



Office of Inspector General | United States Postal Service

Audit Report

Mail Transport Equipment

Report Number 21-229-R22 | April 14, 2022



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Highlights

Background

Mail Transport Equipment (MTE) consists of containers (sacks, pouches, trays, wheeled containers, pallets, etc.) used to hold mail during processing and transporting within or between U.S. Postal Service facilities, delivery units, and mailers.

What We Did

Our objective was to assess Postal Service management of the MTE program. We conducted observations and interviews at 108 sites, including six Mail Transport Equipment Service Centers (MTESC), 35 USPS facilities, 35 large mailers, and 32 local mailers and surveyed 2,267 sites, including 94 USPS facilities and 2,173 mailers. We received 1,072 responses from 64 postal facilities and 1,008 mailers. We also analyzed MTE data for purchasing, ordering, processing, and weekly inventory reporting records.

What We Found

We found that the Postal Service has opportunities to improve management of the MTE program. Specifically, the Postal Service could improve compliance with MTE handling procedures, inventory controls, conducting comprehensive audits, maintaining accurate and updated customer information in the Postal Service's Mail Transport Equipment Ordering System (MTEOR), and ensuring security controls are in place. We found that postal facilities and mailers misused MTE and postal facilities did not properly prepare MTE in accordance with the MTE handling and preparation policies. Additionally, we found that postal facilities and large mailers did not always complete weekly inventory reports as required, and reporting was not

always reliable or complete. Further, the Postal Service did not conduct regular and comprehensive MTE audits for postal facilities and large mailers and the customer master database in MTEOR was inaccurate. Lastly, we found that postal facilities and MTESC contractor premises were not always secured. We estimated the Postal Service incurred unnecessary and unsupported costs of about \$205.2 million in FY 2021 related to these issues.

Recommendations

We recommended management (1) identify, monitor, and follow up with Postal Service facilities and mailers that are not following the established requirements for proper handling, use, and return of excess of MTE to the MTESCs; (2) provide refresher training related to MTE return handling procedures and misuse to employees at non-compliant Postal Service facilities and mailers; (3) monitor weekly inventory reporting to ensure Postal Service facilities and large mailers are compliant with the MTE reporting requirements; (4) establish a threshold for those local mailers subject to inventory reporting and finalize and implement requirements to account for MTE inventory; (5) update Handbook PO-502, *Mail Transport Equipment*, to establish a comprehensive audit policy addressing the audit frequency and threshold for Postal Service facilities and mailers subject to audits and documenting audit results; (6) review, monitor, validate, and update information in the Facility Database, MTEOR, and Mail Transport Equipment Support System to ensure mailer information is accurate and current; and (7) correct security and access control deficiencies at the 10 Postal Service facilities and two MTESCs.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

April 14, 2022

MEMORANDUM FOR: ROBERT CINTRON, VICE PRESIDENT, LOGISTICS
MARC D. MCCRERY, VICE PRESIDENT, CUSTOMER
EXPERIENCE
BENJAMIN P. KUO, VICE PRESIDENT, FACILITIES
MICHAEL L. BARBER, VICE PRESIDENT, PROCESSING &
MAINTENANCE OPERATIONS

A handwritten signature in black ink, reading "Melinda M. Perez", is positioned above the "FROM:" field.

FROM: Melinda Perez
Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Audit Report – Mail Transport Equipment
(Report Number 21-229-R22)

This report presents the results of our audit of Mail Transport Equipment.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Wilvia Espinoza, Director, Transportation, or me at 703-248-2100.

Attachment

cc: Corporate Audit Response Management
Postmaster General

Results

Introduction/Objective

This report presents the results of our self-initiated audit of the U.S. Postal Service's Mail Transport Equipment (MTE) Program (Project Number 21-229). Our objective was to assess Postal Service management of the MTE program. See [Appendix A](#) for additional information about this audit.

Background

MTE consists of containers (including sacks, pouches, trays,¹ wheeled containers, pallets, etc.) used to contain mail during processing and while transporting it between postal facilities, delivery units, and mailers.

The Postal Service purchases and distributes MTE to transport mail. The use of MTE is provided as a courtesy to convey mail to and from facilities and mailers and it may not be retained or used for unauthorized purposes. Additionally, to reduce processing costs, all MTE must be properly containerized or finalized as Postal Prepared Finished Goods (PPFG) and must have a Mail Transport Equipment Labeler (MTEL) placard affixed prior to it being returned to the Mail Transport Equipment Service Center (MTESC).

“The Postal Service spent about \$300 million from FYs 2017 to 2021 in new MTE purchases.”

The Postal Service's MTESC network is comprised of 14 contractor-operated centers that are responsible for processing, repairing, storing, and distributing MTE in a timely and efficient manner. The Mail Transport Equipment Support System (MTESS) supports MTESCs and processes orders for facilities and large mailers.

The Postal Service Mail Transport Equipment Ordering System (MTEOR) allows users (facilities and mailers) to order MTE online, providing a fast, reliable, and convenient place for facilities and mailers to request MTE from the MTESCs. Large mailers place their MTE orders through MTEOR and receive direct delivery from an MTESC, while local mailers also use the MTEOR system but receive MTE from postal facilities.

U.S. Postal Service Headquarters is responsible for monitoring and managing all MTESC inventory to address the needs of both internal and external customers. Headquarters also uses forecasting reports in MTEOR to determine the appropriate levels of MTE to purchase. Additionally, facility managers are required to manage, administer, and determine the application and control of MTE in their jurisdictional area.

