



## AUDIT REPORT

# Plant Load Agreements – Greensboro District

April 30, 2014





April 30, 2014

**Plant Load Agreements – Greensboro District**  
Report Number MS-AR-14-003

***BACKGROUND:***

The U.S. Postal Service offers its commercial customers special arrangements called plant load agreements. Through these arrangements, the Postal Service agrees to pick up mail at a customer's plant and transport it directly to a Postal Service destination facility. In return, the customer agrees to provide sufficient volumes and revenues to offset transportation costs and yield net cost savings.

Plant loading bypasses handling at Postal Service facilities, which reduces processing time, staffing, and dock space requirements. Plant load agreements can be financially and operationally beneficial to the Postal Service and a productive way to foster positive relationships with its customers.

District staff and postmasters help initiate, monitor, and coordinate plant load agreements. Performance under these agreements should be monitored since conditions, such as mail volume and transportation routes, can change.

Our objective was to assess how effectively plant load agreements in the Greensboro District protect Postal Service revenues and costs. We selected this district because a Postal Service review found that it presented one of the greatest opportunities for cost savings. The district had 18 plant load agreements as of January 2014. In fiscal year (FY) 2013, these

18 agreements were associated with revenue of over \$153 million.

***WHAT THE OIG FOUND:***

The Greensboro District was not adequately approving or monitoring plant load agreements. Documents were missing, lacked signatures, and were not reviewed as required. These conditions occurred because the district did not have a system to monitor compliance with the agreement. During our audit the district began to implement several corrective actions, such as updating current plant load agreements and creating a plant load committee to review applications and address issues. Additional improvements are needed, however, to ensure the district complies with approval and monitoring related requirements in these agreements.

Until approval and monitoring improvements are implemented, the Postal Service risks incurring unnecessary operational costs. We estimate transportation costs of \$500,209 in FY 2014 as disbursements at risk.

***WHAT THE OIG RECOMMENDED:***

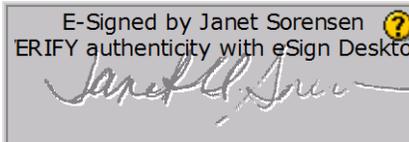
We recommended the district manager, Greensboro District, develop a system to ensure compliance with plant load agreements, particularly those related to approving and monitoring these agreements.

[\*Link to review the entire report\*](#)



April 30, 2014

**MEMORANDUM FOR:** RUSSELL D. GARDNER  
DISTRICT MANAGER, GREENSBORO DISTRICT



**FROM:** Janet M. Sorensen  
Deputy Assistant Inspector General  
for Revenue and Business

**SUBJECT:** Audit Report – Plant Load Agreements – Greensboro District  
(Report Number MS-AR-14-003)

This report presents the results of our audit of the Plant Load Agreements – Greensboro District (Project Number 14RG005MS000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Joshua M. Bartzen, acting director, Sales and Marketing, 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 audit of the Plant Load Agreements in the Greensboro District (Project Number 14RG005MS000). Our objective was to assess how effectively plant load agreements in the Greensboro District protect U.S. Postal Service revenues and costs.

Under plant loading arrangements the Postal Service picks up mail from a detached mail unit (DMU)<sup>1</sup> within a mailer's plant and transports it to a Postal Service destination facility. In exchange for this transportation service, mailers agree to provide sufficient volumes and revenues to offset the Postal Service's costs and yield a net cost savings. Plant loading bypasses handling at Postal Service facilities, which reduces processing time, staffing, and dock space requirements. The Postal Service authorizes plant load operations in accordance with the Domestic Mail Manual (DMM),<sup>2</sup> based on projected cost savings or other benefits. These agreements can be financially and operationally beneficial to the Postal Service and a productive way to foster positive relationships with its customers.

District staff and postmasters help initiate, monitor, and coordinate plant load agreements. It is important that the Postal Service actively monitor these agreements because conditions, such as mail volume and transportation routes, could change. As of January 2014, the Greensboro District had 18 plant load agreements, with related revenue of over \$153 million in fiscal year (FY) 2013. See [Appendix A](#) for additional information about this audit.

## Conclusion

The Postal Service was not adequately approving or monitoring plant load agreements in the Greensboro District. For example, the records for these agreements were missing signatures and supporting documentation, and they were not reviewed every 4 years, as required. These conditions occurred because the district did not have a system in place to monitor compliance with plant load agreements. Because of this shortcoming, we estimate transportation costs of \$500,209 in FY 2014<sup>3</sup> as disbursements at risk. See [Appendix B](#) for more information about this calculation.

