



Office of Inspector General | United States Postal Service

Audit Report

Plant Load Agreements - New Jersey District

Report Number 21-049-R21 | August 12, 2021



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Highlights

Objective

Our objective was to assess the effectiveness of plant load agreements in the New Jersey District. We selected this district based on volume and revenue declines from fiscal year (FY) 2019 to FY 2020 of 32 percent (500 million mailpieces) and 31 percent (\$109.8 million in revenue), respectively. This district ranked sixth in the nation for revenue declines.

Mail volume and revenue declines in this district aligned with nationwide declines of First-Class and Marketing Mail which occurred largely as a result of the COVID-19 pandemic. Such declines could result in plant load agreements that are no longer cost beneficial to the Postal Service.

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.

Mailers with a DMU can request a plant load agreement by providing approved amounts of mail volume and weight 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 because it allows mail to bypass handling at a Postal Service location, which reduces processing time, staffing, and loading dock space requirements at Postal Service facilities.

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. For intra- and inter-district, the Postal Service transports mail from the mailer's facility to a Postal Service facility and for expedited, the mailer transports their own mail.

A district Plant Load Committee, established by the district manager, is responsible for reviewing each plant load application. The committee should also monitor agreement performance since conditions such as mail volume and transportation routes can change.

As of February 2021, the New Jersey District had 15 plant load agreements – six intra-district and nine expedited agreements. We reviewed all 15 agreements and conducted site visits to five of the six DMUs. The sixth did not mail frequently and did not produce mailings to observe during our site visits.

Finding

The New Jersey District did not effectively monitor, approve, or retain copies of its plant load agreements. Specifically, we found commercial mailers did not always meet plant load volume and weight requirements, the district approved agreements with incomplete information and incorrect forms, and did not retain copies of prior plant load agreements. Additionally, we noted that two DMUs did not calibrate their scales and a third was missing a scale. At a fourth facility, the Postal Service clerk calculated mailpiece counts inaccurately during our observations.

These issues occurred because the district did not provide sufficient oversight of these agreements. Specifically, the district did not establish a Plant Load Committee to oversee the approval and monitoring of these agreements as required and did not have procedures for monitoring performance or maintaining prior agreements. Furthermore, Business Mail Entry management, new to their positions, were not aware of annual scale calibration requirements and one DMU was in the process of replacing its scale. Additionally, a Postal Service clerk was not aware of all mail acceptance requirements, notably that the piece count tolerance should not exceed 1 percent.

As a result, there is reduced assurance that these agreements are financially beneficial to the Postal Service. Until the Postal Service addresses these issues, it is at risk of incurring unnecessary costs of \$42,221 annually to transport mail from customer facilities with insufficient revenue and volume. In addition, we noted \$52.5 million of revenue at risk for uncalibrated and missing scales.

Finally, we noted the revenue and volume for mailings produced and verified at two DMUs were incorrectly recorded under the Business Mail Entry Unit cost center. The errors coincide with the deployment of Seamless Acceptance at the two DMUs beginning April 2020. Management was aware of the issue and is working to remediate it.

Recommendations

We recommended the district manager:

- Develop procedures for monitoring mail volume, weight, and preparation performance in accordance with requirements set forth in the plant load agreements.
- Establish a Plant Load Committee to reassess each plant load agreement for compliance, including completing the appropriate authorization forms and ensuring that each agreement contains complete information.
- Develop procedures for ensuring the retention of expired plant load agreements.
- Provide an action plan to ensure scales are calibrated and available at each DMU to calculate single-piece mail weights.
- Reinforce proper piece count calculations and mail acceptance procedures at DMUs.
- Provide an action plan for DMUs with incorrect cost center mapping to ensure revenue is allocated to the proper cost centers.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

August 12, 2021

MEMORANDUM FOR: MICHAEL P. DEIGNAN
DISTRICT MANAGER, NEW JERSEY DISTRICT

A handwritten signature in black ink, reading "Amanda H. Stafford", is positioned below the recipient information.

