



Office of Inspector General | United States Postal Service

Audit Report

Plant Load Agreements – Santa Ana District

Report Number 19-041-R20 | August 13, 2020



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Highlights

Objective

Our objective was to assess the effectiveness of plant load agreements in the Santa Ana District. We selected this district based on volume and revenue declines from fiscal year (FY) 2018 to FY 2019, totaling 190 million pieces (22 percent) and \$37.5 million (18 percent).

Plant load agreements are special arrangements between the U.S. Postal Service and certain commercial mailers. Mailers interested in establishing a plant load agreement must already have a Postal Service-approved detached mail unit (DMU) at their mailer facility, wherein a Postal Service clerk is on-site performing mail verification, acceptance, dispatch, and other related functions. Mail is then transported from the DMU to a Postal Service facility for acceptance and processing.

Once a DMU is established, plant load agreements can then be requested by these mailers whereby the mailer agrees to provide certain amounts of mail volumes and weights at a certain level of sortation. In exchange, the Postal Service provides acceptance and, for some agreements, transportation from the DMU to the Postal Service's destination facility.

The Postal Service benefits from plant load agreements as they allow mail to bypass handling at Postal Service facilities—which reduces processing time, staffing, and loading dock space requirements at Postal Service facilities—and fosters positive relationships with its mailers.

There are three types of plant load agreements, which are differentiated by the distance the mail travels and whether the Postal Service or customer provides the transportation. These three types of agreements are known as intra-district, inter-district, and expedited. The Santa Ana District had eight plant load agreements as of December 2019— three intra-district and five expedited.

A District Plant Load Committee, established by the district manager, is responsible for addressing plant load related issues and reviewing each plant load application, which includes the completion of the Postal Service's internal cost analysis.

We completed our fieldwork before the President of the United States issued the national emergency declaration concerning the novel coronavirus disease outbreak (COVID-19) on March 13, 2020. The results of this audit do not reflect process and/or operational changes that may have occurred as a result of the pandemic.

Findings

The Santa Ana District was not effectively approving, monitoring, or retaining copies of its plant load agreements. Agreements were approved with incomplete information, there was insufficient monitoring of plant load volumes and weights, and prior plant load agreement documents were not retained. As a result, there is reduced assurance that these agreements are financially beneficial to the Postal Service. Specifically:

- *Agreements Approved with Incomplete Information:* The three current intra-district agreements were approved without required cost analysis and supporting documentation. This information is necessary to assess the financial and operational impact of each agreement. In addition, one expedited agreement was approved before receiving required stakeholder signatures.
- *Insufficient Monitoring of Plant Load Volumes and Weights:* Two of the three intra-district agreements did not meet the minimum mail volume or weight requirements during our tests and observations. One of the mailers we observed had 86 pounds of First-Class Mail being transported by a Postal Vehicle Service when the minimum mail weight requirement for an intra-district plant load agreement is 8,000 pounds per trip.
- *Document Retention – Prior Plant Load Agreements:* The district did not retain copies of any of the eight authorized agreements that pre-dated the current December 2019 agreements. Postal Service policy states these agreements must be retained for two years from the expiration date of the plant load agreement.

These issues occurred because the district did not provide sufficient oversight over these agreements. Specifically, the district did not establish a Plant Load Committee, as required, to oversee the approval and monitoring of these

agreements. District management stated that it was not established because plant load agreement issues are discussed in weekly district meetings. In addition, the district did not have procedures outlined to monitor performance or maintain prior agreements.

Until these issues are addressed, the Postal Service is at risk of incurring unnecessary transportation and DMU clerk labor costs of \$217,992 annually.

Recommendation

We recommend the district manager:

- Reassess each plant load agreement for compliance with applicable requirements, including ensuring that each agreement contains complete

information and all required signatures, and take appropriate actions as needed (for example, either cancel or update the agreement).

- Establish a Plant Load Committee to review each plant load application and address related issues.
- Develop procedures for monitoring mail volume, weight, and preparation performance in accordance with requirements set forth in the plant load agreements.
- Develop procedures for ensuring the retention of expired plant load agreements.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

August 13, 2020

MEMORANDUM FOR: EDUARDO H. RUIZ
DISTRICT MANAGER, SANTA ANA DISTRICT

A digital signature of Janet M. Sorensen, showing her name in a cursive font over a white background with a small yellow icon in the top right corner.

FROM: Janet M. Sorensen
Deputy Assistant Inspector General
for Retail, Delivery, and Marketing

SUBJECT: Audit Report – Plant Load Agreements – Santa Ana District
(Report Number 19-041-R20)

This report presents the results of our audit of the Plant Load Agreements – Santa Ana District.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Joe Wolski, Director, Sales, Marketing, and International Directorate, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of the Plant Load Agreements in the Santa Ana District (Project Number 19-041). The objective of our audit was to assess the effectiveness of plant load agreements in the Santa Ana District. We selected this district based on volume and revenue declines from fiscal year (FY) 2018 to FY 2019, totaling 190 million pieces (22 percent) and \$37.5 million (18 percent).

