

# Manual Plant Verified Drop Shipments: Atlantic Area

## AUDIT REPORT

Report Number 22-113-R23 | April 6, 2023



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# Highlights

## Background

The Plant Verified Drop Shipment (PVDS) process enables payment and mail verification at an originating U.S. Postal Service facility for mail that a customer transports to a destination Postal Service facility. Mailings can be paid and verified using manual processes and forms rather than electronic methods. Such manual processes require Postal Service employees at the originating office to verify payment and the completion of eight critical fields, in triplicate, on Postal Service (PS) Form 8125, Plant Verified Drop Shipment. Postal Service employees verify that the forms, which are to be maintained for one year, are complete and unaltered when they accept the mail at the destination facility. Manually verified mailings are at greater risk of errors and unauthorized alterations when controls are not followed. From December 2021 through April 2022, the Atlantic Area processed 240,000 containers manually.

## What We Did

Our objective was to assess Postal Service compliance with manual PVDS controls in the Atlantic Area and identify opportunities for improvement. We randomly selected 183 PS Forms 8125 to analyze for compliance. We reviewed documentation from the origin and destination offices to ensure forms were complete, had not been altered in transit, and were retained, as required. Also, during observations at 12 facilities, we verified whether PS Forms 8125 were retained for one year.

## What We Found

We determined that 111 of 183 (61 percent) randomly selected PS Forms 8125 were incomplete, missing, and/or altered. We determined that 47 forms did not contain required information in one or more of eight critical fields – including class of mail, number of pallets, discounts claimed, origin post office, stamp date, or signature of verifying employee – and one of these forms was altered. We also determined an additional 64 forms were missing from either the origin or destination facility. In addition, four of 12 sites did not retain forms in accordance with Postal Service retention policies. These issues occurred because management did not provide adequate oversight and employees were not aware of the form retention policy, resulting in an estimated \$5.8 million of revenue at risk for these locations in FY 2022.

## Recommendations

We recommended management reinforce PVDS document completion, retention, and verification requirements and improve upon the current oversight process to monitor compliance. We also recommend management evaluate additional controls over PS Forms 8125.

# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

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April 6, 2023

**MEMORANDUM FOR:** THOMAS FOTI  
VICE PRESIDENT, PRODUCT SOLUTIONS  
  
MIKE BARBER  
VICE PRESIDENT, PROCESSING AND MAINTENANCE OPERATIONS

*Amanda H. Stafford*

**FROM:** Amanda H. Stafford  
Deputy Assistant Inspector General for Retail, Marketing, and  
Supply Management

**SUBJECT:** Audit Report – Manual Plant Verified Drop Shipments: Atlantic Area  
(Report Number 22-113-R23)

This report presents the results of our audit of Manual Plant Verified Drop Shipments.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Janet 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 Manual Plant Verified Drop Shipments (Project Number 22-113). Our objective was to assess U.S. Postal Service compliance with manual Plant Verified Drop Shipment (PVDS) controls in the Atlantic Area and identify opportunities for improvement. See [Appendix A](#) for additional information about this audit.

## Background

PVDS is a term used to describe the process whereby the U.S. Postal Service conducts mail and payment verification at a Business Mail Entry Unit (BMEU) for Periodicals and/or Marketing Mail (letters, flats, and parcels), which a commercial mailer transports to a destination postal facility (post office/delivery unit), Destinating Sectional Center Facility, or Destinating Network Distribution Center. Mailings can be paid and verified using manual processes and forms rather than electronic methods. Mailers not participating in Seamless Acceptance<sup>1</sup> or eInduction<sup>2</sup> are required to submit manual forms. From December 2021 through April 2022, the Atlantic Area processed 240,000 containers manually.

The Postal Service (PS) Form 8125<sup>3</sup> allows Postal Service employees to record confirmation that postage on drop shipments<sup>4</sup> to destination offices

was verified and paid for at the originating post office. Such manual processes require Postal Service employees at the originating office to verify payment and complete eight critical fields on the form (see [Figure 1](#)). The employee will then verify and reconcile the PS Form 8125 with the containers of mail being entered to ensure all corresponding mail has been properly paid for and documented. Finalization of the form occurs when an employee signs and stamps the document. The verifying employee returns the original PS Form 8125 for review at the destination facility and provides one copy to the mailer, while retaining the third copy of the form for one year.