FROM: Amanda H. Stafford
Deputy Assistant Inspector General
for Retail, Delivery, and Marketing

SUBJECT: Audit Report – Plant Load Agreements – New Jersey
District (Report Number 21-049-R21)

This report presents the results of our audit of Plant Load Agreements – New Jersey District.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Janet M. Sorensen, Director, Sales, Marketing, and International, 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 Plant Load Agreements in the New Jersey District (Project Number 21-049). Our objective was to assess the effectiveness of plant load agreements in the New Jersey District. We selected this district based on volume and revenue declines from fiscal year (FY) 2019 to FY 2020 of 32 percent (500 million mailpieces) and 31 percent (\$109.8 million in revenue), respectively. This district ranked sixth in the nation for revenue declines. See [Appendix A](#) for additional information about this audit.

In August 2020 the U.S. Postal Service initiated organizational changes which included district consolidations. As a result, the Postal Service consolidated 67 districts into 50 districts. During March 2021, the South Jersey and Northern New Jersey districts merged and were renamed the New Jersey District.

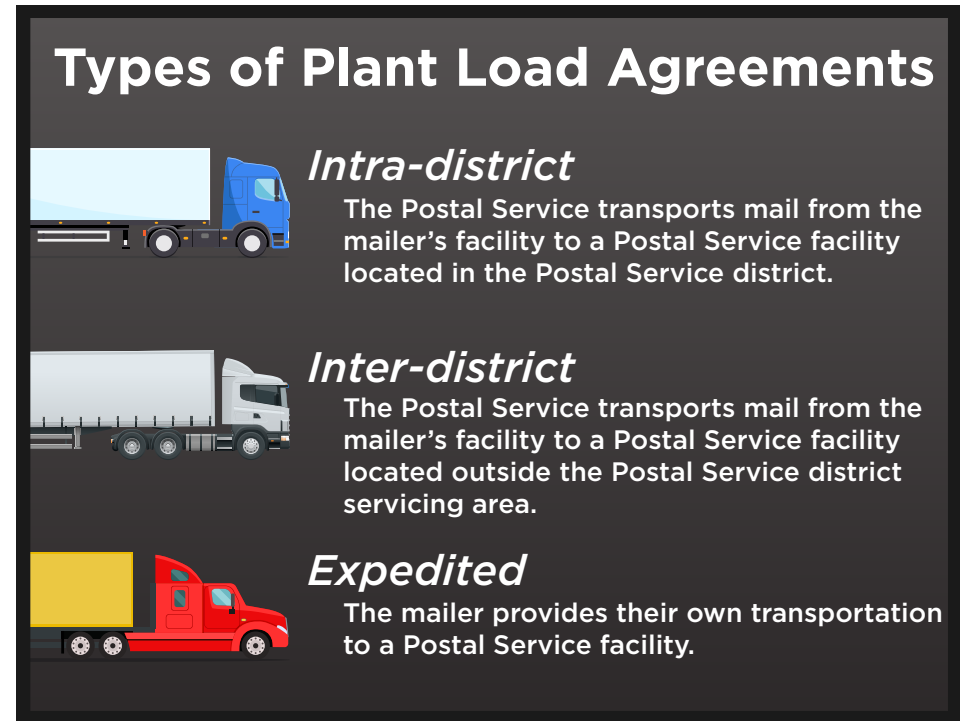
Background

Plant load agreements are special arrangements between the 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.

Mailers with a DMU can request a plant load agreement. In exchange for a mail volume, weight, and sortation commitment, the Postal Service provides the mailer acceptance and, for some agreements, transportation from the DMU to the Postal Service's destination facility. The Postal Service benefits from plant load agreements because it allows mail to bypass handling at a Postal Service location, which reduces processing time, staffing, and loading dock space requirements at Postal Service facilities.

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 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 *in* the Postal Service district.
- *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 provides their own transportation to a Postal Service facility.



Types of Plant Load Agreements

- Intra-district***
The Postal Service transports mail from the mailer's facility to a Postal Service facility located in the Postal Service district.
- 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 provides their own transportation 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 justifies and supports that the mailer will meet all requirements of a plant load agreement. For example, for an intra-district agreement, mail volume per trip must, at a minimum, exceed 50 percent of a Postal Service vehicle's¹ weight or cubic foot capacity. Therefore, a 48-foot trailer which has a weight capacity of 46,000 pounds and a 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. Another intra-district agreement requirement is that the distance from the mailer's plant to a destination postal facility be 150 miles or less for an intra-district. Finally, the form contains a cost analysis conducted by the Postal Service, which summarizes the total incurred annual expenses, including clerk workhours and transportation costs. The cost analysis compares the cost of having a plant load agreement versus not having one. If the analysis determines that having an agreement provides a net benefit to the Postal Service, the application is considered for approval.