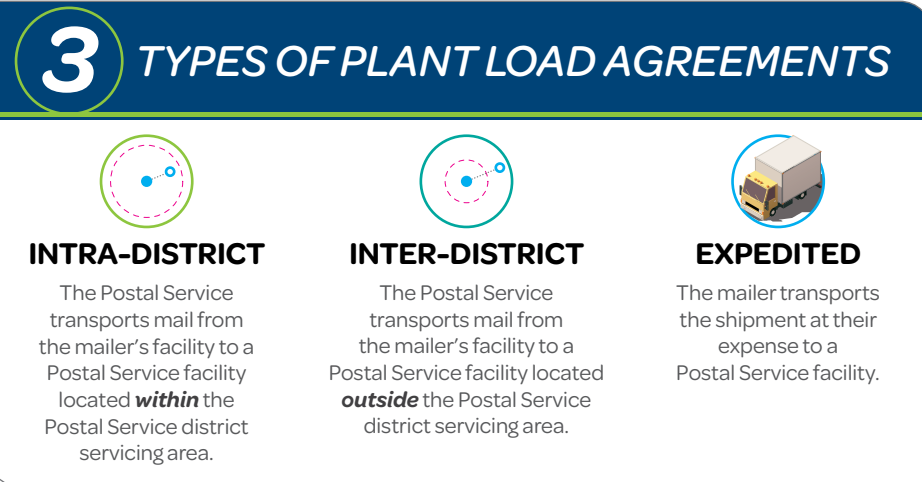
We completed our fieldwork before the President of the United States issued the national emergency declaration concerning the novel coronavirus disease outbreak (COVID-19) on March 13, 2020. The results of this audit do not reflect process and/or operational changes that may have occurred as a result of the pandemic.

Background

Plant load agreements are special arrangements between the U.S. Postal Service and certain commercial mailers. Mailers interested in establishing a plant load agreement must already have a Postal Service-approved detached mail unit (DMU) at their mailer facility, wherein a Postal Service clerk is on-site performing mail verification, acceptance, dispatch, and other related functions. Mail is then transported from the DMU to a Postal Service facility for acceptance and processing.

Once a DMU is established, plant load agreements can then be requested by these mailers whereby the mailer agrees to provide certain amounts of mail volumes and weights at a certain level of sortation. In exchange, the Postal Service provides acceptance and, for some agreements, transportation from the DMU to the Postal Service's destination facility.

The Postal Service benefits from plant load agreements as they allow mail to bypass handling at Postal Service facilities—which reduces processing time, staffing, and loading dock space requirements at Postal Service facilities—and fosters positive relationships with its mailers.



There are three types of plant load agreements, which are differentiated by the distance the mail travels and whether the Postal Service or customer provides the transportation. These three types of agreements are known as intra-district, inter-district, and expedited, as follows:

- *Intra-district*: The Postal Service transports mail from the mailer's facility to a Postal Service facility located **within** the Postal Service district servicing area.
- *Inter-district*: The Postal Service transports mail from the mailer's facility to a Postal Service facility located **outside** the Postal Service district servicing area.
- *Expedited*: The mailer transports the shipment at their expense to a Postal Service facility.

For both intra and inter-district agreements, mailers complete Postal Service (PS) Form 3815, Plant Load Authorization Application, Worksheet, and Agreement. The form is used to justify and support that all requirements of a plant load agreement are met. For example, mail volume must, at a minimum, exceed 50 percent for an intra-district agreement and 60 percent for an inter-district agreement of a Postal Service vehicle's¹ weight or cubic foot capacity. Therefore,

¹ The Postal Service uses Postal Vehicle Service (PVS) and Highway Contract Route (HCR) services for plant load transportation.

a 48-foot trailer which has a weight capacity of 46,000 pounds and cubic capacity of 3,200 cubic feet requires the mailer provide at least 23,000 pounds or 1,600 cubic feet of mail for an intra-district agreement and 28,000 pounds or 2,000 cubic feet of mail for an inter-district agreement for each trip.

Additionally, the distance from the mailer’s plant to a destination postal facility must be 150 miles or less for an intra-district and less than 275 miles for an inter-district agreement. Finally, contained within the form is a cost analysis conducted by the Postal Service, which calculates total annual expenses incurred by the Postal Service, including clerk workhours and transportation. A comparison is made between the cost of having a plant load agreement versus not having one. If the analysis determines having an agreement provides a net benefit to the Postal Service, the application is considered for approval.

Plant load operations, such as verification, acceptance, and transportation, can be either “scheduled” or “as-required”. For a “scheduled” plant load agreement, the Postal Service provides regularly scheduled transportation between the mailer’s plant and destination Postal Service facilities. For example, one DMU had a clerk scheduled Monday through Friday and mail pick-up from 12:45 p.m. to 1 p.m. each day. An “as-required” plant load agreement has no predetermined mailing schedule, is irregular, and must be planned to allow mail delivery within Postal Service standards or within other service commitments arranged with and agreed to by the mailer.

A District Plant Load Committee, established by the district manager, is responsible for addressing plant load related issues and reviewing each plant load application, which includes the completion of the Postal Service’s internal cost analysis. The district manager is also responsible for approving or rejecting each application and other managerial duties including retaining copies of expired agreements and maintaining records of current agreements. The district manager, through subordinate managers and supervisors, also manages business mail acceptance activities. Managers and supervisors oversee the acceptance and verification of bulk mailings and plant load activities performed by DMU clerks to ensure they are properly verifying mail volume, weight, and preparation compliance.

The Santa Ana District had eight plant load agreements as of December 2019—three intra-district and five expedited (see Table 1).