At the destination facility, Postal Service employees verify the forms are complete and unaltered when they accept the mail. If any of the eight critical fields are missing or altered, the employee should take steps to resolve the issue, and the destination supervisor must contact the origin office to obtain a faxed copy of the PS Form 8125 with the completed information. If the missing information cannot be obtained, the supervisor must refuse the mailings. These controls confirm that all inducted mail has been cleared and that only the correct quantity is entered into the Postal Service mailstream. Once the container count is confirmed and the destination entry section of the form is completed and signed, the form is filed and retained for one year on the destination side as well.

<sup>1</sup> The automation of mail verification for mailings from mailers who apply unique Intelligent Mail barcodes to the mailpieces, trays, sacks, pallets, and containers. Data from mail processing scans and barcodes on mailpieces are used to verify electronic documentation submitted by the mailer to determine mail quality.

<sup>2</sup> The electronic Induction process simplifies the induction of drop shipments and expedited plant load mailings by leveraging existing eDoc, Intelligent Mail Container barcode, and handheld scanner technologies to verify payment and preparation of commercial mail containers.

<sup>3</sup> Plant Verified Drop Shipment Verification and Clearance form.

<sup>4</sup> The movement of a mailer's product on private transportation from the point of production to a postal facility located closer to the destination of that product. The pieces in a mailer's drop shipment mailings frequently receive a reduced price or discount based on mail class or product.

Figure 1. PS Form 8125 Plant Verified Drop Shipment Verification and Clearance

United States Postal Service® <b>Plant-Verified Drop Shipment (PVDS)                  Verification and Clearance</b> This form available at <a href="http://www.usps.com">www.usps.com</a> .				1. Requested In-Home Delivery Date (3-day window)	2. Drop Ship Appointment Number		
<b>See Instruction on Reverse</b>							
3. Mailer Name		4. FAST Scheduler ID	5. Mailer Contact Name		6. Mailer Contact Telephone (include area code)		
7. Origin Plant Location (City, state, ZIP+4®)			8. Check One <input type="checkbox"/> Identical-Weight Pieces. Weight of a Single Piece _____ lbs. <input type="checkbox"/> Nonidentical-Weight Pieces				
9. Class of Mail <input type="checkbox"/> Periodicals <input type="checkbox"/> Std. Mail <input type="checkbox"/> Package Services <input type="checkbox"/> International (Specify class)		10. Product or Publication Title or Names	11. Total Gross Weight of Shipment (Verified at origin office)		12. Type of Mail Processing Category (Check all that apply) <input type="checkbox"/> Letters <input type="checkbox"/> Automation Compatible <input type="checkbox"/> Irregular Parcels <input type="checkbox"/> Flats <input type="checkbox"/> Machinable Parcels <input type="checkbox"/> Nonmachinable Parcels		
13. Pallets		a. No. Pallets of Trays _____	b. No. Pallets of Sacks _____	c. No. Pallets of Parcels _____	d. No. Pallets of Bundles _____		
Mailer Information  Optional if Pallet Presort is known.	i. 5-Digit						
	ii. 5-D Scheme						
	iii. 5-D CR						
	iv. 5-D Scheme CR						
	v. 3-D						
	vi. All Other						
14. Entry Discounts Claimed (Check all that apply) <input type="checkbox"/> DDU <input type="checkbox"/> DNDC <input type="checkbox"/> DFSS <input type="checkbox"/> Mailing Includes Pieces for Delivery Outside Service Area of Entry Office <input type="checkbox"/> DSCF <input type="checkbox"/> DADC <input type="checkbox"/> International Service Center (ISC) <input type="checkbox"/> International: _____							
15. Comments -- Record SCF/ADC/NDC/ASF designator(s) and ZIP Code(s) from the DMM label list for mailing presented, or attach register.							
16a. Contact at Company Making Drop Ship Appointment (if other than mailer and if known when completing this form)					16b. Telephone		
Origin Post Office (Where verified)			17. Origin Post Office™ (City, state, and ZIP+4)		25a. Name of USPS® Employee Verifying Mail		
			18. Verified at: <input type="checkbox"/> DMU (Mailer's plant) <input type="checkbox"/> BMEU or Post Office		25b. Employee's Telephone Number (include area code)		27. Round Stamp (Required)
			19. Permit Number	20. Postage Payment Method (Except for Periodicals) <input type="checkbox"/> Permit <input type="checkbox"/> Stamped <input type="checkbox"/> Meter		25c. Signature of Verifying Employee	
			21. Total Pieces	22. Total Weight of Mailing		26d. USPS Contact Name (if other than verifying employee)	
			23. Vehicle PVDS Seal Number	24. Vehicle ID Number			
			25. Comments			33. Load Condition Irregularities (Check all that apply) <input type="checkbox"/> Broken Pallets <input type="checkbox"/> Mailings are not separated by PS Form 8125 <input type="checkbox"/> Container Counts do not match PS Form 8125 <input type="checkbox"/> Overweight Pallets <input type="checkbox"/> Damaged Mail <input type="checkbox"/> Pallets Too Tall <input type="checkbox"/> Improper Mail Makeup <input type="checkbox"/> Incorrect Mail Class <input type="checkbox"/> Load Unsafe <input type="checkbox"/> Other (Describe in item 32) <input type="checkbox"/> Incorrect Appointment Type	
Destination Entry Post Office or Delivery Unit			28. Entry Office (Facility name, address, city, state and ZIP+4 code as found in the Drop Ship Product.)  Note: Appointments with 100% Periodicals can be presented whenever the destination facility is open and staffed.				
			29a. USPS Receiving Employee Signature	29b. USPS Receiving Employee Name		34. Scan the barcode upon receipt.	
			30. Date/Time of Arrival		31. Date/Time of Departure		
			32. Comments (NOTE: Enter bedload discrepancies as percentages and pallet discrepancies as pallet counts.)				