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<sup>1</sup> A DMU is an area in a mailer's facility where Postal Service employees perform mail verification, acceptance, dispatch, and other Postal Service functions.

<sup>2</sup> A complete description of plant load operations can be found in Sections D020 and M074 of the DMM.

<sup>3</sup> We used the total FY 2013 transportation costs for scheduled plant load agreements as the basis for this estimate. Plant load operations are categorized as either *scheduled* or *required*, and additional information on these categorizations are included in Appendix A.

## Plant Load Agreement Deficiencies

The district was not adequately approving or monitoring plant load agreements, as it did not have a compliance system in place. During our audit the district began to implement several corrective actions such as updating current plant load agreements and creating a plant load committee. See [Appendix C](#) for a more detailed list of these issues and corrective actions. Additional improvements are necessary, however, to ensure compliance with plant load agreements. Until approval and monitoring improvements are implemented, the Postal Service risks not covering its costs under the agreements. In FY 2013, the district spent \$500,209 for scheduled plant load mail pickup and transportation. See [Appendix B](#) for more information about this calculation.

### Approval of Plant Load Agreements

The Greensboro District was not following application approval procedures for its plant load agreements, as records were incomplete.<sup>4</sup> For example, we found:

- The district representative's signature was missing for 12 of 18 agreements.
- The mailer's signature was missing for 5 of 18 agreements.
- Six of 18 agreements lacked a reason for approval.

We also found that plant load applications were not reviewed by an established plant load committee. More information on these issues is available in [Appendix C](#). These issues occurred because the district did not have a system in place to monitor compliance with approval-related plant load agreement requirements. The district has begun to take corrective actions in each of these cases, including updating signatures for each agreement and creating a plant load committee. However, implementing a system to ensure compliance with approval-related requirements should enhance these actions and help protect the Postal Service's financial interests.

### Monitoring of Plant Load Agreements

The district was not monitoring plant load agreements in accordance with prescribed requirements, including:

- **Availability of information:** During our fieldwork, none of the bulk mail clerks we met knew the minimum mail weight or number of pallets required by existing plant load agreements. This information is required by plant load agreement guidance<sup>5</sup> and is critical for adequate plant load performance monitoring. The Postal Service did not have a system in place for making key plant load information available to staff responsible for monitoring plant load performance.
- **Quality and frequency of reviews:** The Postal Service was not reviewing mailer performance under these agreements in accordance with applicable procedures.

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<sup>4</sup> Handbook PO-512, *Plant Loading Authorization and Procedures Guidelines*.

<sup>5</sup> Handbook PO-512 Section 4-51.2, October 2002.

For example, we found 14 agreements that were not reviewed within the required 4 years.<sup>6</sup> The district was also not aware that 14 of its 18 plant load agreements had expired. During our fieldwork, we observed several nearly empty Postal Service trucks leaving mailer plants and plant load volumes well below agreed upon amounts. District officials advised that volume fluctuations are common and expected, and that there are important customer service and retention aspects to continuing this service when volumes are low. While we appreciate these considerations, the district should still comply with its requirement to review plant load agreements at least every 4 years, and consider developing ways to increase the quality and frequency of these reviews to protect the Postal Service's financial interests.

- **Addressing mailer concerns:** Mailers identified inconsistencies and operational inefficiencies related to the Postal Service's performance under these agreements. These issues likely resulted from inadequate oversight. Mailers we met with mentioned the following operational issues:
  - Truck sizes—Mailers stated the district was providing a variety of truck sizes and this inconsistency made it hard to prepare the correct amount of pallets to fill the trucks.
  - Stacking pallets—Mailers advised the district does not want the pallets to be stacked as described by the DMM.<sup>7</sup>
  - Pallet height—Mailers stated the pallet height requirement is inconsistent.

The district has begun to take corrective actions in each of these cases, including developing processes for providing plant load data to bulk mail unit staff and tasking the district marketing manager with overseeing plant load agreements. Developing a system to ensure compliance with monitoring-related requirements could enhance these actions and also provide other benefits to both the Postal Service and mailers. Other benefits could include (a) helping the Postal Service and mailers achieve the expected benefits of each plant load agreement, (b) protecting the Postal Service's financial position, (c) resolving mailer-related issues more efficiently, and (d) enabling the agreements to be more easily updated if conditions change after plant loads are approved.

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<sup>6</sup> Handbook PO-512 Section 1-11, October 2002.

