETWORK OPERATIONS MANAGEMENT

KEITH STRANGE  
VICE PRESIDENT, PURCHASING AND MATERIALS

SUBJECT: Audit Report - Air Carrier Reliability  
(Report Number TR-AR-01-005)

This report presents the results of our audit of mail delays occurring at the Hartsfield Atlanta International Airport, (Atlanta Airport) Atlanta, Georgia, (Project Number 01NA001TR000). The report responds to an anonymous complaint alleging that Delta Airlines allowed large volumes of mail to back up for days.

Our audit confirmed the allegation. Specifically, we found that Delta Airlines allowed over 600,000 pounds of First-Class Mail, Priority Mail, and Express Mail to remain at the Atlanta Airport for up to 7 days beginning August 6, 2000, and continuing through September 8, 2000. During this time, 8,113 flights to which mail had been assigned departed from Atlanta with no mail onboard. Our audit also disclosed that while the mail was backlogged at the Atlanta Airport, Delta Airlines did not provide the required security over and protection of the mail.

We recommended Postal Service management establish a back-up plan that provides for timely intervention and use of alternative mail transportation when the amount of mail on-hand at the Atlanta Airport reaches unmanageable levels; assess damages, as provided for in the Air Systems contract, when air carriers cause major disruptions in the transportation of mail; and enforce applicable liquidated damages against air carriers when they do not load mail that has been properly tendered or when they do not properly protect the mail. Management agreed with our recommendations and the actions taken or planned should correct the issues discussed in the report. Management's comments and our evaluation of their comments are included in the report.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have questions or need additional information, please contact Maria Longley, acting director, Transportation at 312-601-3905, or me at (703) 248-2300.

Debra S. Ritt  
Assistant Inspector General  
for Business Operations

Attachment

cc: John A. Rapp  
Anthony M. Pajunas  
J. Dwight Young  
John R. Gunnels

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## EXECUTIVE SUMMARY

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### Introduction

This report presents our findings regarding mail delays at the Hartsfield Atlanta International Airport, (Atlanta Airport) Atlanta, Georgia, between August 6 and September 8, 2000. The audit resulted from two anonymous complaints on September 8, 2000, alleging that Delta Airlines allowed mail to back up in large volumes for days at a time at the Atlanta Airport. In addition to the anonymous complaints, we were advised of the mail backlog during a meeting with the manager of the Atlanta District on September 5, 2000, in conjunction with a separate audit. The purpose of the audit was to determine if the allegation of backlogged mail was valid and to evaluate the actions taken by Delta Airlines and the Postal Service to correct the problem.

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### Results in Brief

Delta Airlines allowed over 600,000 pounds of First-Class Mail, Priority Mail, and Express Mail to remain at the Atlanta Airport for up to 7 days beginning August 6, 2000, and continuing through September 8, 2000. During this time, 8,113 flights, to which mail had been assigned, departed from Atlanta with no mail onboard. The backlog of mail occurred as a result of a reorganization by Delta Airlines of its mail processing system that included the reassignment of 38 employees who had been dedicated to the movement of mail at the Atlanta Airport. The Postal Service had no formal back-up plan in place to use as an alternative means of transportation when mail backlogs reached unmanageable levels. In addition, the Postal Service was not enforcing provisions of the Air Systems contract to collect for damages resulting from the mail backlogs. Although both Delta Airlines and the Postal Service ultimately took action to correct the situation with the backlog of mail, we concluded that the corrective actions taken were not adequate considering that an even more significant backlog occurred in November 2000.

Our audit also disclosed that while the mail was backlogged at the Atlanta Airport, Delta Airlines did not provide the required security over and protection of the mail. Some of the mail got wet because mail carts were not properly covered, and mail carts were parked in unsecured areas with inadequate lighting. When mail is delayed or damaged,

the reputation of the Postal Service suffers, which could result in Postal Service customers using competitors for some of its mail service.

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**Summary of  
Recommendations**

To ensure the timely transportation and protection of the mail, we recommend the vice presidents of Purchasing and Materials, and Network Operations Management, (1) establish a back-up plan that provides for timely intervention and use of alternative mail transportation when the amount of mail on-hand at the Atlanta Airport reaches unmanageable levels; (2) assess damages, as provided for in the Air Systems contract, when air carriers cause major disruptions in the transportation of the mail; and (3) enforce applicable liquidated damages against air carriers when they do not load mail that has been properly tendered or when they do not properly protect the mail.