Table 1. Santa Ana District DMUs and Plant Load Agreements

DMU	Intra-District Plant Load Agreements	Expedited Plant Load Agreements	Transportation
DMU A		X	Mailer
DMU B		X	Mailer
DMU C		X	Mailer
DMU D	X		Highway Contract Route
DMU E	X		Postal Vehicle Service
DMU F		X	Mailer
DMU G		X	Mailer
DMU H	X		Postal Vehicle Service

Source: Santa Ana District Plant Load Agreements.

Finding #1: District Management of Plant Load Agreements

The Santa Ana District was not effectively approving, monitoring, or retaining copies of its plant load agreements. Specifically, agreements were approved with incomplete information, there was insufficient monitoring of plant load volumes and weights, and prior plant load agreement documents were not retained. As a result, there is reduced assurance that these agreements are financially beneficial to the Postal Service.

“The Santa Ana District was not effectively approving, monitoring, or retaining copies of its plant load agreements.”

Agreements Approved with Incomplete Information

The three current intra-district agreements were approved without required cost analysis (see Figure 1) and supporting documentation. A detailed cost analysis includes the cost of postal transportation and clerk workhour calculations.

Supporting documentation, provided by the mailer, includes current and future average mail volumes, mileage from the mailer's plant to the destination postal facility, and percentage of mail in relation to vehicle capacity. This information is necessary to assess the financial and operational impact of each agreement.² In one instance, an expedited agreement was approved before receiving required

stakeholder signatures. During our audit, the district provided completed and approved versions of all three intra-district plant load agreements, however, the mail volume data entered on two of the three agreements (DMU D and DMU H) did not meet the minimum volume requirements.

Postal Service officials have a responsibility to ensure the application is complete, signed and dated.³ Each official⁴ reviews the application, completes applicable sections, and forwards the application to the next appropriate official until the application is either approved or disapproved.

Figure 1. DMU H Approved Intra-District Plant Load Agreement - Missing Cost Analysis

Full Year	Workhours	Number of Trips	Cost Per Hour or Trip	Total Expense
1. Cost Without Plant Load	Clerk			\$
	Mailhandler			\$
	PVS Vehicle			\$
	Driver			\$
	HCR Costs			\$
	Other			\$
Totals → →				\$
2. Cost With Plant Load	Clerk			\$
	Mailhandler			\$
	PVS Vehicle			\$
	Driver			\$
	Postal Equipment			\$
	HCR Costs			\$
Verification Travel			\$	
Other			\$	
Totals → →				\$
Total Expense (Item 1 Total subtracted from Item 2 Total) (A negative number shows savings; a positive number shows loss.) →				\$

PS Form 3815, May 2017, (Page 6 of 8)

K. PLANT-LOAD COST ANALYSIS (Completed by Local TANS Manager) (continued)

3. Mail Processing Capacity

This part is applicable only if:

- The minimum volume and maximum mileage criteria are not met, and
- The detailed cost analysis does not show a net benefit to the Postal Service.

The volume of mail to be plant-loaded averages _____ lbs. per day.

This volume of mail:

- Will result in the volume of mail processed by the local origin postal facility to exceed its mail processing capacity.
 - Yes No (If Yes, approve application and go to Item 4 — Action, Page 8.) (If No, evaluate (b.) below.)
- Can be processed by the local origin postal facility.
 - Yes No (If Yes, deny application and go to Item 4 — Action, Page 8.) (If No, approve application and go to Item 4 — Action, Page 8.)
- List individual(s) responsible for conducting plant-load cost analysis and mail processing capacity analysis.

Name	Title	Telephone Number (Include Area Code)	Date

Comments:

Source: U.S. Postal Service Office of Inspector General (OIG) screenshot of Santa Ana District Intra-District Plant Load Agreement.

Insufficient Monitoring of Plant Load Volumes and Weights

Two of the three intra-district agreements did not meet the minimum mail volume or weight requirements set forth in their agreements during our tests and

observations. The minimum mail volume requirement for an intra-district plant load agreement is dependent upon the size of the vehicle used to pick up plant load mailings. If a mailer fails to meet the terms of the plant load agreement, the District Plant Load Committee should re-evaluate the plant load approval.⁵

² Handbook PO-512, *Plant Loading Authorization Procedures Guidelines*, Section 3-1.3, PS Form 3815, October 2002.

³ PS Form 3815, Plant Load Authorization Application, Worksheet, and Agreement.

⁴ Postal Service officials include the local postmaster, manager of business mail entry, local manager of transportation and networks system, district marketing manager, and area manager of distribution networks.

⁵ Handbook PO-512, Section 1-6, Intra and Inter District Plant Load Shipments Defined and Section 1-16, Failure to Meet Requirements.

During our fieldwork observations at the three DMUs with intra-district agreements, we weighed and measured plant load mailings on the day of our visit. We identified deficiencies related to minimum mail volume requirements at two of the three DMUs:

- At DMU D, the OIG weighed and measured 14,653 pounds and 1,055 cubic feet of First-Class Mail transported by a Highway Contract Route (HCR). This site used a 53 foot truck which has a maximum volume capacity of 80,000 pounds or 3,400 cubic feet. The minimum mail volume for this truck size is 23,000 pounds or 1,600 cubic feet. Based on these minimum requirements, this DMU's plant load volume was 8,347 pounds and 545 cubic feet less than the required volume.
- At DMU H, the OIG weighed 86 pounds of First-Class Mail transported by a PVS (see Figure 2). This site used a seven ton⁶ vehicle which has a maximum weight capacity of 16,000 pounds. The minimum mail volume is 50 percent of vehicle capacity or 8,000 pounds. Based on these minimum requirements, this DMU's plant load volume was 7,914 pounds less than the required weight.