The Postal Service spent about \$300 million from fiscal years (FY) 2017 to 2021 in new MTE purchases (see Table 1).

Table 1. New MTE Purchases for FYs 2017 – 2021²

FY	Purchased Amount
2017	\$70,799,845
2018	62,407,955
2019	69,853,245
2020	51,626,415
2021	45,298,695
Total	\$299,986,155

Source: Postal Service provided data for MTE purchases.

¹ Trays are also called tubs.

² Total purchases include only Logistics MTE.

We conducted observations and interviews at 108 sites consisting of six MTESCs, 35 facilities, 35 large mailers, and 32 local mailers as shown in Table 2.

Table 2. Site Visits

Facility Type	Number of Site Visits
MTESC	6
Postal Facilities	35
Local Mailers	32
Large Mailers	35
Total	108

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

Additionally, we surveyed 2,267 sites, including 94 facilities and 2,173 mailers, and received 1,072 responses from 64 facilities and 1,008 mailers as shown in Table 3.

Table 3. Surveys and Responses

Facility Type	Number of Surveys	Number of Responses	Percent Responses
Postal Facilities	94	64	68.1%
Mailers	2,173	1,008	46.4%
Total	2,267	1,072	47.3%

Source: OIG surveys for postal facilities and mailers.

We also analyzed MTE data from MTEOR, MTESS, and Informed Visibility for purchasing, ordering, processing, and inventory reporting.

Findings Summary

We found the Postal Service has opportunities to improve its management of the MTE program. Specifically, the Postal Service could improve compliance with MTE handling procedures, inventory controls, conducting comprehensive audits, maintaining accurate and updated customer information in MTEOR, and ensuring security controls are in place.

Finding #1: Non-Compliance and Misuse of MTE

We found MTE was not properly managed in accordance with requirements of the Standard Operating Procedures (SOP) for *MTE Return Handling for Postal Plants Processing and Delivery* dated April 20, 2021, and Handbook PO-502, *Mail Transport Equipment* dated June 2017.

Specifically, we identified two significant areas of non-compliance issues related to improperly preparing MTE when returning it to the MTESCs and misusing MTE.

Improperly Prepared MTE

We observed that 19 of 33 postal facilities³ did not properly prepare MTE before returning it to the MTESCs. We also observed all six MTESCs had to rework improperly prepared MTE received from facilities. The April 2021 SOP states that all MTE must be properly containerized or finalized as PPFG prior to being returned to an MTESC.

In [Figure 1](#), the picture on the left illustrates letter trays not shrink-wrapped, improperly stacked, and loaded in cardboard containers, none of which aligns with SOP requirements. The picture on the right displays a letter tray stack exceeding the 45-inch height requirement and the middle row of trays not facing upward, as required.

“We found the Postal Service has opportunities to improve its management of the MTE program.”

³ While we conducted observations at 35 facilities, two of those facilities do not use trays and tubs for their operations; therefore, PPFG is not applicable at these facilities, and we excluded the PPFG question from the interview.

Figure 1. Improperly Prepared MTE



Source: OIG photos taken at site visits in October 2021.

Figure 2 illustrates the requirement for the proper letter tray stacking configuration.

Figure 2. Properly Prepared MTE Requirement

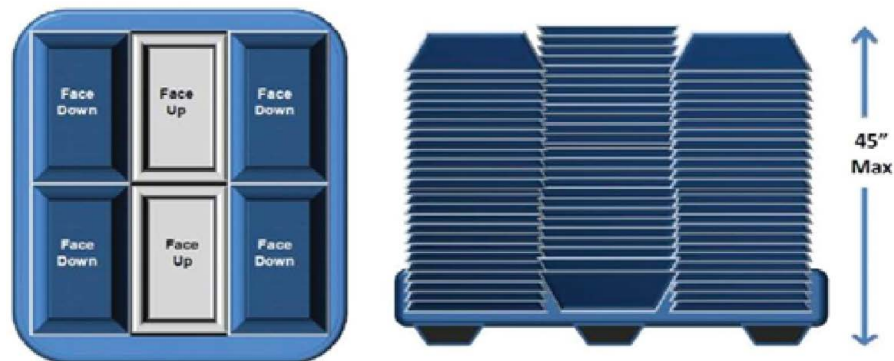


Diagram of the proper letter tray stacking configuration

Source: SOP for *MTE Return Handling*, dated April 2021.

Additionally, our analysis of FY 2021 data for MTE received at MTESCs confirmed that Postal Service facilities sent improperly prepared trays and tubs. Specifically, we found that 73.7 percent of trays and tubs received at the MTESCs were not properly containerized and finalized as PPFG before returning to the 14 MTESC facilities, resulting in additional processing costs charged by MTESC contractors of about \$6.2 million in FY 2021. If the MTE was properly prepared

as required, the Postal Service would have only incurred about \$2.2 million in handling charges paid to the MTESC contractors to perform their standard job function. See Table 4, which shows the combined processing and handling costs for a total of \$8.4 million.