A plant load agreement stipulates whether operations, such as verification, acceptance, and transportation, are "scheduled" or "as-required". For a "scheduled" agreement, the Postal Service provides consistent transportation between the mailer's plant and destination Postal Service facilities. For example, two DMUs had a clerk scheduled Monday through Friday and mail pick-up at 7 p.m. each day. An "as-required" agreement has no predetermined mailing schedule but ensures that mail delivery occurs within Postal Service standards or within other service commitments agreed to by the mailer.

A district Plant Load Committee, established by the district manager, addresses plant load-related issues, and reviews each plant load application. The district manager is responsible for approving or rejecting each application and other managerial duties including retaining copies of expired and current agreements. The committee should monitor performance under these agreements since conditions such as mail volume and transportation routes can change. The district manager, through subordinate managers and supervisors, also oversees mail

acceptance activities by DMU clerks to ensure they are properly verifying mail for volume, weight, and preparation compliance.

The New Jersey District had 15 plant load agreements as of February 2021; six that required intra-district plant load agreements and nine expedited agreements (see Table 1).

Table 1. New Jersey District DMUs and Plant Load Agreements

DMU	Intra-District Plant Load Agreements	Expedited Plant Load Agreements	Transportation
DMU A	X		Postal Vehicle Service
DMU B	X		Postal Vehicle Service
DMU C	X		Postal Vehicle Service
DMU D	X		Postal Vehicle Service
DMU E	X		Postal Vehicle Service
DMU F	X		Postal Vehicle Service
DMU G		X	Mailer
DMU H		X	Mailer
DMU I		X	Mailer
DMU J		X	Mailer
DMU K		X	Mailer
DMU L		X	Mailer
DMU M		X	Mailer
DMU N		X	Mailer
DMU O		X	Mailer

Source: U.S. Postal Service Office of Inspector General (OIG) prepared.

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

Mail volume and revenue declines in the South Jersey District aligned with nationwide declines of First-Class and Marketing Mail which occurred largely as a result of the COVID-19 pandemic. Such declines could result in customized agreements that are no longer cost beneficial to the Postal Service.

Finding #1: Monitoring of Plant Load Agreements

The New Jersey District did not effectively monitor, approve, or retain copies of its plant load agreements. Specifically, we found commercial mailers did not always meet plant load volume and weight requirements, the district approved agreements with incomplete information or incorrect forms, and did not retain copies of prior plant load agreements. Additionally, we noted two DMUs did not calibrate their scales and a third was missing a scale. At a fourth facility, the Postal Service clerk calculated mailpiece counts inaccurately during our observations. As a result, there is reduced assurance that these agreements are financially beneficial to the Postal Service. Until the Postal Service addresses these issues, it is at risk of incurring \$42,221 in unnecessary costs annually to transport the mail from the customer facilities with insufficient volume. In addition, we noted \$52.5 million of revenue at risk for uncalibrated and missing scales.

Plant Load Volume Requirements Not Met

Four of the five² intra-district agreements did not meet the minimum mail cubic foot requirement during our tests and observations. During our fieldwork observations at the five DMUs with intra-district agreements, we measured plant load mailings on the day of our visit. The minimum mail volume requirement for an intra-district plant load agreement depends on the size of the vehicle used to pick up plant load mailings.³ 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.⁴ The deficiencies related to minimum mail volume requirements at four of the five DMUs were as follows:

- At DMUs D and E, the OIG measured a combined 248 cubic feet of First-Class and Standard Mail transported by the Postal Service. These DMUs

share Postal Service transportation of a 53-foot truck which has a maximum volume capacity of 3,489 cubic feet. The minimum mail volume threshold is 50 percent of vehicle capacity, or 1,745 cubic feet. Based on this minimum requirement, the DMU's plant load volume was 1,497 cubic feet less than the required volume (see Figure 1).