Subsequent to our visit, the district provided mail volume data for FY 2019 - FY 2020 quarters one and two and calculated the average mail weight. However, the average weight for DMU D still did not meet minimum requirements and the DMU H agreement was canceled.

Management was not aware that two of the three intra-district agreements did not meet the minimum requirements for mail volume or weight. We estimated transportation and DMU clerk labor costs to be a total of \$770,630 comprised of \$334,646 for FYs 2018 - 2019, and \$435,984 for FYs 2020 - 2021. The district took corrective action during our audit by canceling the plant load agreement at DMU H because of insufficient mail volume and the plant load agreement for DMU D remains in place in spite of not meeting minimum weight and volume requirements.

⁶ Trailers less than 48 feet long may be used but are generally restricted to intra-district plant loads.
⁷ Handbook PO-512, Section 1-12, Documentation and Forms Retention.

Figure 2. DMU H Plant Load Not Meeting Minimum Mail Volume



Source: USPS OIG Auditor on February 11, 2020, at DMU H.



Insufficient Mail Volume

Note this DMU did not meet the minimum requirement - providing only two pallets of mail transported by a Postal Service vehicle.

Document Retention – Prior Plant Load Agreements

The district did not retain copies of any of the eight authorized agreements that pre-dated the current December 2019 agreements. Postal Service policy states that all documentation and forms must be retained for two years from the expiration date of the plant load agreement. This information may need to be retained for longer periods if the responsible Postal Service records officer deems it necessary.⁷ Prior agreements may also be needed for reference when renewing and updating current agreements.

These issues occurred because the district did not provide sufficient oversight over these agreements. Specifically, the district did not establish a Plant Load Committee, as required, to oversee the approval and monitoring of these agreements. District management stated that a Plant Load Committee was not established because plant load agreement

“These issues occurred because the district did not provide sufficient oversight over these agreements.”

issues are discussed in weekly district meetings. In addition, the district did not have procedures outlined to monitor performance or maintain prior agreements.

Recommendation #1

We recommended the **District Manager, Santa Ana District**, reassess each plant load agreement for compliance with applicable requirements, including ensuring that each agreement contains complete information and all required signatures, and take appropriate actions as needed (for example, either cancel or update the agreement).

Recommendation #2

We recommended the **District Manager, Santa Ana District**, establish a Plant Load Committee to review each plant load application and address related issues.

Recommendation #3

We recommended the **District Manager, Santa Ana District**, develop procedures for monitoring mail volume, weight, and preparation performance in accordance with requirements set forth in the plant load agreements.

Recommendation #4

We recommended the **District Manager, Santa Ana District**, develop procedures for ensuring the retention of expired plant load agreements.

Management's Comments

Management partially agreed with the finding, agreed with the recommendations, and disagreed with the monetary impact.

Management disagreed that DMU E's Plant Load Agreement Cost Analysis, Section K, needed to be completed and disagreed that there was insufficient monitoring of plant load requirement compliance citing mail volume fluctuations. Management maintains that DMU D met and continues to meet the requirements for a plant load agreement and benefits the Postal Service from both a cost and service perspective. Additionally, management maintains that DMU D and DMU

E provide at least 60 percent of Postal Service vehicle capacity and by-passes handling at the local mail processing facility. In addition, a recent detailed cost analysis of DMU D supported that DMU D has monetary savings. With regard to DMU H, management stopped postal transportation in February of 2020 and contends there are no associated future financial risks.

Management disagreed with the \$217,992 of monetary impact. They noted the disagreements described above, as well as stating that DMU clerk labor costs should not be factored into any potential plant load agreement cancellation savings, as verifications would still be performed even if the agreement for Postal Service transportation is cancelled.

Regarding recommendation 1, management agreed and established a Plant Load Committee as of May 29, 2020 to review plant load agreements for completion. The committee will review all plant loads for completion and compliance. The target implementation date is August 31, 2020.

Regarding recommendation 2, management agreed and established a Plant Load Committee consisting of the following: District Manager, Marketing Manager, Manager, Business Mail Entry, Finance Manager, Transportation Manager, and Mailing Standards Specialist. The Plant Load Committee will meet biannually and as needed to ensure plant load requirements are met. The target implementation date is August 31, 2020.

Regarding recommendation 3, management agreed and will develop procedures to enhance current monitoring of vehicle utilization using and monitoring volumes in PostalOne! by including documents and data as part of formal Plant Load Committee meetings to determine plant load requirement compliance. The target implementation date is August 31, 2020.

Regarding recommendation 4, management agreed and will retain all plant load agreements in a repository housed on the district shared drive created in December 2019. The target implementation date is August 31, 2020.

See [Appendix B](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and planned actions should resolve the issues identified in the report.

Regarding management's comments related to the incomplete agreements, the OIG maintains its position that the original Plant Load Agreement given to the team in January 2020 for DMU E was not completed. The version the Postal Service cited in its response to our report was completed later (in April 2020); however the section referring to future mail volume meeting a 60 percent minimum was not met per the calculations included in the agreement.