Table 4. FY 2021 Trays and Tubs Not Prepared as PPFG

Site	Total Quantity not Prepared as PPFG ⁴	Total Quantity Received	Percentage	Processed Cost
Atlanta MTESC	127,916	129,738	98.60%	\$634,590
Minneapolis MTESC	55,360	58,231	95.10%	284,110
Milwaukee MTESC	35,495	37,504	94.60%	211,369
Chicago MTESC	202,981	216,799	93.60%	1,179,010
Jacksonville MTESC	126,752	135,880	93.30%	900,841
Michigan MTESC	95,662	107,355	89.10%	850,013
Springfield MTESC	83,892	95,389	87.90%	626,976
Greater Kansas MTESC	96,790	116,053	83.40%	581,614
Philadelphia MTESC	164,058	217,486	75.40%	965,887
Martinsburg MTESC	116,191	183,508	63.30%	799,842
Los Angeles MTESC	64,371	130,208	49.40%	362,589
San Francisco MTESC	48,434	102,679	47.20%	389,077
Texas MTESC	71,352	159,100	44.80%	572,108
Seattle MTESC	5,154	67,064	7.70%	41,409
Total	1,294,408	1,756,994	73.70%	\$8,399,435

Source: OIG analysis of Postal Service MTE data.

⁴ The total quantity represents the total number of pallets and not the individual pieces of tubs and trays.

Our analysis also identified MTEsCs receiving serviceable over-the-road containers when they should only be used within the Network Distribution Center network. We found that facilities sent 13,526 over-the-road containers to the MTEsCs incurring about \$21,000 in handling charges, which could have been avoided. The Postal Service August 28, 2009, letter on over-the-road container usage states that serviceable over-the-road containers must never be sent to an MTEsC; instead, only those in need of repair should be sent to an MTEsC.

We observed that 23 of 33 Postal Service facilities did not implement SOP requirements and remove all mail, trash, labels, placards, and residual signage from MTE when emptied of mail and before returning to the MTEsC. The photos in Figure 3 illustrate routing labels not removed by delivery units.

Figure 3. Examples of Labels not Removed



Source: OIG photos taken at mailer site visits in October 2021.

Additionally, we observed mail left in the MTE sent from the facilities to MTEsCs. Our observations at the six MTEsCs identified that facility employees were not inspecting MTE for mail before sending it to the MTEsCs, as shown in Figure 4. Based on the SOP requirements, all MTE must be inspected prior to containerizing to ensure all mail has been removed, as any mail trapped in MTE will not be delivered timely.

Figure 4. Mail Found in MTE at MTEsCs



Source: OIG photos taken at MTEsCs in October 2021.

We observed that 25 of 35 facilities did not place MTEL placards on MTE when returning it to the MTEsC. MTEL placards are attached to containers and include route, trip, and destination information. Figure 5 illustrates cardboard containers ready to be dispatched to an MTEsC without MTEL placards. The SOP requires that all PPFG and containerized MTE must have a MTEL placard affixed prior to dispatch to the MTEsC.

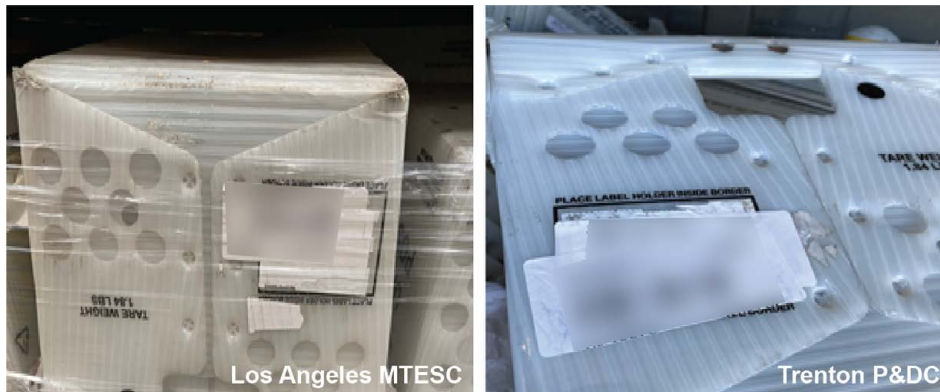
Figure 5. MTEL Placard not Placed on MTE



Source: OIG photos taken at site visits in October 2021.

We observed that some tray and tub label holders were either missing or damaged and were not replaced before sending it to the MTEsCs or mailers. Additionally, some label holders were covered by routing label stickers, making them unusable by Postal Service facilities and mailers, as shown in Figure 6. During our discussions with Mailers Technical Advisory Committee⁵ members, they expressed concerns about employees spending additional time fixing MTE by removing trash, fixing label holders, and removing routing labels. The SOP states that the label holder must be replaced with a new one if it has been damaged, torn, or been rendered unusable in any manner.

Figure 6. Sample of Incorrect Tub Label Holder



Source: OIG photos taken at site visits in October 2021.

Misuse of MTE

We observed that 24 of 35 facilities misused MTE for other than its intended purpose (see Figure 7). Handbook PO-502 states that all facility managers must ensure that containers are used properly, efficiently, and safely; and that all employees have a responsibility to protect MTE from misuse or destruction. The picture on the left shows plastic pallets used to block a broken rolling dock door and the picture on the right shows plastic flat tubs used to store trailer straps and other miscellaneous items.

Figure 7. MTE Misused at Postal Facilities



Source: OIG photos taken at site visits in October 2021.

Additionally, 33 of 67 mailer sites are using MTE for internal purposes, such as storage or day-to-day operations, as shown in Figure 8. The picture on the left shows a plastic pallet used as a base for a sanitation station at a mailer and the picture on the right shows plastic pallets used for a mailer's internal operations.