<sup>7</sup> DMM 705.8.3. Stacking Pallets. Pallets may be stacked two to six tiers high (if they follow the requirements). January 26, 2014.

## Recommendation

We recommend the district manager, Greensboro District:

1. Develop and implement a system to ensure compliance with plant load agreements, particularly provisions related to the approval and monitoring of these agreements.

## Management's Comments

Management agreed with our finding and recommendation. Management created a Plant Load Committee for oversight of all plant load agreements. Management also created a cover sheet for all plant load agreements that shows mailer name, location, annualized revenue, trip schedule, and justification for the plant load. Marketing held a telephone conference with all DMU clerks who work at DMU plant load sites to ensure they were aware of the plant load processes and distributed a worksheet to monitor plant load volumes. Management plans to complete its review of plant load agreements with volume by May 30, 2014. See [Appendix D](#) 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 and corrective actions should resolve the issues identified in the report.

## Appendix A: Additional Information

### Background

The Postal Service authorizes plant load operations in accordance with the DMM, and districts are to consider plant load agreements based on projected cost savings or other benefits to the Postal Service. Plant load operations are categorized as either *scheduled* or *as required*. For *scheduled plant load agreements*, the Postal Service provides regularly scheduled transportation between the mailer's plant and destination Postal Service facilities. *As required plant load agreements* have no predetermined mailing schedule and include various destination Postal Service facilities.

District staff and postmasters help initiate, monitor, and coordinate these agreements. Each district manager must establish a cross-functional district plant load committee to review plant load agreement applications and address plant load issues within the district. The district manager is responsible for coordinating, managing, and expediting the approval of Postal Service (PS) Form 3815, Plant-Load Authorization Application, Worksheet, and Agreement, within the district and maintaining all original approval documents, files, and mailer records of district mailers and their plants in a plant load file. The local postmaster serving the mailer's plant is responsible for monitoring plant load operations and coordinating with the district plant load committee.

Conditions such as mailer volumes and Postal Service transportation routes can change during the course of the agreements. As a result, the Postal Service is required to periodically review and update all plant load agreements to ensure savings and efficiency for the Postal Service and the customer. The mailer and the Postal Service must renew PS Form 3815 at least once every 4 years by refreshing the appropriate information. If a mailer fails to meet the terms of the plant load agreement for two consecutive Postal Service accounting periods, the postmaster must promptly notify the plant manager and district manager, and the district plant load committee should re-evaluate the plant load approval. If the mailer does not make permanent corrections within 30 days after a written warning from the Postal Service, the district manager must immediately terminate the mailer's plant load approval.

We selected the Greensboro District within the Capital Metro Area because the Postal Service's Financial Testing and Compliance group conducted a review of the plant load agreement mailing load requirements and projected the Greensboro District presented one of the greatest opportunities for cost savings. As of January 2014, the Greensboro District had 18 plant load agreements, with related revenue of over \$153 million in FY 2013.

## Objective, Scope, and Methodology

Our objective was to assess how effectively plant load agreements in the Greensboro District protect Postal Service revenues and costs. Our audit scope covered the Greensboro District in the Capital Metro Area and related facilities. The review included plant load agreements in place in the Greensboro District in FY 2014 and related cost and volume data as appropriate.

To accomplish our objective, we:

- Reviewed and analyzed plant load agreements and reviewed data on the number, type, and location of these agreements.
- Reviewed the policies and procedures that govern the creation, approval, maintenance, data, and review of plant load agreements, and discussed them with area and district personnel.
- Obtained and reviewed plant load agreements to evaluate criteria and process for committee approval/disapproval of plant load agreements.
- Conducted tests on the volume per selected agreement specifications.
- Observed plant load operations at 10 facilities, including observing the amount of mail placed on trucks, and interviewed bulk mail clerks and mailers.
- Interviewed mailers that had or currently have agreements to understand the process and obtain mailer feedback on needed service.
- Estimated the cost of the agreements and evaluated the cost/benefit to the Postal Service.

We conducted this performance audit from October 2013 through April 2014 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 April 11, 2014, and included their comments where appropriate.

We relied on computer-processed data maintained by Postal Service operational systems, which include PostalOne! and the Enterprise Data Warehouse. We did not test the validity of controls over these systems. However, we assessed the reliability and verified the accuracy of the data by confirming our results with Postal Service managers

and other data sources. We also relied on prior OIG reviews of Postal Service systems. We determined that the data were sufficiently reliable for the purposes of this report.

