

GAO

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JAN 16
Field Operations
Division

February 17, 1982

Mr. Paul N. Carlin
Regional Postmaster General
U.S. Postal Service Headquarters
Central Region
Chicago, Illinois 60699



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Dear Mr. Carlin:

This letter summarizes the findings we discussed with you and your staff during our December 4, 1981, meeting on our survey of the Postal Service's plant load program in the Chicago metropolitan area. As discussed with you, we have terminated further audit effort in this area because of higher priority work on the Postal Service's 9-digit zip code program.

Since it is unlikely that we will perform additional detailed work in this area in the near future, we felt it would be appropriate to formally advise you of the several observations we have as to how the Postal Service could improve the management of plant load activities.

Authorizations not timely
and cost effective

The Central Region has not assured that plant load procedures are approved in a timely manner and result in cost savings.

Under the plant load program the Postal Service accepts mail at a mailer's plant, bypasses the local post office, and transports it in a postal vehicle to a "downstream" facility to avoid multiple handling. This procedure may be authorized if there is a cost saving to the Postal Service.

Before initiating plant load operations, the local post office must prepare an application for management sectional center and transportation management office review and for regional office approval. To ensure timeliness, Postal Service guidelines provide that applications should be



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processed at each review level within 3 days. Approved applications are not required to be reevaluated periodically to reflect changing conditions.

Contrary to Postal Service requirements, six of the eight plants visited were not authorized to use plant load procedures until from 6 to 14 months after the post offices initiated the applications. Further, authorizations to use plant loading had not been processed at the other two plants.

Plant load procedures at three of the eight firms were not cost effective. For example, one mailer's costs were incorrect because transportation costs were not considered in the cost analysis and the firm had moved since the analysis was prepared.

We believe that before plant load operations are initiated regional approval should ensure that the application is current and the operation results in a cost saving. Furthermore, approved applications should be periodically reviewed to identify any major changes which might make plant loading inappropriate or less cost effective.

The regional Finance Director acknowledged that the authorization procedures have not operated satisfactorily and said that regional officials are currently revising these procedures.

Postal revenue not adequately verified

The Postal Service has little assurance that the revenue from mailers was properly computed because local post offices did not properly staff some plants and some clerks did not adequately monitor mail makeup, observe vehicle loading, properly verify mailing statements, or forward shipping documents.

Staffing

Although two of the mailers operated 16 hours daily, the local post office staffed these plants for only 8 hours a day. To accommodate one mailer, the postal clerk, before leaving for the day, gave the mailer's employee the shipping documents to affix to loaded trucks.

Verifying and loading

Some postal clerks did not adequately monitor the mail sorting, labeling, and loading at mailers' plants to ensure that the mailer (1) used proper postage rates in calculating postal revenue and (2) loaded only the mail for which postage was paid. For example, one postal clerk spent

only about 5 minutes checking the sorting and mailbag address labels with the mail inside the bags in an already loaded 40-foot trailer. At another plant we observed a truckload of second-class mail being loaded without supervision of a postal clerk.

The regional Finance Director said the region may have to reemphasize the need to properly verify and observe the loading of all classes of mail.

Verifying mailing statements

Although postal clerks used the prescribed procedure of weighing mail and converting pounds to pieces, our observations indicated that piece counts from mailers' production records may be more accurate. In a mailing we observed the mailer's production records showed 14,528 and the postal clerk calculated 14,351--177 fewer-pieces. The mailer's advance deposits for mailings also indicated that it anticipated more postage would be due than the Postal Service charged.

The clerk attributed the difference to errors in his sample weights and in sack and container tare weights. He said, however, that he uses the calculated piece count to compute postage even if it is lower than the mailer's count.

We recognize that clerks are required to calculate piece counts by converting pounds to pieces. We believe, however, that the Postal Service should look into whether revenue losses could be reduced by using the mailers' production record piece counts if it has an effective production control system.

Shipping documents

We observed a postal clerk who did not forward the required shipping documents to the receiving installations from two plants. Further, the receiving installations are not required to forward such documents to the local post office.

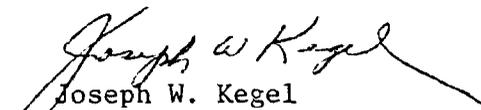
Providing the required shipping documents to the local postmasters would allow them to compare the documents with the mailing statements supplied by the firms and thus ensure better internal controls over plant load revenue. To further enhance internal controls, the Postal Service may want to consider using copies of prenumbered, multicopy mailing statements as shipping documents and require the receiving installation to forward them to the local postmaster. This would facilitate crosschecking and would help ensure that revenues are collected for each mail shipment.

Regional officials said they are considering the use of a copy of the mailing statement as the shipping document and having receiving installations forward it to the local postmaster.

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We appreciate the cooperation and courtesies extended to our representatives during the course of our work. We would also appreciate being informed of actions being taken by the region in response to the matters discussed in this letter.

Sincerely yours,


Joseph W. Kegel
Regional Manager