Figure 8. MTE Misused at Mailer Sites



Source: OIG photos taken at mailer sites in October 2021.

⁵ The Mailers Technical Advisory Committee is a venue for the Postal Service to share technical information with mailers, and to receive their advice and recommendations on matters concerning mail-related products and services.

We also observed that 15 of 35 facilities and seven of 67 mailer sites kept useable MTE stored outside. Figure 9 shows over-the-road containers, trays, and hampers left exposed to the weather elements. The handbook requires storing MTE inside buildings to protect it from theft and weather and states that users should avoid storing MTE on docks or inside facilities where the public can access it without Postal Service approval and oversight.

Figure 9. MTE Stored Outside



Source: OIG photos taken at a Postal facility and mailer site in October 2021.

Finally, we observed that 18 of 35 facilities kept MTE stored in non-MTE trailers, as shown in Figure 10, which illustrates cardboard and wheeled containers, trays, and pallets stored in a non-MTE trailer. Handbook AS-701, *Asset Management*, Section 3-8.5, Policy on Trailers for Storage, provides guidance on the use of trailers for storage purposes. In discussions with management, they confirmed that facilities should not store MTE in road-worthy trailers.

Figure 10. MTE Stored in Non-MTE Trailer



Source: OIG photos taken at site visits in October 2021.

These conditions occurred because management did not provide sufficient oversight of the MTE program to ensure Postal Service facilities and mailers followed the established requirements on handling and use of MTE. Additionally, management did not identify and report non-compliant facilities and delivery units when returning the equipment to MTESC facilities.

Ineffective use and handling of MTE and preparation of PPFG increase overall MTE processing costs and decrease visibility of on-hand inventory, availability, and the condition of MTE. As a result, the Postal Service incurred about \$6.2 million in questioned costs in FY 2021. If the Postal Service makes improvements in these areas, it could put \$6.2 million to better use in FY 2022. Additionally, poor MTE quality and missent mail going to MTESCs when MTE is not properly inspected prior to return could result in delayed and undelivered mail, which would reflect poorly on the Postal Service's brand and public image.

Recommendation #1

We recommend the **Vice President, Logistics**, identify, monitor, and follow up with Postal Service facilities and mailers that are not following the established requirements for proper handling, use, and return of excess of Mail Transport Equipment to the Mail Transport Equipment Service Centers.

Recommendation #2

We recommend the **Vice President, Logistics**, provide refresher training related to Mail Transport Equipment return handling procedures and misuse to employees at non-compliant Postal Service facilities and mailers.

Finding #2: Insufficient and Non-compliant Inventory Controls

We found Postal Service facilities and large mailers did not always complete the weekly MTE inventory reporting as required. Specifically, our analysis of FY 2021 inventory reporting data for facilities and large mailers identified 277 of 289⁶ (95.8 percent)⁷ facilities and 276 of 391⁸ (70.6 percent) large mailers did not always complete required weekly inventory reporting, as shown in Table 5. Additionally, of the 277 non-compliant facilities, 99 (35.7 percent) did not complete the weekly inventory report at all during FY 2021. Handbook PO-502 requires facilities and mailers who receive direct delivery of MTE from an MTE SC to complete a weekly inventory report.⁹

Table 5. Non-Compliant Inventory Reporting in FY 2021

Facility Type	Compliant	Non-Compliant	Total	Percentage Non-Compliant
Postal Facilities	12	277	289	95.8%
Mailers	115	276	391	70.6%
Total	127	553	680	81.3%

Source: OIG analysis of Postal Service MTE inventory reporting data in MTEOR and Informed Visibility.

We also found that the Postal Service did not maintain inventory records of MTE for local mailers because there are no established inventory reporting requirements. We estimated about \$438.5 million of MTE was received by about 4,500 local mailers from facilities in FY 2021; however, management did not track or account for MTE to determine inventory quantity on-hand at local mailers. During our audit, management stated that they are working on developing reporting requirements for local mailers with a goal of implementation in FY 2022.

These conditions occurred because management did not monitor and ensure that postal facilities and large mailers complied with the weekly inventory reporting requirement. Additionally, management did not have requirements for local mailers to report weekly on-hand MTE inventory.

When inventory reporting is not reliable or incomplete and MTE inventories for local mailers do not exist, the Postal Service loses visibility of MTE on-hand and is unable to track and monitor usage to determine MTE needs and purchases. Effective and accurate inventory reporting would assist in minimizing new

6 During FY 2021, 99 facilities did not report weekly inventory at all, 60 facilities reported between 1 and 50 percent, 118 facilities reported between 51 and 99 percent, and 12 facilities reported 100 percent and were compliant with the inventory reporting requirement.

7 Handbook PO-502 requires weekly inventory reporting by close of business every Wednesday. If facilities and large mailers failed to report their weekly inventory, we considered them to be non-compliant.

8 During FY 2021, three large mailer sites did not report weekly inventory at all, 65 sites reported between 1 and 50 percent, 208 sites reported between 51 and 99 percent, and 115 sites reported 100 percent and were compliant with the inventory reporting requirement.

9 Handbook PO-502, Sections 7-4 and 7-5, dated June 2017.

purchases of MTE and help the Postal Service make informed business decisions. We estimate about \$199 million in unsupported questioned costs for MTE at postal facilities and large mailers and \$244 million in unaccounted for MTE at local mailers for FY 2021. Consequently, these MTE assets are at risk of loss, leakage, and unauthorized use.