#### [Prior Audit Coverage](#)

The OIG did not identify any prior audits or reviews related to the objective of this audit.

### Appendix B: Other Impacts

Recommendation	Impact Category	Amount
1	Disbursements at Risk <sup>8</sup>	\$1,500,627

We reviewed the 18 plant load agreements at the Greensboro District in the Capital Metro Area that were in place as of January 2014 and identified issues concerning how they were approved and monitored. For example, we found plant load agreements that were not signed, had insufficient approval documentation, were missing plant load agreement applications, and were not reviewed as required. The Postal Service was at risk of incurring unnecessary operational costs because it did not have a system in place to monitor compliance with plant load agreement requirements. We estimate total FY 2013 transportation cost of \$500,209 for nine of 10 scheduled plant load agreements as disbursements at risk.<sup>9</sup> We then determined these disbursements were also at risk for FYs 2012 and 2014.

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<sup>8</sup> Disbursements made where proper Postal Service internal controls and processes were not followed.

<sup>9</sup> Out of the 18 plant load agreements, we only claimed nine of 10 scheduled plant load agreements, as the Postal Service was unable to provide data on one scheduled and four “as required” agreements. Mailers transport their own mail under the remaining four agreements under expedited shipping agreements.

**Appendix C: Plant Load Agreement Issues and Related Corrective Actions in the Greensboro District**

OIG issue	Corrective action
<p>Approval records for plant load agreements were incomplete and insufficient—all 18 agreements were missing at least one or more of the following key approval requirements:<sup>10</sup></p> <ul style="list-style-type: none"> <li>▪ District representative’s signature missing (12 of 18).</li> <li>▪ Mailer’s signature missing (5 of 18).</li> <li>▪ Did not indicate reason for approval (6 of 18).</li> <li>▪ Expedited Shipment Agreements<sup>11</sup> approved without plant load agreement (4 of 18).</li> </ul>	<p>The district has begun to complete the missing approval requirements for each of these agreements.</p>
<p>Data on anticipated volumes for each mailer were not provided to bulk mail staff responsible for monitoring plant load operations.<sup>12</sup></p>	<p>The district is developing a process for providing plant load data to bulk mail unit staff.</p>
<p>The required district plant load committee<sup>13</sup>—a key body for reviewing plant load agreement applications and appeals—was not established.</p>	<p>The district created the plant load committee.</p>
<p>Agreements were not reviewed within the required 4-year period (14 of 18).</p>	<p>The district has begun to renew the expired agreements and tasked the district marketing manager to oversee plant load agreements.</p>
<p>The district initially was not aware of the number of existing agreements, as it only had records for 14 of the 18 agreements.</p>	<p>The district established records for each of the 18 agreements. Furthermore, for each agreement, the district created a folder and cover page that records key terms.</p>

Source: OIG observations and analysis, discussions with district officials, and review of applicable district documentation.

<sup>10</sup> District personnel did not complete 18 PS Forms 3815.

<sup>11</sup> Expedited shipment agreements are granted when a mailer requests an extraordinary level of service or transports its own mail because it requires a delivery timeframe that the normal Postal Service transportation for that class of mail cannot provide.

<sup>12</sup> The local postmaster must ensure that DMU personnel observe the loading of plant load vehicles and monitor plant load operations. If, at anytime, a mailer fails to meet the requirements set forth in the DMM, the provisions of PS Form 3815, or the guidelines in this handbook, the postmaster must promptly notify the mailer to correct the deficiency. Handbook PO-512, Section 4-5.1.2, October 2002.

<sup>13</sup> The district manager establishes the plant load committee. The committee is composed of a cross section of Postal Service employees with different functional responsibilities to address plant load issues within the district. Handbook PO-512, Section 4-5.2 and 2-2, October 2002.

## Appendix D: Management's Comments

DISTRICT MANAGER  
GREENSBORO DISTRICT



April 22, 2014

JUDITH LEONHARDT  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: PLANT LOAD AGREEMENTS – GREENSBORO DISTRICT MS-AR-14-DRAFT

Management at the Greensboro District agrees with the findings of the OIG audit conducted on the Plant Load processes at the Greensboro District. Management agrees that the current processes put the amount of money spent on transportation for the Plant Load customers at potential risk. The dollar amount listed in the audit is for a three year period of time, 2012 through 2014.

Recommendation:

Develop and implement a system to ensure compliance with plant load agreement requirements, particularly those related to the approval and monitoring of these agreements.