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**Summary of  
Management's  
Comments**

Management agreed with our recommendations. After conducting a separate comprehensive review of Delta Airlines operations at the Atlanta Airport, the Postal Service has taken corrective actions to address the problems identified. These actions include capping the transfer volume of mail when circumstances cause a backlog or unacceptable level of rollover mail. Management's comments, in their entirety, are included in the appendix of this report.

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**Evaluation of  
Management's  
Comments**

Management's comments are responsive to our findings and recommendations. We believe that the actions, both taken and planned, should correct the issues identified in our report.

## INTRODUCTION

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### Background

On September 8, 2000, the Office of Inspector General (OIG) received two anonymous complaints alleging that Delta Airlines had allowed mail tendered by the Postal Service to back up in large volumes at the Hartsfield Atlanta International Airport (Atlanta Airport). The complaints alleged between 500,000 and 600,000 pounds of First-Class Mail, Priority Mail, and Express Mail was staged on the airport ramp, of which a major portion was delayed by as much as 2 weeks. In addition to the complaints, the Atlanta District manager advised us of the mail backlog during a September 5, 2000, meeting on a separate audit of External First-Class Scores.

On average, the Postal Service tenders approximately 189,500 pounds of mail to Delta Airlines each day at the Atlanta Airport. In addition, Delta Airlines transfers approximately 282,400 pounds between flights daily in Atlanta.

During fiscal year (FY) 2000, the Postal Service paid Delta Airlines more than \$125 million to transport domestic mail. Since Atlanta is the hub for Delta Airlines, a major portion of the \$125 million was for mail originating or destinating in Atlanta, or transferring between flights in Atlanta.

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### Objective, Scope, and Methodology

The objective of our audit was to evaluate the allegations of backlogged mail and actions taken by Delta Airlines and the Postal Service to correct the problem. To accomplish our objective, we visited the Atlanta Airport, Atlanta Air Mail Center, Delta Airlines Processing Center, and the Postal Service Southeast Area office. To determine the extent to which mail was backlogged at the Atlanta Airport, we analyzed data reflecting the: (1) volume of mail on-hand at the Atlanta Airport from August 6 through September 8, 2000, and (2) number of Delta Airlines flights originating in Atlanta that had mail assigned, but no mail on-board for the same time period. We interviewed both Postal Service and Delta Airlines employees who were responsible for mail operations at the Atlanta Airport, including the airmail center and the Delta Airlines Processing Center. Postal Service employees interviewed included the manager of Southeast Area Distribution Network Operations, the acting plant

manager for the Atlanta Air Mail Center, and a Southeast Area office traffic management specialist. At Delta Airlines, we interviewed the general manager, Postal Operations, the system manager, Air Logistics Operations, and the system manager, Air Logistics/Postal Operations.

To document our observations of the mail backlog at the Atlanta Airport, we made a video of the conditions noted during our visit on September 8, 2000. In addition to our video, the Postal Service provided us a copy of a video they had made on August 26, 2000, documenting the conditions on that day. We used both videos to prepare a video report, which will be issued separately.

This audit was conducted from September 2000 through August 2001 in accordance with generally accepted government auditing standards, and included such tests of internal controls, as were considered necessary under the circumstances. We discussed our conclusions and observations with appropriate management officials and have included their comments, where appropriate.

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**Prior Audit Coverage**

We did not identify any prior audits or reviews related to the objectives of this audit.

## AUDIT RESULTS

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**Mail Condition**

Our audit confirmed the allegations of backlogged mail at the Atlanta Airport. Specifically, Delta Airlines did not meet its obligations to timely transport and protect the mail, as required by the Air Systems contract.

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**Backlog**

The Air Systems contract prescribes the obligations of the airlines in providing air transportation for mail. Specifically, the contract requires airlines to offer sufficient resources to sort, transport, and load mail to specific flights assigned by the Postal Service. The contract also states that airlines shall deliver mail to the designated delivery point at the destination within the flight's scheduled arrival time, plus the number of minutes allowed for ground handling and buffer time.