Figure 1. Combined DMU D and E Plant Load Not Meeting Minimum Mail Volume

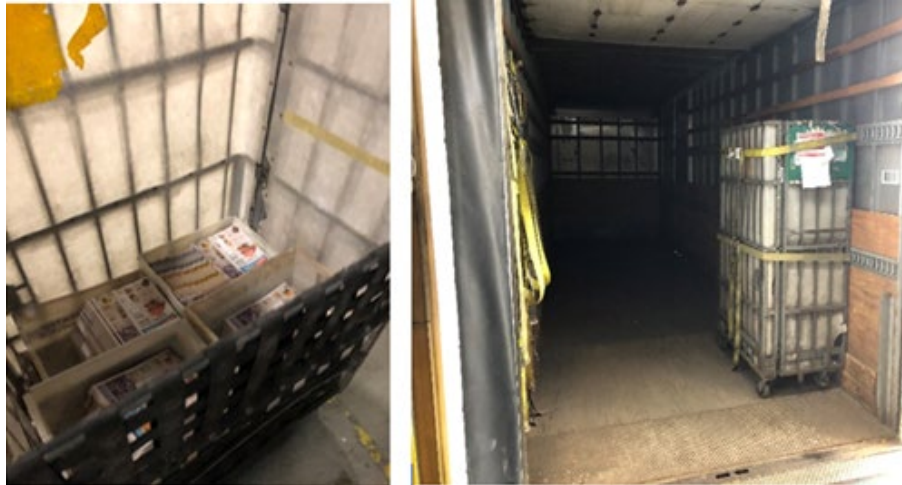


Source: OIG photograph taken March 15, 2021, at DMU D

- The OIG measured 49 cubic feet of First-Class Mail transported by the Postal Service for DMU F in a 26-foot truck, which has a maximum volume capacity of 1,700 cubic feet. The actual volume was 49 cubic feet or over 90 percent less than the required volume⁵ (see Figure 2).

² The OIG observed five of six intra-district DMUs because the pickup frequency for DMU B is "as required". DMU B did not have a plant load mailing during our survey work and fieldwork periods.
³ Handbook PO-512, *Plant Loading Authorization Procedures Guidelines*, Section 2-2.2.1, October 2002.
⁴ Handbook PO-512, Section 1-6, Intra and Inter District Plant Load Shipments Defined and Section 1-16, Failure to Meet Requirements.
⁵ The minimum mail volume is 50 percent of vehicle capacity, or 850 cubic feet.

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



Source: OIG photograph taken March 16, 2021, at DMU F.

- At DMU A, the OIG measured 746 cubic feet of First-Class and Priority Mail transported by the Postal Service in a 45-foot truck with a maximum volume capacity of 3,044 cubic feet. The minimum mail volume is 50 percent of vehicle capacity or 1,522 cubic feet. Based on the minimum requirement, this DMU's plant load volume was 776 cubic feet less than the required volume.

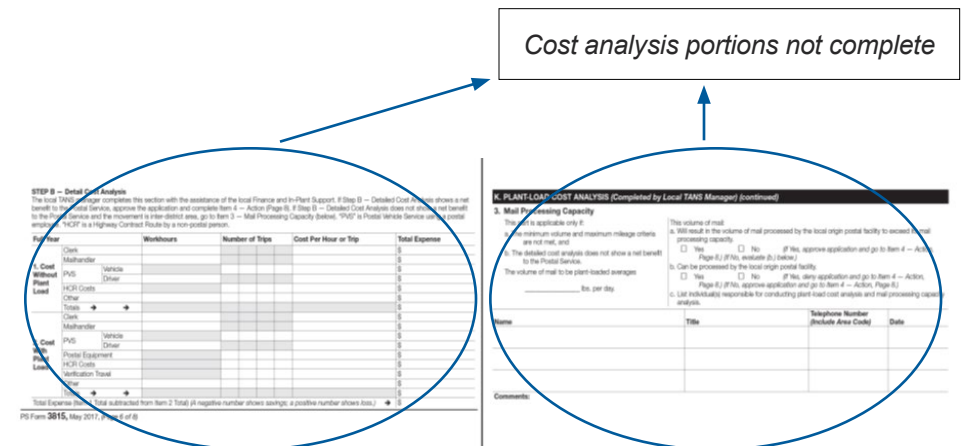
Management was not aware that the four intra-district agreements did not meet the minimum requirements for mail volume or weight. We identified unnecessary transportation costs in the amount of \$168,884.⁶