Management Response / Action Plan:

Management agrees with the recommendation and has implemented the following to remediate the issues.

Management has created a Plant Load Committee for oversight of all plant load agreements. Randall Anderson, Manager, Marketing is the chair. The first meeting of the committee was held on April, 16, 2014. Team member listing and minutes of the meeting are attached. The committee will meet quarterly or more frequently if necessary. Schedule of meetings for FY 14 is included on the team member listing.

Management has created a cover sheet for all load agreements that shows the mailer name, location, annualized revenue, trip schedule and justification for the plant load. This was implemented prior to the release of the audit and is in place for all eighteen plant load agreements in our District. A sample of the cover sheet for the [REDACTED] Plant Load is attached.

Marketing held a telecom with all DMU clerks who work at DMU / plant load sites that have scheduled transportation on Tuesday, April 22. The purpose of this telecom was to ensure they were aware of the plant load processes. Each site was provided a worksheet to complete concerning the percentage of load coming from the mailer each day. This will allow management to monitor any volume deviations that might necessitate a change in the plant load agreement. The worksheet is faxed weekly to Randall Anderson, Manager, Marketing for review. A sample worksheet is attached.

Target Implementation Date:

Plant Load Committee for oversight has been established.  
Review of Plant Load agreements started on April 16, 2014.  
Communication with DMU sites and volume recording started April 23, 2014.  
Second review of Plant Load agreements with volumes established due by May 30.

Responsible Official:

The responsible official for implementation of the action plan above is Randall Anderson, Manager, Marketing.

PO Box 27499  
Greensboro NC 27498-9900  
(336) 668-1201  
Fax: (336) 668-1366

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Please feel free to contact me if you require any additional information.



Russell D. Gardner  
District Manager/ Lead Executive  
Greensboro District

Attachments:

cc: POOMs  
    Manager, Marketing  
    Manager, Retail

**Plant Load Agreement Meeting Minutes 4/16/14**

**Attendees**

Randall Anderson

[REDACTED]

Millie Bragg

[REDACTED]