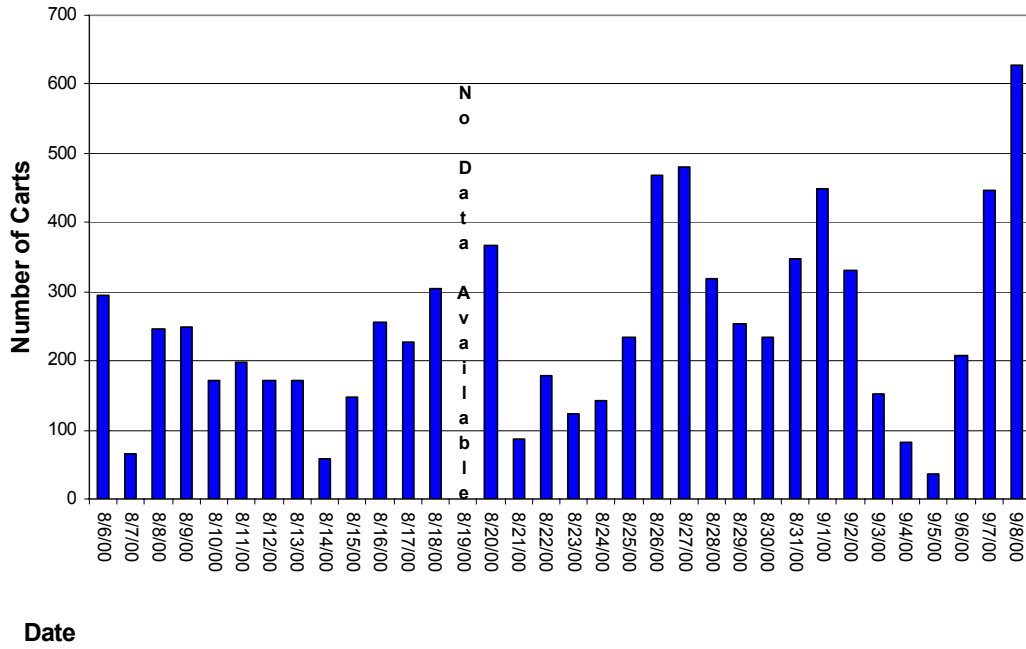
Despite these requirements, Delta Airlines allowed over 600,000 pounds of mail to sit at the Atlanta Airport for up to 7 days even though flights to which the mail were assigned departed with no mail onboard. The following graph shows the number of carts of mail tendered to Delta Airlines and still on-hand at the Atlanta Airport for each day between August 6, 2000, and September 8, 2000.<sup>1</sup>

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<sup>1</sup> For comparison purposes, we showed the number of carts of mail on-hand as of 12:00 p.m. for each day shown.



### CARTS OF MAIL ON-HAND AT THE ATLANTA AIRPORT



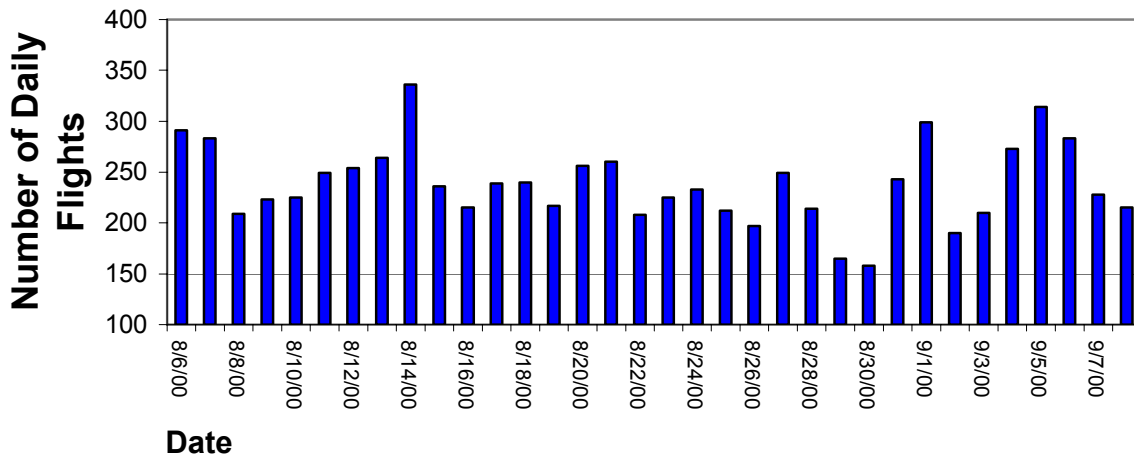
This mail was staged at five locations around the airport. The picture below shows about 250 carts of staged mail which was gridlocked at the Atlanta Airport on August 26, 2000.