Regarding management's comments related to insufficient monitoring of plant load volumes and weights for DMU D and DMU E, the OIG maintains its position that DMU D did not meet the minimum volume requirements. The plant load mail the OIG weighed and measured during our audit observations did not meet volume requirements and the detailed cost analysis section of the current plant load agreement did not reflect a benefit to the Postal Service. According to the OIG's calculations of past and future monthly revenue, DMU D was not meeting volume requirements in the past and will not meet them in the future. The vehicle utilization data the district provided represents three weeks of data and does not provide sufficient analysis to conclude that DMU D was meeting volume requirements.

DMU E is not mentioned in the report regarding insufficient monitoring because it met minimum volume requirements during our observation. However, our future revenue forecasts show that monthly revenue is trending downward, and estimated mail volume to be less than during our observation. Therefore, DMU E was not projected to meet minimum volume requirements in the future.

Regarding the monetary impact, the detailed cost analysis for DMU D referred to in management's comments does not support a cost benefit to the Postal Service because a positive expense indicates a loss and not a savings. The vehicle utilization data the district provided represents three weeks of data and does not provide sufficient analysis to conclude that DMU D was meeting volume requirements. For DMU D and E, we reviewed an extensive amount of mail volume and revenue data from October 2017 through April 2020 and used prior revenue to forecast revenue from May 2020 to November 2022. We used actual mail measurements during our site visits in January and February 2020 to calculate a relationship between volume and revenue. Our analysis concluded that neither DMU met 50 percent of the vehicle's capacity versus the 60 percent minimum management used.

Management also stated that DMU clerk labor costs should not be considered a potential cost savings. We determined current and future mail volumes included in the applications did not meet minimum requirements. In addition, the applications completed by the mailer indicate the frequency of mailing is daily, thus requiring daily verification and processing by a DMU clerk. Since volume does not meet minimum requirement and mailing frequency is daily, we consider labor costs associated with processing and verifying plant load mail to be an impact.

Although management stated they terminated the DMU H agreement in February 2020, the OIG maintains its position given the agreement was approved in December 2019 for a four-year term. The DMU remains open as of June 5, 2020, and projected mail volume would not meet minimum requirements.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. All 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.

Appendices

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Appendix A: Additional Information

Scope and Methodology

Our audit scope covered the Santa Ana District in the Pacific Area and related facilities. The review covered current plant load agreements in the Santa Ana District, associated revenue, and related costs.

To accomplish our objective, we:

- Obtained and reviewed policies and procedures that govern plant load agreement approval and monitoring.
- Interviewed area and district personnel regarding plant load agreements.
- Analyzed plant load agreements to determine the number, type, and location.
- Determined whether a District Plant Load Committee was established to ensure plant load agreements are reviewed every four years.
- Reviewed plant load agreements to evaluate whether all elements were accurate and warranted approval.
- Evaluated whether processes were in place to monitor agreements for compliance.
- Conducted tests of mail weight and cubic volume at DMUs in the Santa Ana District on January 9, 2020 and February 11, 2020.
- Interviewed mailers with agreements to understand the plant load process and mailer satisfaction.
- Obtained labor and transportation cost for each intra-district agreement and evaluated if they were a benefit to the Postal Service.

We selected this district based on DMU volume and revenue declines from fiscal year (FY) 2018 to FY 2019. The Santa Ana District was in the top 20 districts for mail volume decrease, as DMU Mail volume declined by 190 million pieces (22 percent) and DMU revenue declined by \$37.5 million (18 percent) during that time. Additionally, the Santa Ana District was only one of two districts in the top 20 that had an increase in the number of DMUs, from 14 to 15.

We conducted this performance audit from December 2019 through August 2020 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 June 5, 2020, and included their comments where appropriate.


We assessed the reliability of the computer-generated data we collected from the Postal Service's Facilities Database and Application Systems Reporting database by reviewing the data for errors and completeness and discussing potential issues with Postal Service officials. 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 within the last five years.

Appendix B: Management's Comments

DISTRICT MANAGER
SANTA ANA DISTRICT

 UNITED STATES
POSTAL SERVICE

July 31, 2020

Lazerick C. Poland
Director, Audit Operations

Subject: Plant Load Agreements – Santa Ana District
Project Number 19-041-DRAFT

Management's response to the OIG's audit findings, monetary impacts, and recommendations follows.

Findings - District Management of Plant Load Agreements:

The Santa Ana District was not effectively approving, monitoring, or retaining copies of its plant load agreements. Agreements were approved with incomplete information, there was insufficient monitoring of plant load volumes and weights, and prior plant load agreement documents were not retained. As a result, there is reduced assurance that these agreements are financially beneficial to the Postal Service. Specifically:

- Agreements Approved with Incomplete Information: The three current intra-district agreements were approved without required cost analysis and supporting documentation. This information is necessary to assess the financial and operational impact of each agreement. In addition, one expedited agreement was approved before receiving required stakeholder signatures.
- Management Response: Management agrees that Plant Load Agreements were incomplete at the time of review. The plant load agreements for these DMUs have been in place for years. However, management agrees that the agreements were not updated properly. To formalize the process and align with the requirements, a Plant Load Committee was established in May of 2020 to review Plant Load agreements for completion and compliance.

Management does not agree that DMU-E's Plant Load Agreement Cost Analysis, Section K, was not completed accordingly. Per Section K of PS Form 3815, if the minimum volume criteria is not met, proceed to Section K-2 which transitions the criteria to vehicle capacity and mileage. Since responses to both questions listed were "yes", the instructions state "If yes, *approve application* and complete Item 4 – Action (page 8)" (see Figure 1).