Manu Sharma

Cleola McCoy

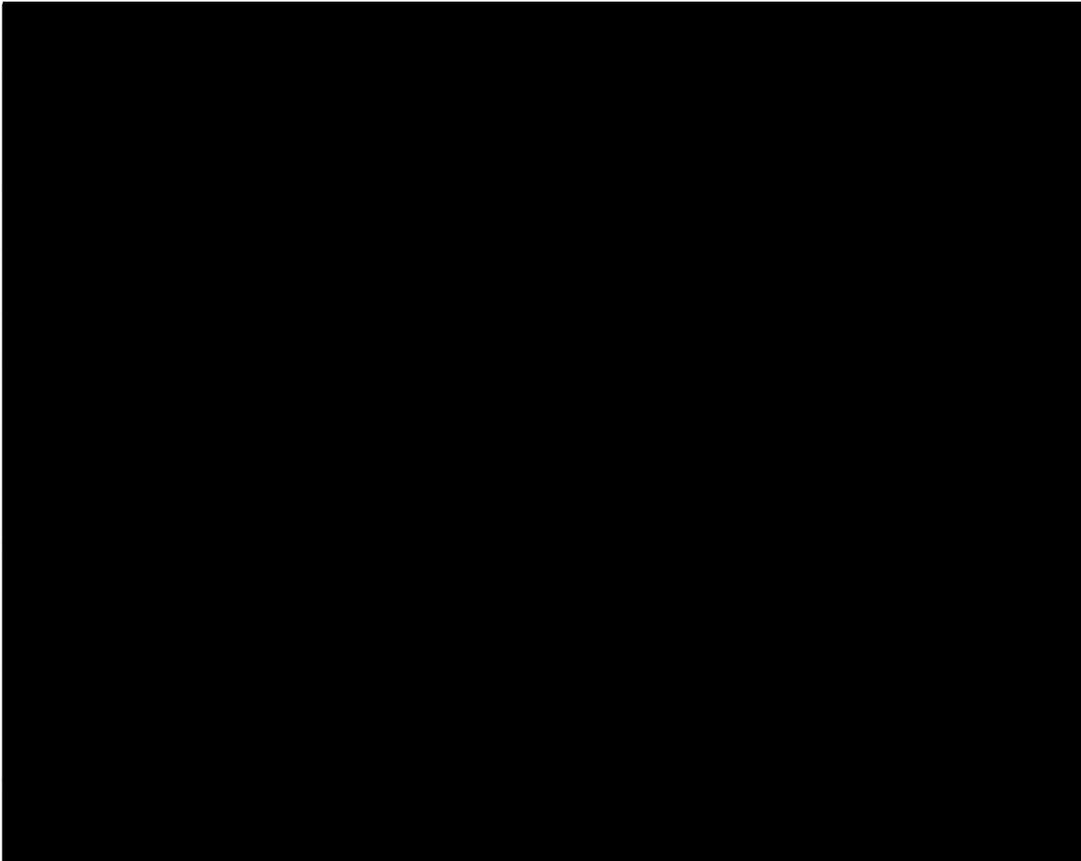
**Meeting Objectives**

To create a team to work on updating plant load agreements (Signatures need to be updated, work with DMU's)

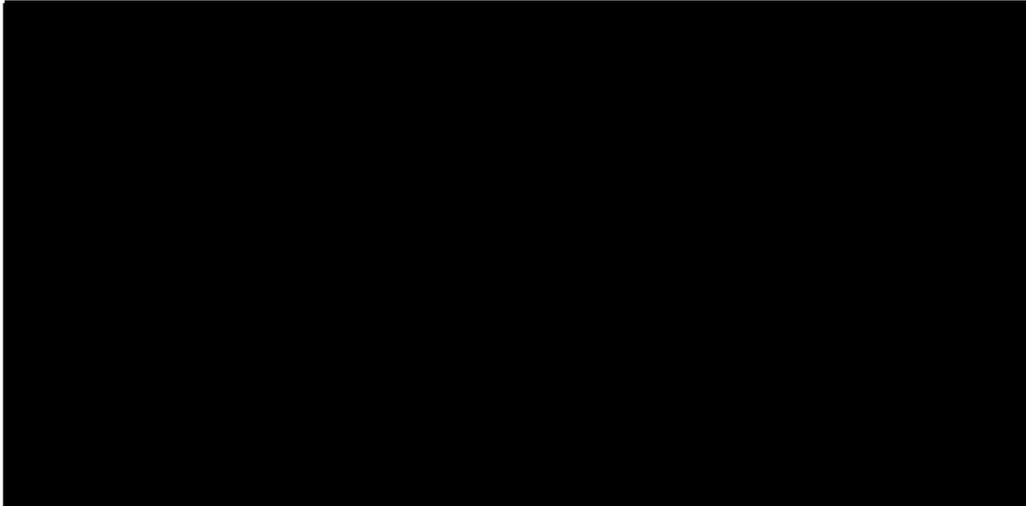
**Discussion points**

1. Go over plant load agreements
2. Communicate with DMU's
3. Where do we go from here?

**Replacements-** [REDACTED]



**Plant Load Agreement Meeting Minutes 4/16/14**



Each DMU is to fill out the DMU Plant Load Agreement Daily and send to [REDACTED] every Friday. Telecom with DMU sites scheduled for Tuesday, April 22 at 13:00. Volume recording, Plant Load processes and pallet/trip requirements will be discussed.

New Plant Load agreements will be reviewed and decided on by the Plant Load Review Team. No transportation will be approved without team review and approval. All Plant Load agreements will be reviewed annually from this point forward.

PLANT LOAD AGREEMENT WORKSHEET	
Company name:	[REDACTED]
Location:	Durham
Annual Revenue:	[REDACTED]
Product / Class of Mail:	[REDACTED]
Frequency:	[REDACTED]
USPS Transportation:	Yes
8017 Only (no USPS transportation)	No
Comments:	Largest Mailer in the District. Mail transported directly to the Raleigh Plant
Preparer	Randall Anderson

Plant Load Review Team - Greensboro District			
Member	Role	Title	Phone
Randall Anderson	Chair	Mgr. Marketing	
Cleola Mccoy	Team Member	Mgr. BMEU	
[REDACTED]	Team Member	Mailing Standards Spec.	
Millie Bragg	Team Member	Mgr. Transportation (GSO)	
Manu Sharma	Team Member	Mgr. Transportation (RAL)	
[REDACTED]	Team Member	Admin Assistant, MRKT	

PLA Review with volume data: Review Meeting Friday, May 31

RM 109, GSO District

- Meeting Dates:
- QTR 3 Wednesday, April 16 RM 109, GSO District
  - QTR 4 Wednesday, July 16 RM 109, GSO District
  - QTR 1 Wednesday October 15 RM 109, GSO District
  - QTR 2 Wednesday, January 17 RM 109, GSO District

All Meeting times are 14:00 unless otherwise noted.