PS Form 8125, August 2014 (NSN 7530-02-000-7255) (Page 1 of 2)

Destination Office—1 Mailer—2 Origin Post Office—3  
(Mailer: Complete original and make 2 copies.)

Source: United States Postal Service Blue Pages.

The Postal Service developed procedures to ensure proper accounting of PVDS shipments inducted into the mailstream, in compliance with the 2002 Sarbanes-Oxley Act (SOX). The controls are tested regularly using the SOX Remediation Tool (SORT) to evaluate effectiveness of internal controls. During the audit, Logistics Division Directors in the office of Surface Policy and Performance provided oversight of facilities that receive at least 2,000 drop shipments a year. However, effective October 2022, Mail Processing assumed this responsibility. Compliance is measured when the Manager In-Plant Support<sup>5</sup> completes reviews of drop shipments at a minimum of twice per week. In addition, the Transportation and Network manager must complete at least one review each month.

“In one recent criminal investigation, the OIG found that a business mailer colluded with a Postal Service clerk to enter PVDS mail without payment.”

In one recent criminal investigation, the OIG found that a business mailer colluded with a Postal Service clerk to enter PVDS mail without payment. The clerk altered the local copy of PS Form 8125 without detection, which allowed for the mailer to circumvent payment for the mailing. As a result of this investigation, four people plead guilty and were sentenced to between nine- and 100-months incarceration and ordered to pay \$27 million in restitution. The OIG will continue to focus on deterring any fraud related risks associated with bulk mail.

## Finding #1: PS Form 8125 Non-Compliance

We determined that 111 of 183 (61 percent) randomly selected PS Forms 8125 were incomplete, missing, and/or altered. We determined that 47 forms did not contain required information in one or more of eight critical fields — including class of mail, number of pallets, discounts claimed, origin post office, stamp date, or signature of verifying employee — and one of these forms was altered. We also determined an additional 64 forms were missing from either the origin or destination facility. In addition, four of 12<sup>6</sup> sites did not retain forms in accordance with Postal Service retention policies. Manual PVDS mailings must have appropriately completed PS Form 8125s to ensure revenue protection, and forms must be retained for one year.<sup>7</sup>

### Incomplete Forms

During our review of 183 randomly selected forms, we identified 47 forms without the required eight critical fields completed. For example, during our fieldwork observations at the Harrisburg, PA, processing and distribution center (P&DC), we noted one form missing four of eight critical entries: class of mail, mail processing category, number of containers, and entry discount claimed (see

“During our review of 183 randomly selected forms, we identified 47 forms without the required eight critical fields completed.”

Figure 2). All eight critical fields must be completed correctly to ensure revenue protection and error prevention.<sup>8</sup> These controls confirm that all mail being inducted is verified and that only the correct quantity entered the Postal Service mailstream.

<sup>5</sup> Manages the ongoing review and evaluation of service and quality performance at a large Processing and Distribution Center (P&DC).

<sup>6</sup> The OIG visited 12 sites: Lancaster, PA, Post Office; Reading, PA, Post Office; Boston, MA, P&DC; Brockton, MA, P&DC; Buffalo, NY, P&DC; Harrisburg, PA, P&DC; Hartford, CT, P&DC; Lehigh Valley, PA, P&DC; Philadelphia, PA, P&DC; Rochester, NY, P&DC; Westchester, NY, P&DC; and Wilmington, DE, P&DC.