Figure 1. Image from DMU-E Plant Load Section K

K. PLANT-LOAD COST ANALYSIS (Completed by Local TANS Manager)

Note: Cost analysis must only be based on mail to be transported by postal-furnished transportation. Plant-verified drop shipment and collection mail must not be included in this calculation.

1. Review the Application

Confirm accuracy of mailer's data for type of services required and resolve discrepancies. Check appropriate box.

Minimum volume and maximum mileage criteria are met and equipment is available or can be obtained. (If this is true, approve the application and complete Item 4 – Action on Page 8.)

Criteria are not met. (If this is true, proceed to Item 2 – Cost Analysis.)

2. Complete Cost Analysis

STEP A – Matrix

1. Do present and future volumes exceed 60 percent of vehicle capacity? Yes No
If No, go to Step B – Detailed Cost Analysis (Page 7).
If Yes, refer to the matrix below.

Is the mileage of the proposed plant load less than the maximum permissible mileage in the matrix? Yes No
If Yes, approve application and complete Item 4 – Action (Page 8).
If No, go to Step B – Detailed Cost Analysis (Page 7).

1

DMU-E averages 60% to 65% vehicle capacity and mileage is "less than the maximum permissible mileage in the matrix". Therefore, Step B Detailed Cost Analysis was not required for DMU-E

- **Insufficient Monitoring of Plant Load Volumes and Weights:** Two of the three intra-district agreements did not meet the minimum mail volume or weight requirements during our tests and observations. One of the mailers we observed had 86 pounds of First-Class Mail being transported by a Postal Vehicle Service when the minimum mail weight requirement for an intra-district plant load agreement is 8,000 pounds per trip.
 - **Management Response:** Management does not agree that there was insufficient monitoring of plant load requirements compliance. While mail volumes fluctuate, and some weeks/months may see drops, Plant Load Agreement decisions are based on an overall benefit. It is part of the Santa Ana process to monitor vehicle utilization daily and notify the Manager of Business Mail Entry (MBME) if a mailer's volume appears to be consistently low. Likewise, the DMU clerk and/or supervisor may notify the MBME of significant drops. The MBME will review the volume in *PostalOne!* and follow-up with the mailer to determine potential long-term impacts that may warrant review of their Plant Load Agreement.

Management monitors vehicle utilization via the *MVS Daily Log*, Form 4572, which is used daily to log vehicle percent of utilization (see Figure 2).

Figure 2. Example of DMU-D and DMU-E MVS Daily Log, Form 4572

ID	Route-Trip	Actual Time	Actual Source/From/To	Service	Typ	Van Number	Trailer Length	Load	% Count
I	928L-2-11	05/06/2020 16:15:25	SV Mobile	HCR	B112	53		05	1940
I	928V3-B304	05/06/2020 19:53:04	SV Mobile	PVS	8812942	20		01	608
I	928L-2-11	05/07/2020 16:16:39	SV Mobile	HCR	B112	53		95	2090
I	928V3-B304	05/07/2020 19:45:04	SV Mobile	PVS	8812942	20		01	608
I	928L-2-11	05/08/2020 16:28:53	SV Mobile	HCR	B112	53		100	2280
I	928V3-B304	05/08/2020 19:53:24	PVS Mobile	PVS	8812942	20		01	608
I	928L-2-11	05/11/2020 16:33:34	SV Mobile	HCR	884	53		70	1940
I	928V3-B304	05/11/2020 19:58:30	SV Mobile	PVS	8812942	20		100	1211
I	928L-2-11	05/12/2020 16:06:34	SV Mobile	HCR	884	53		95	2080
I	928V3-B304	05/12/2020 19:57:58	SV Mobile	PVS	8812942	20		01	1100
I	928L-2-11	05/13/2020 16:06:32	SV Mobile	HCR	884	53		100	2280
I	928V3-B304	05/13/2020 20:06:34	PVS Mobile	PVS	8812942	20		100	1518
I	928L-2-11	05/14/2020 16:33:34	SV Mobile	HCR	884	53		90	1300
I	928V3-B304	05/14/2020 19:56:43	SV Mobile	PVS	8812942	20		100	1206
I	928L-2-11	05/15/2020 16:24:03	SV Mobile	HCR	884	53		100	2540
I	928V3-B304	05/15/2020 19:57:05	PVS Mobile	PVS	8812942	20		100	1440
I	928L-2-11	05/18/2020 16:57:58	SV Mobile	HCR	B112	53		95	2090
I	928V3-B304	05/18/2020 21:20:06	SV Mobile	PVS	35700000032	18		100	018
I	928L-2-11	05/18/2020 16:35:32	SV Mobile	HCR	B112	53		100	2640
I	928V3-B304	05/18/2020 19:42:48	SV Mobile	PVS	35700000032	18		100	1811
I	928L-2-11	05/20/2020 16:41:20	SV Mobile	HCR	B112	53		100	2770
I	928V3-B304	05/20/2020 19:57:54	PVS Mobile	PVS	8812942	20		100	1419
I	928L-2-11	05/21/2020 16:24:02	SV Mobile	HCR	B112	53		90	1380
I	928V3-B304	05/21/2020 19:56:11	PVS Mobile	PVS	8812942	20		01	700
I	928L-2-11	05/22/2020 16:08:01	SV Mobile	HCR	B112	53		100	2380
I	928V3-B304	05/22/2020 19:56:24	PVS Mobile	PVS	8812942	20		01	608
I	928L-2-11	05/26/2020 16:34:44	SV Mobile	HCR	B112	53		100	2280
I	928V3-B304	05/26/2020 20:07:54	PVS Mobile	PVS	8812942	20		100	1811