Agreements Approved with Incomplete Information

The district approved three intra-district agreements without the required cost analysis and supporting documentation for DMUs A, B, and F (see Figure 3). A detailed cost analysis includes calculations of the cost of postal transportation and clerk workhours. The mailer should provide current and future average mail

volumes, mileage from the mailer's plant to the destination postal facility, and required cubic foot of mail in relation to vehicle capacity. Postal Service officials have a responsibility to ensure the application is complete, signed, and dated.⁷ Each official⁸ reviews the application beginning with the postmaster through final approval by local, district, and area managers. This information is necessary to assess the financial and operational impact of each agreement.⁹

Figure 3. DMU F Approved Intra-District Plant Load Agreement – Missing Cost Analysis



Source: OIG screenshot of New Jersey District intra-district plant load agreement.

Document Retention – Prior Plant Load Agreements

The district did not retain copies of authorized agreements for DMUs A, E, F, J, and L that pre-dated the current agreements. All documentation and forms must be retained for two years from the expiration date of the plant load agreement. The Postal Service may need to retain this information for longer periods if the responsible Postal Service records officer deems it necessary.¹⁰ Prior agreements may also be needed for reference when renewing and updating current agreements.

6 Comprised of \$85,346 in questioned costs and \$83,538 as Funds Put to Better Use.

7 PS Form 3815.

8 Postal Service officials include the local postmaster, manager of Business Mail Entry, local manager of Transportation and Network Systems, district Marketing Manager, and the area manager, Distribution Networks.

9 Handbook PO-512, Section 3-1.3, PS Form 3815.

10 Handbook PO-512, Section 1-12, Documentation and Forms Retention.

These issues occurred because the district did not provide sufficient oversight of these agreements. Specifically, the district did not establish a Plant Load Committee, as required, to oversee the approval and monitoring of these agreements.¹¹ District management stated they did not establish a Plant Load Committee because the Business Mail Entry management staff were new to their positions and not aware of the requirement. In addition, the district did not have procedures outlined to monitor performance or maintain prior agreements.

Scales Not Calibrated or Missing

At DMUs D and E, single piece weight scales were not calibrated and DMU A had no scale available. During observations, the audit team noticed two scales without inspection stickers and management was unable to demonstrate that inspections were completed. Scales are used to determine mailpiece weight for postage rate verification and must be calibrated annually by USPS maintenance personnel, a government weights and measure agency, or by a private scale firm.¹² The proper maintenance of scales ensures accurate revenue collection. When scales are not calibrated, the Postal Service is at risk of not collecting all revenue.¹³

Additionally, management stated that the single piece weight scale from one DMU was removed and in the process of being replaced with a digital scale prior to transitioning to Seamless Acceptance.¹⁴ However, all business mail acceptance sites must ensure they are equipped with the appropriate scales.¹⁵ We estimate \$52.5 million revenue at risk from the uncalibrated and missing scales.

“At DMUs D and E, single piece weight scales were not calibrated and DMU A had no scale available.”

DMU Clerk Piece-Count Calculations

A DMU clerk at DMU F did not follow proper procedures when comparing Postal Service and mailer piece counts. The postal clerk, while performing a piece-count calculation for two of three mailings, determined differences of 3.1 percent and 3.6 percent between the mailer-reported piece count and the clerk-performed piece count. Despite this difference, the clerk proceeded to finalize the postage statements in PostalOne!¹⁶ The clerk did not alert the mailer of the discrepancy because the clerk thought the allowable tolerance was 5 percent.

Verification is performed to validate mailpieces presented in a mailing and ensures all postage is paid. When a difference between mailer and Postal Service piece count exceeds 1 percent, the mailer should correct, withdraw, or adjust the mailing statement to match the Postal Service piece count.¹⁷ The Postal Service is at risk of not collecting all revenue, when mailings are not properly verified.¹⁸ From October 1, 2020 through March 16, 2021, the clerk verified a total of 81 plant load mailings generating \$98,223 revenue, which we consider revenue at risk.