Picture 1 – Gridlocked conditions at Atlanta Airport on August 26, 2000.

As shown in the graph below, during the 34-day period from August 6, 2000, to September 8, 2000, 8,113 Delta Airlines flights departed the Atlanta Airport with mail assigned, but with no mail onboard.

**FLIGHTS DEPARTING THE ATLANTA AIRPORT  
WITH NO MAIL ONBOARD**



Our audit also disclosed that Delta Airlines had no system in place to ensure that the oldest mail on-hand was transported first from the staging areas. Because of the haphazard manner in which carts were placed in the staging areas, there was no practical way for Delta Airlines to retrieve the oldest mail first. Postal Service personnel told us that this had been a problem for quite some time--long before the backlog of mail that began on August 6, 2000.

In addition, we found that incoming mail destined for Atlanta was staged with mail to be transferred to other departing flights. Mail destined for Atlanta should have been taken directly from the incoming flight to the Atlanta Air Mail Center for processing, and not placed in the staging area. We found many full carts of Atlanta mail that had been on-site for as many as 3 days.

Delta Airlines representatives told us that this problem arose in conjunction with their August 6, 2000, reorganization.

They further said that with the return of dedicated personnel to mail operations, this issue should be resolved. Therefore, we are not providing a recommendation.

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#### Safeguarding and Protecting the Mail

Our audit also disclosed that during the time the mail was accumulating to unmanageable levels at the Atlanta Airport, Delta Airlines did not provide the required security over and protection of the mail. Delta Airlines parked the carts in unsecured areas of the airport, including one location where the lighting was not adequate. Various personnel, including other airline employees, had access to the mail in these unsecured areas. We found no direct evidence that mail had been taken, but found one piece of mail had been opened. Although we did not find the packaging material, we found a compact disc that was loose in one of the mail carts. Further, because some mail carts were not properly covered, mail was rain-soaked. As shown in the following picture, the packaging of wet mail came apart in some instances.



Picture 2 – Cart of mail was not properly covered, and rain damaged the mail.

The security problems resulted from Delta Airlines having to use unsecured areas of the airport to stage mail because of the huge volumes of mail on-hand. To address this concern, Delta Airlines representatives told us that they are now, to the degree possible, staging all mail in one area, which should help eliminate security and lighting concerns.

They have space to stage up to 180 carts of mail at this one location. Additionally, Delta Airlines officials told us that since September 8, 2000, they purchased 80 new cart covers and ordered an additional 100 covers.

While actions taken by Delta Airlines should improve security, additional backlogs of 850,000 pounds of mail in November 2000 indicate that additional actions are needed to correct the security problems identified.

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## Damages

The Air Systems contract provides for liquidated damages when irregularities are identified. Specifically, the contract provides that the Postal Service may assess liquidated damages against a carrier under the following conditions.

- Failure to load at origin: \$100 per flight, at origin airport, when the failure to load is due to the carrier exceeding the 200 pound allowance for other cargo.<sup>2</sup>
- Failure to Protect: \$100 per incident when the carrier fails to protect the mail from loss or damage.

In addition, the Air Systems contract provides that the carrier shall be accountable and answerable in damages for the faithful performance of all obligations assumed under the contract.

Postal Service representatives indicated that between August 6, and September 8, 2000, Postal Service ramp clerks prepared 347 irregularity reports citing violations for failure to load the mail. Of the 347 cases, liquidated damages were assessed in only 196 cases.<sup>3</sup> Data was not readily available to determine if any of the 347 cases involved the 8,113 flights that departed with no mail onboard.

Postal Service representatives stated that damages were not assessed on additional cases because ramp clerks were more concerned about working with Delta Airlines to get the mail moving than with preparing irregularity reports. They said that even though mail was clearly assigned to the 8,113 flights, there is no way to verify, without the

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<sup>2</sup> The Postal Service may approve other allowance limits for purposes of assessing liquidated damages.

<sup>3</sup> Liquidated damages were not assessed in the remaining 151 cases because the flights departed with no cargo onboard. Thus, per the contract, liquidated damages were not applicable to the 151 cases.

irregularity reports, that mail assigned to specific flights had, in fact, been tendered by the Postal Service to Delta Airlines in a timely manner. Without such verification, it would be impossible to collect liquidated damages after the fact. They also pointed out that much of the 600,000 pounds of mail on-hand was transfer mail, which is not subject to liquidated damages.