<sup>7</sup> Publication 804, Exhibit 6-5.1.3 f, Reviewing PS Form 8125.

<sup>8</sup> BMA Job Aid 7a, PVDS Document Check - Review PS Form 8125.



Figure 2. Missing Critical Fields

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United States Postal Service®  
**Plant-Verified Drop Shipment (PVDS)**  
**Verification and Clearance** This form available at www.usps.com.  
 See Instruction on Reverse

1. Requested In-Home Delivery Date (3-day window)		2. Drop Ship Appointment Number	
3. Mailer Name		4. FAST Scheduler ID	5. Mailer Contact Name
6. Mailer Contact Telephone		7. Origin Plant Location (City, state, ZIP+4®)	
8. Check One <input type="checkbox"/> Identical-Weight Pieces. Weight of a Single Piece _____ lbs. <input type="checkbox"/> Nonidentical-Weight Pieces		9. Class of Mail <input type="checkbox"/> Periodicals <input type="checkbox"/> Std. Mail <input type="checkbox"/> Package Services <input type="checkbox"/> International (Specify class)	
10. Product or Publication Title or Names		11. Total Gross Weight of Shipment (Verified at origin office)	
12. Type of Mail Processing Category (Check all that apply) <input type="checkbox"/> Letters <input type="checkbox"/> Automation Compatible <input type="checkbox"/> Irregular Parcels <input type="checkbox"/> Flats <input type="checkbox"/> Mailable Parcels <input type="checkbox"/> Nonmailable Parcels			
13. Pallets		a. No. Pallets of Trays	b. No. Pallets of Sacks
		c. No. Pallets of Parcels	d. No. Pallets of Bundles
13.e. Non-Palletized Containers			
Optional if Pallet Presort is known.	i. 5-Digit		
	ii. 5-D Scheme		
	iii. 5-D CR		
	iv. 5-D Scheme CR		
	v. 3-D		
	vi. All Other		
14. Entry Discounts Claimed (Check all that apply) <input type="checkbox"/> DDU <input type="checkbox"/> DNDC <input type="checkbox"/> DFSS <input type="checkbox"/> Mailing Includes Pieces for Delivery Outside Service Area of Entry Office <input type="checkbox"/> DSCF <input type="checkbox"/> DADC <input type="checkbox"/> International Service Center (ISC) <input type="checkbox"/> International			
15. Comments -- Record SCF/ADC/NDC/ASF designator(s) and ZIP Code(s) from the DMM label list for mailing presented, or attach register.			
16a. Contact at Company Making Drop Ship Appointment (if other than mailer and if known when completing this form)			16b. Telephone
17. Origin Post Office™ (City, state, and ZIP+4) HARRISBURG, PA 17107-9052		25a. Name of USPS® Employee	25b. Employee's Telephone Number
18. Verified at: <input type="checkbox"/> DMU (Mailer's plant) <input checked="" type="checkbox"/> BMEU or Post Office		25c. Signature of Verifying Employee copy	27. Round Stamp (Required) 
19. Permit Number	20. Postage Payment Method (Except for Periodicals) <input checked="" type="checkbox"/> Permit <input type="checkbox"/> Stamped <input type="checkbox"/> Meter	25d. USPS Contact Name (if other than verifying employee)	
21. Total Pieces 1050	22. Total Weight of Mailing 52.800		
23. Vehicle PVDS Seal Number	24. Vehicle ID Number		
25. Comments		33. Load Condition Irregularities (Check all that apply) <input type="checkbox"/> Broken Pallets <input type="checkbox"/> Mailings are not separated by PS Form 8125 <input type="checkbox"/> Container Counts do not match PS Form 8125 <input type="checkbox"/> Overweight Pallets <input type="checkbox"/> Damaged Mail <input type="checkbox"/> Pallets Too Tall <input type="checkbox"/> Improper Mail Makeup <input type="checkbox"/> Incorrect Mail Class <input type="checkbox"/> Load Unsafe <input type="checkbox"/> Other (Describe in item 32) <input type="checkbox"/> Incorrect Appointment Type	
28. Entry Office (Facility name, address, city, state and ZIP+4 code as found in the Drop Ship Product.)  Note: Appointments with 100% Periodicals can be presented whenever the destination facility is open and staffed.		34. Scan the barcode upon receipt.	
29a. USPS Receiving Employee Signature	29b. USPS Receiving Employee Name		
30. Date/Time of Arrival	31. Date/Time of Departure		
32. Comments (NOTE: Enter bedload discrepancies as percentages and pallet discrepancies as pallet counts.)			