Recommendation #3

We recommend the **Vice President, Logistics**, monitor weekly inventory reporting to ensure Postal Service facilities and large mailers are compliant with the Mail Transport Equipment reporting requirements.

Recommendation #4

We recommend the **Vice President, Logistics**, establish a threshold for those local mailers subject to inventory reporting and finalize and implement requirements to account for Mail Transport Equipment inventory.

Finding #3: Non-compliance with MTE Audits for USPS Facilities and Mailers

We found the Postal Service did not conduct regular and comprehensive MTE audits for facilities and large mailers, as required. Specifically, our interviews and survey responses indicated that 87 of the 99¹⁰ facilities (87.9 percent) and 1,052 of the 1,075¹¹ (97.9 percent) mailers did not have an MTE review or audit in the past year by management. See [Appendix B](#) for more details.

As stated in Handbook PO-502, Postal Service management must conduct comprehensive audits at all facilities and select major mailer sites on a random basis.¹² However, management does not specify in the handbook how often they are required to perform and document these MTE audits.

These audits would help maintain effective management and inventory controls of the Postal Service's MTE assets, assist in identifying and resolving problems, and ensure compliance with MTE directives and requirements.

¹⁰ We interviewed employees at 35 facilities and received survey responses from employees at 64 facilities.
¹¹ We interviewed 35 large mailers and 32 local mailers and received survey responses from 1,008 mailers.
¹² Handbook PO-502, Sections 8-2 and 8-3, dated June 2017.
¹³ The 13,616 emails are the mailers with email address information.

Recommendation #5

We recommend the **Vice President, Logistics**, update Handbook PO-502, *Mail Transport Equipment*, to establish a comprehensive audit policy addressing the audit frequency and threshold for Postal Service facilities and mailers subject to audits and documenting audit results.

Finding #4: Outdated Customer Master List in MTEOR

We found that the customer master database in MTEOR included inaccurate information, including inaccurate mailer names, email addresses, and phone numbers. Specifically, 2,436 of 13,616 (17.9 percent) emails¹³ were returned as undeliverable during our survey work. Additionally, while scheduling our onsite visits, we found some mailers were no longer in business or operating as customers of the Postal Service or had disconnected telephone numbers and/or invalid email addresses. The Postal Service is required to update its customer database when a mailer site is closing and maintain addresses or name changes as outlined in *MTESS Process for Mailer Changes*, dated August 2013. We also found that 8,991 of 13,890 mailers (64.7 percent) were listed as active in MTEOR but they did not have any MTE orders in FY 2021, as shown in Table 6.

Table 6. Customer Activity in MTEOR in FY 2021

Facility Type	Number Active Customers with Order Activity	Number Active Customers without Order Activity	Total Active Customers	Percent of Active Customers without Order Activity
Large Mailers	391	26	417	6.2%
Local Mailers	4,508	8,965	13,473	66.5%
Total	4,899	8,991	13,890	64.7%

Source: OIG analysis of Postal Service customer data in MTEOR.

This occurred because management did not review and monitor MTE ordering activity in the MTEOR system and did not validate whether postal facility and mailer information was current and accurate. When customer information is outdated and the Postal Service does not routinely update its customer database with changes, it is at risk of being unable to communicate with mailers or manage and recover MTE when mailers are no longer in business.

Recommendation #6

We recommend the **Vice President, Customer Experience**, and **Vice President, Logistics**, review, monitor, validate, and update information in the Facility Database, Mail Transport Equipment Ordering System, and Mail Transport Equipment Support System to ensure mailer information is accurate and current.

Finding #5: Insufficient Security Controls Over MTESCs and USPS Facilities

We found that postal facilities and MTESC contractor premises were not always secured. Specifically, we observed 10 out of the 35 facilities (29 percent) and two of six MTESCs (33 percent) we visited did not have secure yards. During our observations, we noted that the main entrance access points were often left open and had no access control, as shown in Figure 11. The picture on the left shows a back entrance gate that is detached and non-operational and the picture on the right illustrates a broken identification badge entry reader.

“When customer information is outdated and the Postal Service does not routinely update its customer database with changes, it is at risk of being unable to communicate with mailers or manage and recover MTE when mailers are no longer in business”

Figure 11. Unsecure Postal Facilities



Source: OIG photos taken at site visits in October 2021.

Management at postal facilities are responsible for securing and controlling physical access to the facility, including the establishment and implementation of controlled areas, access lists, physical access control systems, and identification badges.¹⁴ Additionally, the contractors' statements of work¹⁵ require security and access controls for the grounds and trailer parking areas, including regular control access of inbound and outbound trailers.

This occurred because facility and MTESC management did not provide adequate oversight of security controls at Postal Service facilities and MTESC sites. Not having properly secured gates, yards, and access controls puts the Postal Service at risk of theft and increases the inability to provide safe worksites for its employees.

Recommendation #7

We recommend the **Vice President, Logistics**, **Vice President, Processing & Maintenance Operations**, and **Vice President, Facilities**, correct security, and access control deficiencies at the 10 Postal Service facilities and two Mail Transport Equipment Service Centers.

¹⁴ Handbook AS-805, *Information Security*, Section 2-2.15, dated June 2021.

¹⁵ MTESC contract – Statements of Work, Section 3.1.12.