Incorrect Forms Completed and Approved

The district used the incorrect form for DMUs providing their own transportation to a Postal Service facility (see [Figure 4](#)). DMUs H, I, K, L, and N used the intra-district plant load agreement form rather than the correct expedited agreement form. District management completed and approved the incorrect forms and had “No Postal Transportation” handwritten on the first page of the agreement. For expedited plant load shipments transported at mailer’s expense, the mailer and the Postal Service complete PS Form 8026, Expedited Shipment Agreement for

¹¹ Handbook PO-512, Section 4-3, Plant Load Responsibilities.

¹² Handbook DM-109, *Business Mail Acceptance*, Section 2-1.3, Scales, March 2010.

¹³ Handbook DM-109, Exhibit 2-3 (page 1 of 2).

¹⁴ Seamless Acceptance automates the entry and verification of commercial mailings by leveraging electronic documentation, Intelligent Mail barcodes, and information collected from handheld sampling devices and mail processing equipment scans.

¹⁵ Handbook DM-109, Exhibit 1-1 (page 3 of 4).

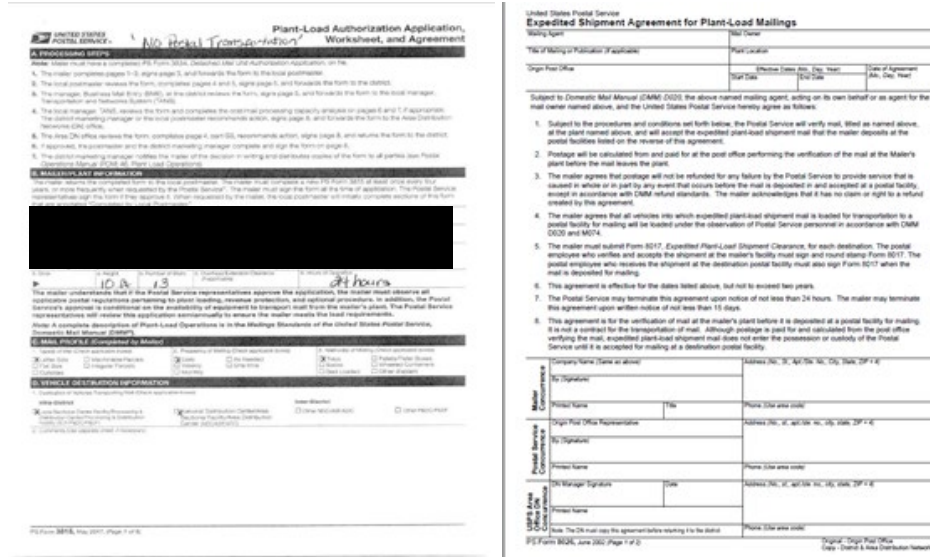
¹⁶ An electronic system that records mailing transactions, receives payments, and simplifies record keeping and the retrieval of mailing data. It is the foundation of Seamless Acceptance and the submission of electronic documentation.

¹⁷ PS Form 8040, Business Mail Acceptance Worksheet, August 2010.

¹⁸ Job Aid 6A, *Verifications*, Section 16, Weigh Verification, January 7, 2021.

Plant-Load Mailings.¹⁹ The correct form is necessary to justify and support that all requirements of a plant load agreement are met.

Figure 4. DMU I – Intra-District Agreement Completed for an Expedited Agreement



Source: OIG screenshots of incorrect form completed and correct form that should have been completed.

These issues occurred because Business Mail Entry management, new to their positions, were not aware of all requirements. In addition, management was unaware that scales had not been calibrated and did not oversee the plant load mail acceptance activities performed by DMU clerks to ensure they are properly verifying mail volume and weight. Management stated the incorrect forms were completed for expedited agreements because the forms contained additional information such as safety and security.

Recommendation #1

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

Recommendation #2:

We recommended the **District Manager, New Jersey District**, establish a Plant Load Committee to reassess each plant load agreement for compliance, including completing the appropriate authorization forms and ensuring that each agreement contains complete information.

Recommendation #3:

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

Recommendation #4

We recommended the **District Manager, New Jersey District**, provide an action plan to ensure scales are calibrated and available at each Detached Mail Unit to calculate single-piece mail weights.

Recommendation #5:

We recommended the **District Manager, New Jersey District**, reinforce proper piece count calculations and mail acceptance procedures at Detached Mail Units.