Currently, the Postal Service has no methodology in place to measure damages resulting from major disruptions in mail transportation caused by the carriers, and, therefore, is unable to penalize the carriers beyond the provision for liquidated damages as specified above. We believe that carriers should be held accountable for the significant disruptions in service that they cause. Considering that the Postal Service spends more than \$776 million annually under its Air Systems contract for domestic mail, liquidated damages and other available penalties should be routinely applied when air carriers fail to perform satisfactorily and in accordance with the terms of the Air Systems contract.

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**Corrective Actions  
Taken by Delta  
Airlines and the  
Postal Service**

After our initial visit on September 8, 2000, Delta Airlines took immediate action to process the backlog of mail at the Atlanta Airport. Delta Airlines brought in additional staff on September 8, 2000, and by September 10, the backlog of mail was gone.

Delta Airlines personnel told us that the backlog of mail occurred in conjunction with a reorganization, effective August 6, 2000, involving their mail processing system. Ramp personnel previously dedicated to mail were reassigned to other functions, leaving no staff dedicated specifically to move the mail from one location of the airport to another. As more mail arrived, Delta's ability to quickly process it became more difficult because of a shortage of experienced, seasoned employees dedicated to moving mail. Once Delta Airlines recognized that the reorganization was ineffective, 38 experienced drivers, all of whom are dedicated to the movement of mail, were returned to their original positions. Delta Airlines representatives also told us that they had hired an additional 50 employees in an effort to ensure that the backlog of mail does not reoccur.

The acting plant manager of the Atlanta Air Mail Center told us he gets concerned if the volume of mail on-hand at any given time reaches 150 carts (approximately 150,000 pounds). At such time, he contacts Delta Airlines representatives to express his concerns and to encourage them to take the necessary actions to expedite movement of the mail. The acting plant manager further stated he was in constant contact with Delta Airlines representatives during the time the mail was backlogged at the Atlanta Airport.

The manager of the Southeast Area Distribution Networks Office told us that he became aware of the problem with the backlog of mail as it occurred. He said that he has been focusing on helping Delta Airlines improve its service for a number of months, and that during meetings held with airline representatives during the latter part of August, he was assured that the problems with the backlog of mail would be corrected. However, when he realized that the situation was critical, he repossessed 240 carts of mail during the week of August 28, 2000. As the mail was repossessed, it was transported by truck. The manager of the Southeast Area Distribution Networks Office further said

that he is continuing to monitor the situation and is prepared to take additional action if warranted.

Although the manager of the Southeast Area Distribution Networks Office was monitoring the situation, we found that the Postal Service had no formal back-up plan in place to use an alternative means of transportation when mail backlogs reached certain, predetermined levels.

After completing our initial fieldwork, we received additional information from Postal Service employees about another major problem with mail delays at the Atlanta Airport. Specifically, from November 14, 2000, through November 26, 2000, backlogged mail volumes again grew to significant levels, reaching more than 850,000 pounds on November 19, 2000. As a result, the Postal Service repossessed 85,000 pounds and by November 27, 2000, the mail volumes were back to normal.

Delta Airlines representatives told us that in February 2001 they made some managerial changes regarding their mail operations at the Atlanta Airport in further efforts to correct the problems with mail backlogs.

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**Recommendation**

To ensure the timely transportation and protection of the mail, we recommend the vice president of Purchasing and Materials, and the vice president of Network Operations Management:

1. Establish a back-up plan that provides for timely intervention and use of alternative mail transportation when the amount of mail on hand at the Atlanta Airport reaches certain, predetermined levels.

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**Management's Comments**

Management agreed with our recommendation. They stated that they now have specific procedures in place that allow for an embargo or cap of the transfer volume when circumstances cause a backlog or unacceptable level of rollover mail.

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**Evaluation of Management's Comments**

Management's comments are responsive to our findings and recommendations. We believe that the actions, both taken and planned, should correct the issues identified in the report.