Management's Comments

In their official comments, management stated that they agree with all of the recommendations; however, they disagreed with the monetary impact. Management also stated that they implemented recommendations 2, 3, and 5 and request closing these recommendations with the issuance of this audit report. See [Appendix C](#) for management's comments in their entirety.

Management disagreed with the monetary impact pertaining to Over the Road containers and unprocessed trays and tubs. Additionally, management stated that the unsupported questioned cost calculation is based on one of 391 mailers and that the monetary impact is significantly overstated.

Regarding recommendation 1, management stated that they will transition inventory reporting for postal facilities to report weekly inventories in MTEOR as opposed to the current Informed Visibility reporting system. The target implementation date is June 30, 2022.

Regarding recommendation 2, management stated that they provided refresher training for ordering, handling, and proper procedures for MTE to all personnel at facilities in the field. Training also included completing the MTEOR process for local mailers. The target implementation date was February 28, 2022.

Regarding recommendation 3, management stated that the headquarters MTE team monitors weekly MTE inventories from postal facilities and large mailers. Management is working with the Postal Service's Customer Solutions and Integrations team to address non-compliance on weekly inventory reporting. Additionally, management stated that system enhancements to postal facility inventory reporting are in progress. The target implementation date was February 28, 2022.

Regarding recommendation 4, management stated that all local mailers with MTEOR accounts will be required to report weekly MTE inventories. The target implementation date is June 30, 2022.

Regarding recommendation 5, management stated that they have modified Handbook PO-502 and distributed it to Logistics and Processing directors. The target implementation date was March 31, 2022.

Regarding recommendation 6, management stated that the Customer Experience Business Service Network and Headquarters MTE team will review and identify discrepancies with current MTEOR customer information. Additionally, Business Service Network will implement a quarterly review process to identify changes to customer information in MTEOR. The target implementation date is June 30, 2022.

Regarding recommendation 7, management stated that they have made corrections at two MTESCs that address security access issues. In addition, management stated that they will address the deficiencies at five P&DC's by the end of July. Management further stated that they will reissue comprehensive policies and procedures related to security and access controls to employees at all other postal facilities. The target implementation date is July 31, 2022.

Evaluation of Management's Comments

The OIG considers management's comments responsive to all recommendations and corrective actions should resolve the issues identified in the report, except for recommendation 1. We consider management's comments nonresponsive to recommendation 1.

Regarding the monetary impact, management did not address the improperly prepared MTE dispatched to the MTESCs, which were not in compliance with their policies. Consequently, it resulted in additional processing costs, which the Postal Service had to pay to MTESC contractors. If employees followed policies and procedures, these costs could have been avoided. Additionally, the unsupported questioned costs were not overstated as asserted by management. Management incorrectly stated that our calculation was based on one of 391 mailers; however, OIG calculations were based on non-compliance with the established weekly inventory reporting for 277 of the 289 postal facilities (95.8 percent) and 276 of the 391 large mailers (70.6 percent).

Regarding recommendation 1, management's proposed action will not address the requirements for the recommendation related to identifying, monitoring, and following up with postal facilities and mailers that are not following the established requirements for proper handling, use, and return of excess of MTE to the MTESCs. The OIG will coordinate with Postal Service management after issuance of the final report to address the discrepancies.

Regarding recommendation 2, management stated that they provided training to all employees at facilities in the field, therefore, requested that we close this recommendation with issuance of this report. The OIG will need additional documentation in support of the training provided to close this recommendation.

Regarding recommendation 3, management stated that system enhancements for postal facilities inventory reporting is still in progress. Therefore, the OIG will not be able to close this recommendation with issuance of this report as requested.

Regarding recommendation 5, based on the OIG's review of the Postal Service Blue Page – Policy Net website, Handbook PO-502 does not reflect the modification asserted by management as of April 6, 2022. Therefore, the OIG will not be able to close this recommendation with issuance of this report as requested and will work with management to verify that they have fully addressed this recommendation.

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

Click on the appendix title below to
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Appendix A: Additional Information

Scope and Methodology

Our scope was a nationwide review of the MTE program for FY 2021.¹⁶

To achieve our objective, we completed the following:

- Identified and reviewed MTE policies and procedures to determine requirements for the program.
- Interviewed Headquarters Logistics and MTE staff to gain an understanding of their familiarity and use of the MTE program and requirements.
- Interviewed the Mailers Technical Advisory Committee members to gain an understanding of mailer concerns regarding MTE.
- Analyzed MTE purchase data for FYs 2017 through 2021.
- Analyzed FY 2021 MTESS data to determine whether MTE was properly prepared as PPF.
- Assessed inventory reporting compliance for facilities and mailers.
- Developed and administered site visit and survey questionnaires about MTE usage at facilities and mailers to identify issues and concerns.

- Selected a judgmental sample for site visits and conducted observations and interviews at 108 sites consisting of six MTESSCs, 35 postal facilities, 35 large mailers, and 32 local mailers to obtain information regarding the MTE program and identify instances of MTE misuse, unauthorized use, or theft.
- Surveyed 2,267 sites, including 94 Postal Service facilities and 2,173 mailers, to gain an understanding about MTE processes being utilized.

We conducted this performance audit from September 2021 through April 2022 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 March 17, 2022 and included their comments where appropriate.

We assessed the reliability of the Postal Service's MTE data in MTEOR, MTESS, and Informed Visibility by interviewing the Postal Service officials and testing selected data fields within these systems. We determined that the data were sufficiently reliable for the purposes of this report.