19 Handbook PO-512, Section 2-4.1.

Finding #2: Revenue and Volume Incorrectly Recorded

At DMUs D and E, the revenue and volume were not recorded to the correct cost center. Specifically, revenue and volume were recorded under the Business Mail Entry Unit (BMEU)²⁰ cost center instead of the DMU that prepared the mailings. Management stated this occurred when the mailers converted to Seamless Acceptance²¹ in April 2020.

“ At DMUs D and E, the revenue and volume were not recorded to the correct cost center. Specifically, revenue and volume were recorded under the BMEU cost center instead of the DMU that prepared the mailings. Management stated this occurred when the mailers converted to Seamless Acceptance in April 2020.”

Financial reporting responsibilities include reflecting the financial operations of the Postal Service accurately in the general ledger and ensure the information reconciles.²² If the proper cost center is not used, revenue and volume will not be properly allocated. As a result, these accounts will be understated, and management will not have visibility to effectively manage staffing, resources, and productivity. Our analysis of data in PostalOne! from April 2020 to May 2021 showed \$69.7 million in revenue and 308 million in mailpiece volume was understated for DMUs D and E. District and Headquarters management was aware of the issue and are working to resolve.

Recommendation #6:

We recommended the **District Manager, New Jersey District**, provide an action plan for Detached Mail Units with incorrect cost center mapping to ensure revenue is allocated to the proper cost centers.

Management's Comments

Management agreed with the findings and recommendations and, in subsequent correspondence, disagreed with the monetary impact. Management stated that the criteria for granting a plant load agreement is based on a combination of a minimum volume requirement and maximum mileage from the mailer's plant to the destination postal facility. Management noted the plant load agreement does not reference a 50 percent truck capacity as a requirement. The reference to 50 percent of vehicle capacity is to be used as a visual association. Management also noted that there were no statements to support that what was measured on the day of the OIG's observations was not the tail end of a mailing and that multiple trucks could have been used. See [Appendix B](#) for management's written comments.

Regarding recommendation 1, management will develop a new methodology for monitoring mailer compliance with the terms of the plant load agreement.

Regarding recommendation 2, management will establish a Plant Load Committee in NJ to align with the new organizational structure in the New Jersey District. Management will also ensure the newly formed committee reassess current plant load agreements for compliance and completeness of forms.

Regarding recommendation 3, management will instruct Business Mail Entry Unit managers to archive all expired plant load agreements according to the current retention period.

Regarding recommendation 4, management will provide refresher training to all DMU clerks regarding daily and annual scale calibration.

Regarding recommendation 5, management will provide refresher training to all DMU clerks in the New Jersey District regarding piece count calculations and mail acceptance procedures at DMU sites.

²⁰ The area of a postal facility where mailers present bulk, presorted, and permit mail for acceptance. The BMEU includes dedicated platform space, office space, and a staging area on the workroom floor.

²¹ The automation of mail verification from mailers who apply unique barcodes on mailpieces, trays, sacks, pallets, and containers.

²² Handbook F-1, *Accounting and Reporting Policy*, Section 2-4.1.5, Financial Reporting Responsibilities, January 2015.

Regarding recommendation 6, management will correct configuration issues to ensure that revenue is reported to the correct cost center.

The target implementation date for all recommendations is October 1, 2021.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations in the report. Regarding management's statements on monetary impact, we disagree with the Postal Service and note that the 50 percent volume requirement is not visual but rather written and approved in the plant load agreements themselves by both the mailers and the Postal Service. Regarding management's assertion that the OIG did not weigh and measure all the mail inducted the days of our observations, we ensured our observations included all mail loaded on Postal Service transportation. The Postal Service failed to provide evidence of other vehicle transportation. As such, our monetary impact is an accurate reflection of questioned costs.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendations 1 through 6 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 New Jersey District in the Atlantic Area and related facilities. The review covered current plant load agreements in the New Jersey 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 New Jersey District the week of February 8, 2021 and March 15, 2021.
- Interviewed mailers with agreements to understand the plant load process and mailer satisfaction.

- Obtained transportation costs for each intra-district agreement that did not meet minimum mail volume requirements during site observations.
- Analyzed data to determine revenue was reported correctly.