Transportation measures vehicle capacity and percent of utilization by converting the number and type(s) of equipment loaded, such as skids (pallets), into percent of utilization using a vehicle load percentage conversion chart (See Figure 3)

Figure 3. Bluesheets Vehicle Load Percentages

CONVERSION:		PIECES	6'3" TRLR	45' TRLR	11-TON	9-TON	7-TON
1 GPMC, ERM, (APC)	= 1 PIECE	1	2%	2%	5%	6%	8%
1 HAMPER (1046)	= 1 PIECE	2	4%	5%	11%	12%	16%
1 OTR (BMC)	= 2 PIECES	3	7%	8%	16%	18%	25%
1 SKID (PALLET)	= 2 PIECES	4	9%	11%	22%	25%	33%
		5	11%	13%	27%	31%	41%
		6	14%	16%	33%	37%	50%
		7	16%	19%	38%	43%	58%
		8	19%	22%	44%	50%	66%
		9	21%	25%	49%	56%	75%
		10	23%	27%	55%	62%	83%
		32	76%	88%			
		33	78%	91%			
		34	80%	94%			
		35	83%	97%			
		36	85%	100%			
		37	88%				
		38	90%				
		39	92%				
		40	95%				
		41	97%				
		42	100%				

INSTRUCTIONS:
MVOs and TTOs must turn in all Forms 4572 used at the end of each Tour. Any Defects or Abnormalities that are discovered must be noted. PS Form 4565 must be used for any Vehicle Defects. PS Form 4707 must be attached to any Defective MTE (Mail Transport Equipment).

ADDITIONAL REMARKS/COMMENTS:

Figure 4 illustrates an example of DMU-D exceeding the 60% minimum Plant Load Agreement percent load requirement as outlined in Section K-2 of the Plant Load Agreement. Vehicles must also be loaded in a safe manner (no double stacking) and weight equally distributed in the trailer.

Figure 4: DMU-D Exceeding Percent of Load Minimum Requirements



- Insufficient Monitoring of Plant Load Volumes and Weights:* Management was not aware that two of the three intra-district agreements did not meet the minimum requirements for mail volume or weight. We estimated transportation and DMU clerk labor costs to be a total of \$770,630 comprised of \$334,646 for FYs 2018-2019, and \$435,984 for FYs 2020-2021. The district took corrective action during our audit by cancelling the plant load agreement at DMU H because of insufficient mail volume and the plant load agreement for DMU D remains in place in spite of not meeting minimum weight and volume requirements.

- o **Management does not agree.** The DMU operation and associated DMU Labor Costs are separate because they relate to mail verification, acceptance, and revenue assurance, and are not directly associated with type of transportation. Therefore, DMU Clerk labor costs should not be factored into Plant Load Agreement cancellation savings since the verification/acceptance process will need to be completed regardless.

Management contends that DMU-D was and continues to meet the requirements of the Plant Load Agreement and DMU-E continues to meet the requirements. Per Section K, if the criteria in item 1, "Minimum volume and maximum mileage criteria are met and equipment is available or can be obtained", are not met (answer is "No"), proceed to items in K-2 which focus on vehicle capacity and mileage of the proposed plant load. Both DMU-D and DMU-E did not meet the criteria for K-1, but do meet the criteria in K-2.

Due to ongoing monitoring of volumes in *PostalOne!* and vehicle utilization via the Daily Log, Form 4572, the District ascertains that DMU-D was in compliance with Section K-2 of the Plant Load Agreement, PS Form 3815. The average pick-up from DMU-D has been 16 skids and according to the vehicle load percentages conversion chart: 1 skid = 2 pieces, totaling 32 pieces. For a 53' trailer, that equates to 76% percent of the vehicles capacity which exceeds the 60% percent load minimum shown in Section K-2 of the Plant Load Agreement (see Figure 5). DMU-D continuously exceeds vehicle capacity by ranging between 70% to 100% vehicle utilization and mileage is below the maximum allowed.

Figure 5: Section K-2 of Plant Load Agreement Cost Effective Plant Load Matrix

The following matrix summarizes a cost-avoidance analysis that demonstrates a net-cost savings for the Postal Service. Using the information confirmed in Item 1 above, determine the percent of vehicle capacity, type of service (intra- or inter-), and facilities by-passed.					
Cost Effective Plant-Loads for Movements Less than Indicated Mileage Matrix					
Percent of Load	60%	70%	80%	90%	100%
Maximum Miles	150	175	200	225	250
Inter-District Area Maximum Miles					
By-Passing: SCF/P&DC/P&DF	150	175	200	225	250
ASF and NDC	275	300	350	375	425

Mail volume for this customer has been fairly consistent and is showing increases in recent months. Part of the Districts process is to have conversations with commercial mailers regarding their volume projections. Conversations with DMU-E indicated they are projecting an increase in volume by 17 million pieces starting "next quarter" (October 2020). In addition, with current processes in place, should mail volume decline as projected in the audit calculations, the Plant Load Agreement will be reviewed and terminated accordingly. However, at this time, management estimates a continued net benefit to the Postal Service.