¹⁶ While our scope period was FY 2021, we used various data sets and date ranges to analyze and validate MTE data due to data availability.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Nationwide Service Performance</i>	Assess the U.S. Postal Service's service performance for all mail classes over an 18-month period and determine the most common failure points in the mail flow process.	21-120-R21	9/20/2021	None
<i>U.S. Postal Service Transportation Cost of Mail Transport Equipment</i>	Assess the Postal Service's efforts to reduce transportation costs of MTE in the MTESC network.	19XG007NL000-R20	12/13/2019	\$2.8

Appendix B: Interview and Survey Results

We conducted interviews at 35 Postal Service facilities and 67 mailers. Additionally, we conducted two surveys, the first survey was sent to 94 Postal Service transportation personnel¹⁷ and the second survey was sent to 2,173 large and local mailers.

We interviewed personnel at 35 facilities and received 64 responses out of 94 surveys for a total of 99 responses regarding the MTE program. The 99 responses from facilities identified the following results, as shown in Table 7.

Table 7. Postal Service Facility Interview and Survey Results

Plant Questionnaire 99 Total responses – (35 site visits and 64 surveys)	Yes	No	No Response		
1. Were the transportation personnel aware of SOP?	95	4	0		
2. Was there an MTE coordinator?	58	41	0		
3. Has there been an MTE review/audit within the last year by Postal Service management?	12	87	0		
4. Does the facility report MTE inventory?	81	18	0		
5. Are local mailers required to place advance requests for MTE in the MTEOR system?	81	16	2		
6. Do they maintain and update a daily electronic record of all MTE provided to local mailers?	59	38	2		
7. Does the facility provide on the spot requests for MTE?	75	23	1		
Plant Questionnaire (99 Total responses – 35 site visits and 64 surveys)	Send to MTE SC	Recycle	Discard	All Three Applicable	
8. How do you handle damaged MTE?	87	7	4	1	
Plant Questionnaire (99 Total responses – 35 site visits and 64 surveys)	Not Enough	Enough	Too Much	No Responses	
9. How would the facility rate the overall inventory availability for rolling stock?	64	25	3	7	
10. How would the facility rate the overall inventory availability for plastic pallets?	19	59	16	5	
11. How would the facility rate the overall inventory availability for trays, tubs, and/or sleeves?	27	55	11	6	
Plant Questionnaire (99 Total responses – 35 site visits and 64 surveys)	Bad	Fair	Good	Very Good	Excellent
12. How would the facility rate the overall MTE Program?	9	31	42	15	2

¹⁷ Transportation personnel includes the Transportation manager and network specialist.

We interviewed 67 mailers and received 1,008 responses out of 2,173 mailer surveys for a total of 1,075 responses regarding the MTE program. The 1,075 responses from mailers identified the following results, see Table 8.

Table 8. Mailer Interview and Survey Results

Mailer Questionnaire (1,075 Total responses – 67 site visits and 1,008 surveys)	Yes	No	No Response			
1. Were the mailers aware of the Postal Service's MTE requirements?	666	403	6			
2. Has there been an MTE review/audit within the last year by Postal Service management?	16	1052	7			
3. Do they have more than 14 days of MTE inventory on hand?	253	789	33			
4. Do they have concerns with the MTE program?	338	720	17			
Mailer Questionnaire (1,075 Total responses – 67 site visits and 1,008 surveys)	Send to MTE SC	Recycle	Discard	Other	No Response	
5. How do you handle damaged MTE?	595	105	68	291	16	
Mailer Questionnaire (1,075 Total responses – 67 site visits and 1,008 surveys)	Bad	Fair	Good	Very Good	Excellent	No Response
6. How would they rate the communication with Postal Service Headquarters?	60	49	145	155	181	485
7. How would they rate the communication with Mail Transport Equipment Service Center (MTE SC)?	85	94	161	193	237	305
8. How would they rate the communication with Processing Facilities?	67	90	179	203	276	260
9. How would they rate the quality of MTE received with sacks?	53	104	238	204	211	265
10. How would they rate the quality of MTE received with tray label holders?	93	124	174	148	263	273
11. How would they rate the quality of MTE received with plastic pallets?	21	44	156	269	378	207
12. How would they rate the quality of MTE received with trays, tubs, and/or sleeves?	58	85	280	265	255	132
13. How would they rate the overall MTE program?	83	207	328	297	140	20
Mailer Questionnaire (67 site visits interviews)	Not Enough	Enough	Too Much	No Response		
14. How would the mailer rate the overall inventory availability for plastic pallets?	14	50	0	3		
15. How would the mailer rate the overall inventory availability for rolling stock?	21	14	0	32		
16. How would the mailer rate the overall inventory availability for trays, tubs, and/or sleeves?	16	43	0	8		

Mailer Questionnaire ¹⁸ (1,008 surveys)	Bad	Fair	Good	Very Good	Excellent	No Response
17. How would the mailer rate the overall inventory availability for plastic pallets?	54	70	154	214	334	182
18. How would the mailer rate the overall inventory availability for rolling stock?	84	78	145	141	191	369
19. How would the mailer rate the overall inventory availability for trays, tubs, and/or sleeves?	99	119	184	195	299	112

¹⁸ Our survey for mailer questions 17, 18, and 19 incorrectly solicited responses as bad, fair, good, very good, and excellent instead of not enough, enough, and too much for MTE inventory availability. Therefore, the responses for these questions may not accurately reflect the MTE inventory availability condition.