We selected this district based on DMU volume and revenue declines from FY 2019 to FY 2020. The New Jersey District was in the top 10 districts for mail volume decrease, as DMU mail volume declined by 500 million pieces (32 percent) and DMU revenue declined by \$109.8 million (31 percent) during that time.

We conducted this performance audit from February through August 2021 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 29, 2021, and included their comments where appropriate.

We assessed the reliability of the computer-generated data we collected from the Postal Service’s Application Systems Reporting database, PostalOne!, and Vehicle Information Transportation Analysis and Logistics 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

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Plant Load Agreements - Santa Ana District</i>	Assess the effectiveness of plant load agreements in the Santa Ana District.	19-041-R20	8/13/2020	\$217,992

Appendix B: Management's Comments



July 27, 2021

JOSEPH WOLSKI
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Report – Plant Load Agreements – New Jersey District
(Project Number 21-049-DRAFT)

Thank you for providing the United States Postal Service with an opportunity to review and comment on the subject draft audit report. In general, management agrees with the recommendations, however we would like to emphasize that a few of the issues raised in this audit are not new and require continued work to resolve.

OIG RECOMMENDATIONS:

Management Response/Action Plan:

Management will develop new methodology to monitor mailer compliance of the requirements stated within the plant load agreement. This is in response to the recent departure of the Business Mail Entry (BME) clerks from the DMU sites due to the adoption of Seamless Acceptance.

Responsible Official:

VP Logistics, VP Product Solutions

Target Implementation Date:

October 1, 2021

Recommendation #2:

We recommended the **District Manager, New Jersey District**, establish a Plant Load Committee to reassess each plant load agreement for compliance, including completing the appropriate authorization forms and ensuring that each agreement contains complete information.

Management Response/Action Plan:

Management agrees and will work with a cross functional group to coordinate the reestablishment of a Plant Load Committee in New Jersey to align with the new organizational structure within the New Jersey District. Management will also insure the newly formed committee reassess current plant load agreements for compliance and completeness of forms.

Responsible Official:

VP Logistics & VP Product Solutions

Target Implementation Date

October 1, 2021

Recommendation #3:

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

Management Response/Action Plan:

Management agrees and will instruct all MBMEs to archive all expired plant load agreements according to current retention period outlined for expired plant load agreements within the new organizational structure of the New Jersey District.

Responsible Official:

VP Product Solutions

Target Implementation Date:

October 1, 2021

Recommendation #4:

We recommended the **District Manager, New Jersey District**, provide an action plan to ensure scales are calibrated and available at each Detached Mail Unit to calculate single-piece mail weights.

Management Response/Action Plan:

Management agrees and will provide refresher training to all DMU clerks within the New Jersey District regarding daily scale calibration for all USPS scales used to calculate piece weights.

Responsible Official:

VP Product Solutions

Target Implementation Date:

October 1, 2021

Recommendation #5:

We recommended the **District Manager, New Jersey District**, reinforce proper piece count calculations and mail acceptance procedures at Detached Mail Unit.

Management Response/Action Plan:

Management agrees and will provide refresher training to all DMU clerks within the New Jersey District regarding piece count calculations and mail acceptance procedures at DMU sites.

Responsible Official:

VP Product Solutions

Target Implementation Date:

October 1, 2021

Recommendation #6:

We recommended the **District Manager, New Jersey District**, provide an action plan for DMUs with incorrect cost center mapping to ensure revenue is allocated to the proper cost centers.

Management Response/Action Plan:

Management agrees. We conducted an analysis of the two Quad DMU sites referenced in the report to ensure each are configured correctly for revenue allocation when postage statements are auto-finalized. We found the CRIDs had not been properly configured in PostalOne when the sites were onboarded onto Seamless Acceptance. Plans will be put in place to correct the configuration issues to ensure the revenue is reported to the correct cost center.

Responsible Official:

VP Product Solutions

Target Implementation Date:

October 1, 2021

Robert Cintron
Digitally signed by Robert
Cintron
Date: 2021.07.28 16:58:54
-0400'

Robert Cintron
Vice President, Logistics

E-SIGNED by Thomas.J Foti
on 2021-07-28 16:09:45 CDT

Thomas Foti
Vice President, Product Solutions

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