Management agrees that DMU-H was not meeting the minimum mail volume or weight requirements. Pick-ups continued over time, even as volumes declined, because DMU-H is near the line of travel for the USPS driver and deviation/cost was deemed minimal. This mailer provides additional Marketing Mail volume, coupled with the First-Class Mail, it warrants on-site DMU verification. Thus, with the DMU in place, it was deemed beneficial to pick-up the verified and paid First-Class Mail to take it to the plant sooner for processing.

In January of 2020, Management met with DMU-H to discuss their continuous low First-Class Mail volume and Plant Load Agreement. In the spirit of good customer service, management allowed DMU-H additional time to make transportation arrangements before stopping their pick-ups. The customer transitioned to an Expedited Plant Load (mailer transported) DMU and USPS pick-ups ceased in February of 2020. There are no future monetary risks associated with this DMU.

- **Document Retention – Prior Plant Load Agreements:** The district did not retain copies of any of the eight authorized agreements that pre-dated the current December 2019 agreements. Postal Service policy states these agreements must be retained for two years from the expiration date of the plant load agreement.

- o Management Response: Management agrees that copies were not properly retained prior to 2019. A repository was created December 2019 in which all current and future Plant Load Agreements are/will be archived.

Monetary Impacts – Transportation and DMU Clerk Labor Costs

The OIG contends that "until these issues are addressed, the Postal Service is at risk of incurring unnecessary transportation and DMU clerk labor costs of \$217,992 annually."

- o Management Response: Management does not agree with the risk assessment of \$217,992 annually. DMU service and related DMU clerk labor costs have separate considerations from Plant Load Agreements. It is not the case that the cancellation of USPS Plant Load Agreement for USPS provided transportation will result in the automatic closure of a DMU operation nor a reduction in DMU clerk labor costs since verifications must still be performed for revenue assurance. A mailer may agree to transport their own mail following a Plant Load cancellation. Therefore, DMU Clerk Labor costs should not be factored into any potential Plant Load Agreement cancellation savings.

Management maintains that DMU-D and DMU-E provide at least 60% of USPS vehicle capacity; by-passes handling at the local mail processing facility (which saves on mailhandler labor costs); and a recent detailed cost analysis of DMU-D supported that DMU-D has monetary savings of \$9,903.88 per year or \$19,807.76 savings for two years.

Management does not agree with the monetary risk assessment for DMU-H. Given DMU-H's Marketing Mail volume and their remaining First-Class Mail volume, on-site DMU verification is still warranted. Thus, costs associated with the DMU operation and handling of this mail (i.e. mailhandlers) cannot be considered as part of the savings. Which leaves only transportation costs. The pick-up for DMU-H was in the line of the driver's travel to the plant and near pick-ups for parcel mailers. The total mileage deviation equaled one mile per trip. The pick-ups for DMU-H were done only once a week and took an average of twenty minutes to complete for the deviation, load time, and return to line of travel in total. The estimated cost of the Plant Load Pick-up for DMU-H is \$770.61 per year. Therefore, management contends that the cost for picking up at DMU-H for the past two years was \$1,541.22.

Management agrees that DMU-H's volume was below the minimum required for a Plant Load Agreement. However, given management's decision to terminate USPS pick-ups at DMU-H in February of 2020, management contends that there is no future financial risks associated with this DMU.

Audit Recommendations:

Recommendation #1

Reassess each plant load agreement for compliance with applicable requirements, including ensuring that each agreement contains complete information and all required signatures, and take appropriate actions as needed (for example, either cancel or update the agreement).

Management Response/Action Plan

Management agrees with this recommendation. A Plant Load Committee was established in May of 2020 to review Plant Load agreements for completion. All plant loads will be reviewed for completion and compliance.

Target Implementation Date:

August, 2020

Responsible Official:

Manager of Business Mail Entry and Mailing Standards Specialist

Recommendation #2

Establish a Plant Load Committee to review each plant load application and address related issues.

Management Response/Action Plan

Management agrees with this recommendation. Plant Load Committee members consist of the following: District Manager, Marketing Manager, Manager, Business Mail Entry, Finance Manager, Transportation Manager, and Mailing Standards Specialist. The Plant Load Committee will meet biannually and on an as-needed basis to ensure Plant Load requirements are met.

Target Implementation Date:

August, 2020

Responsible Official:

Manager of Business Mail Entry and Mailing Standards Specialist

Recommendations #3

Develop procedures for monitoring mail volume, weight, and preparation performance in accordance with requirements set forth in the plant load agreements.

Management Response / Action Plan

Management agrees with this recommendation. The District will develop procedures to enhance current monitoring of vehicle utilization using the MVS Daily Log Form 4572 and monitoring volumes in *PostalOne!* by including these documents and data as part of the formal Plant Load Committee Meetings to determine Plant Load requirement compliance.

Target Implementation Date:

August, 2020

Responsible Official:

Manager of Business Mail Entry and Mailing Standards Specialist

Recommendation #4

Develop procedures for ensuring the retention of expired Plant Load Agreements.

Management Response/Action Plan

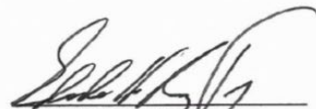
The District agrees with this recommendation. All Plant Load Agreements will be retained in a repository housed on the District Shared Drive that was created in December of 2019.

Target Implementation Date:

August, 2020

Responsible Official:

Manager of Business Mail Entry and Mailing Standards Specialist



EDUARDO H. RUIZ
District Manager, Santa Ana District

OFFICE OF
**INSPECTOR
GENERAL**
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