<b>Recommendation</b>	2. Assess damages, as provided for in Section G.5 of the Air Systems contract, when air carriers cause major disruptions in the transportation of mail.
<b>Management's Comments</b>	Management agreed with our recommendation. They stated that they will take appropriate action to collect damages as provided for in the in the Air Systems contract.
<b>Evaluation of Management's Comments</b>	Management's comments are responsive to our findings and recommendations. We believe that the actions, both taken and planned, should correct the issues identified in the report.
<b>Recommendation</b>	3. Enforce applicable liquidated damages against air carriers when they fail to load mail that has been properly tendered or when they fail to properly protect the mail.
<b>Management's Comments</b>	Management agreed with our recommendation. They said that in the future liquidated damages will be assessed as provided for in the contract.
<b>Evaluation of Management's Comments</b>	Management's comments are responsive to our findings and recommendations. We believe that the actions, both taken and planned, should correct the issues identified in the report.

## APPENDIX. MANAGEMENT'S COMMENTS

PAUL E. VOGEL  
VICE PRESIDENT, NETWORK  
OPERATIONS MANAGEMENT



June 27, 2001

DEBRA S. RITT

**SUBJECT: Draft Response to Office of Inspector General Report (TR-AR-01-DRAFT)  
Air Carrier Reliability**

This is in response to the audit report dated May 18 concerning Air Carrier Reliability.

We are aware, and we agree with the finding that Delta Airlines experienced serious backlog conditions during the time period in question. Further, these conditions lasted in some degree for the first few months of calendar year 2001. To resolve this issue, we began a comprehensive review of operations at the Atlanta Air Mail Center (AMC) and the Delta operation. The problem, which was one of varying magnitude, resulted from operational problems that have since been addressed and corrected.

Our review was focused on identifying root causes of the problem and taking long term, lasting corrective action. We believe that we accomplished that task. A review of rollover volume at Atlanta over the last month and a half shows that, with the exception of severe weather related problems, rollover at Atlanta has been well below what we expected. Root causes included air traffic controller and weather related delays, Delta staffing shortages, mechanical problems with the Delta sort system, and uneven and excessive transfer volume assigned by the Postal Service's origin offices.

A summary of the corrective action taken includes the following:

- Delta made significant mechanical and equipment improvements to their sort operations.
- The Postal Service and Delta collaborated on a program to prepare direct Atlanta destination containers and direct intact Atlanta transfer and origin containers as soon as possible in order to bypass the Delta sort. This action reduces the volume of transfer mail and destination mail that has to go through the sort.
- Delta has increased their staffing complement to provide sufficient resources to operate the sort.
- The Postal Service capped the transfer volume that is assigned to Delta for transfer in Atlanta.
- The Postal Service embargoed all transfer mail to break the rolling backlog and trucked transfer mail that was sorted to downrange destinations. Unsorted mail comprised the rolling backlog.

These actions have reduced rollover from a high of 600,000 pounds to a low of less than 5,000 pounds in any given day.

The following specifically refers to the recommendations made on page 11 of the Office of Inspector General (OIG) Report. The responses are numbered to correspond with the recommendations.

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Establish a back-up plan that provides for timely intervention and use of alternative mail transportation when the amount of mail on hand at the Atlanta Airport reaches certain, predetermined levels.

- (1) We now have specific procedures in place that allow for an embargo or cap of the transfer volume when circumstances cause a backlog or unacceptable level of rollover mail. We have emphasized to the Atlanta Air Mail Center, and all AMCs, that there is a continuing need to report conditions everyday on the AMC condition report. If conditions at an airport become unmanageable, we will exercise the embargo option and truck mail to final destination.

Assess damages, as provided for in Section G.5 of the Air Systems Contract, when air carriers cause major disruptions in the transportation of mail.

- (2) We agree the damages, as provided for in Section G.5 of the Air Systems Contract, should be assessed. These are actual damages, and Purchasing will take appropriate action as soon as the required backup information related to actual damages is available. Actual damages have to be compiled at the local level.

Enforce applicable liquidated damages against air carriers when they fail to load mail that has been properly tendered or when they fail to properly protect the mail.

- (3) We agree that liquidated damage remedies should be taken when appropriate. The contract provides for the capture of liquidated damages. We have a process in place, and we use this process on a routine basis. In this case, it is difficult to tell which of the 8,000 plus flights had mail assigned, but was not boarded or which flights were not used on the days in question. We have asked for the PS Form 2759 documentation to determine if liquidated damages can be levied. Due to the amount of time that has passed since the OIG visit at Atlanta, it is very difficult for the local facility to recreate documentation that may not have been prepared as a result of the confusion surrounding the situation at the time.

  
Paul E. Vogel

Attachments

cc: Mr. Donahoe  
Mr. Strange