Appendix C: Management's Comments



April 5, 2022

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Mail Transport Equipment (Report Number
21-229-DRAFT)

Thank you for providing the Postal Service an opportunity to review and comment on the findings and recommendations contained in the draft audit report, *Mail Transport Equipment*.

We ask that recommendations 2,3 and 5 are considered closed with the submission of this audit, as they have already been implemented.

Management disagrees with the monetary impact Questioned cost pertaining to Over the Road (OTR) containers not needing repairs and unprocessed trays/tubs do contribute to unnecessary cost. OTR's kept in the NDC network and receipt of processed MTE will eliminate this cost, however, the cost will vary based on the amount of MTE received at each MTESC versus an average cost. Reductions in unnecessary MTE could result in potential savings. The unsupported Questioned Cost Calculation is based on 1 mailer out of 391. This is significantly overstated.

Recommendation [1]:

We recommend the Vice President, Logistics, identify, monitor, and follow up with Postal Service facilities and mailers that are not following the established requirements for proper handling, use, and return of excess of Mail Transport Equipment to the Mail Transport Equipment Service Centers.

Management Response/Action Plan:

Management agrees with this recommendation. The established process in place for Postal facilities and mailers is to report weekly inventory. Into Postal facilities currently report weekly in IV. Mailers that receive MTE from the MTESC's report weekly in MTEOR. We are transitioning inventory reporting for Postal facilities to report weekly inventory in MTEOR as opposed to the current IV reporting system.

Target Implementation Date:
06/30/2022

Responsible Official:

Director, Mail Transport Equipment

Recommendation [2]:

We recommend the Vice President, Logistics, provide refresher training related to Mail Transport Equipment return handling procedures and misuse to employees at non-compliant Postal Service facilities and mailers.

Management Response/Action Plan:

Management agrees with this recommendation. Mail Transport Equipment has provided training to all facilities in the field. Training consisted of ordering, handling and proper procedures for MTE as well as completing MTEOR process for local mailers.

Target Implementation Date:

02/28/2022

Responsible Official:

Director, Mail Transport Equipment

Recommendation [3]:

We recommend the Vice President, Logistics, monitor weekly inventory reporting to ensure Postal Service facilities and large mailers are compliant with the Mail Transport Equipment reporting requirements.

Management Response/Action Plan:

Management agrees with this recommendation. HQ Mail Transport Equipment team currently monitors inventory reported by large mailers and Postal facilities weekly. Additionally, working with Customer Solutions and Integrations team for non-compliance on weekly inventory reporting. Enhancements to Postal facility inventory reporting are in progress.

Target Implementation Date:

02/28/2022

Responsible Official:

Director, Customer Solutions, and Integration
Director, Mail Transport Equipment

Recommendation [4]:

We recommend the Vice President, Logistics, establish a threshold for those local mailers subject to inventory reporting and finalize and implement requirements to account for Mail Transport Equipment inventory.

Management Response/Action Plan:

Management agrees with this recommendation. Inventory recording will be implemented and required for all local mailers which have been registered with MTEOR accounts. Reporting requirements will be weekly inventory reporting.

Target Implementation Date:

06/30/2022

Responsible Official:

Director, Mail Transport Equipment

Recommendation [5]:

We recommend the Vice President, Logistics, update Handbook PO-502, Mail Transport Equipment, to establish a comprehensive audit policy addressing the audit frequency and threshold for Postal Service facilities and mailers subject to audits and documenting audit results.

Management Response/Action Plan:

Management agrees with this recommendation. Handbook PO-502 has been modified to reflect changes due to USPS realignment and has been distributed to Logistics and Processing Directors.

Target Implementation Date:

03/31/2022

Responsible Official:

Director, Mail Transportation Equipment

Recommendation [6]:

We recommend the Vice President, Customer Experience, and Vice President, Logistics, review, monitor, validate, and update information in the Facility Database, Mail Transport Equipment Ordering System, and Mail Transport Equipment Support System to ensure mailer information is accurate and current.

Management Response/Action Plan:

Management agrees with this recommendation. Customer Experience Business Service Network (BSN) will coordinate with Mail Transport Equipment team to review current MTEOR customer information to identify customer discrepancies when working on customer inquiries. In addition, a quarterly review process will be implemented for the BSN to review and identify any changes to customer information in MTEOR.

Target Implementation Date:

06/30/2022

Responsible Official:

Manager Business Customer Service & Support
Director, Mail Transport Equipment

Recommendation [7]:

We recommend the Vice President, Logistics, Vice President, Processing & Maintenance Operations, and Vice President, Facilities, correct security, and access control deficiencies at the 10 Postal Service facilities and two Mail Transport Equipment Service Centers.

Management Response/Action Plan:

Management agrees with this recommendation. Mail Transport Equipment has made corrections to the security access at the 2 MTEC identified. Facilities has identified 5 P&DC's which have been addressed and targeted completion date below. USPS has comprehensive policies and procedures related to security and access controls, which will address all other Postal facilities. Management will reissue related policies.

Target Implementation Date:

7/31/2022

Responsible Official:

Director, Facilities Program Management
Sr. Director Strategic Planning & Implementation
Director, Mail Transport Equipment



Robert Cintron
Vice President, Logistics

E-SIGNED by Benjamin Kuo
on 2022-04-06 13:48:12 CDT

Benjamin P. Kuo
Vice President, Facilities

cc: Manager, Corporate Audit Response Management

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