PS Form 8125, August 2014 (NSN 7530-02-000-7255) (Page 1 of 2)

Destination Office—1 Mailer—2 Origin Post Office—3  
 (Mailer: Complete original and make 2 copies.)

Source: OIG photograph taken August 3, 2022, at Harrisburg, PA, P&DC.



## Form Retention

Postal Service personnel were not able to provide documentation requested for 64 forms. This included 30 forms where personnel at the respective Postal Service facility did not respond to our requests. We also determined four of 12 facilities did not retain a year's worth of forms on file. Specifically, the Harrisburg, PA, P&DC and the Westchester, NY, P&DC were missing two months, and the Wilmington, DE, P&DC and the Buffalo, NY, P&DC were missing one month of forms. The destination office must keep the original copy of PS Form 8125 for one-year. Harrisburg and Westchester were not able to locate the files, and Wilmington and Buffalo had prematurely purged the files.

“Postal Service personnel were not able to provide documentation requested for 64 forms.”

## Altered Form

We noted one altered form during observations at the Reading, PA, Post Office. The form in question had the number of trays crossed out and changed from 14 to 15. Also, the round date stamp was missing (see [Figure 3](#)). According to Postal Service policy, altered is defined as a change or modification in a critical field, such as a field covered with white-out or crossed out and rewritten. The number of trays is a critical field and allows the Postal Service to verify that the number of containers on the PS Form 8125 corresponds to the same number of containers reported on the postage statement. The origin office stated the mailer originally wrote 14 but presented 15 trays for verification and should have instructed the mailer to initial the change. We obtained additional information from the origin facility, including date of mailing, manual postage statement, and a PostalOne!<sup>9</sup> mailing transaction receipt and determined the mailer paid the correct amount for this mailing.

<sup>9</sup> PostalOne! is an electronic system that records mailing transactions, receives payments, and simplifies record keeping and the retrieval of mailing data.

Figure 3. Altered Field

United States Postal Service®  
**Plant-Verified Drop Shipment (PVDS)**  
**Verification and Clearance** This form available at www.usps.com  
 See Instruction on Reverse

3. Mailer Name		4. FAST Scheduler ID	5. Mailer Contact Name	6. Mailer Contact Telephone (include area code)
7. Origin Plant Location (City, state, ZIP+4) <b>19612</b>			8. Check One <input checked="" type="checkbox"/> Identical-Weight Pieces. Weight of a Single Piece _____ lbs. <input type="checkbox"/> Nonidentical-Weight Pieces	
9. Class of Mail <input type="checkbox"/> Periodicals <input checked="" type="checkbox"/> Std. Mail <input type="checkbox"/> Package Services <input type="checkbox"/> International (Specify class)		10. Product or Publication Title or Names		11. Total Gross Weight of Shipment (Verified at origin office)
12. Type of Mail Processing Category (Check all that apply) <input type="checkbox"/> Letters <input type="checkbox"/> Automation Compatible <input type="checkbox"/> Irregular Parcels <input checked="" type="checkbox"/> Flats <input type="checkbox"/> Machinable Parcels <input type="checkbox"/> Nonmachinable Parcels				
13. Pallets		a. No. Pallets of Trays	b. No. Pallets of Sacks	c. No. Pallets of Parcels
Optional if Pallet Present is known.	i. 5-Digit			
	ii. 5-D Scheme			
	iii. 5-D CR			
	iv. 5-D Scheme CR			
	v. 3-D			
	vi. All Other			
13.e. Non-Palletized Containers				
i. No. of Bundles				
ii. No. of Trays <b>15</b>				
iii. No. of Sacks				
iv. No. of Parcels				
v. No. of Air Boxes				
vi. No. of Other (Describe)				
14. Entry Discounts Claimed (Check all that apply) <input checked="" type="checkbox"/> DDU <input type="checkbox"/> DNDC <input type="checkbox"/> DFSS <input type="checkbox"/> Mailing Includes Pieces for Delivery Outside Service Area of Entry Office <input type="checkbox"/> DSCF <input type="checkbox"/> DADC <input type="checkbox"/> International Service Center (ISC) <input type="checkbox"/> International				
15. Comments -- Record SCF/ADC/NDC/ASF designator(s) and ZIP Code(s) from the DMM labelist for mailing presented, or attach register.				
16a. Contact at Company Making Drop Ship Appointment (if other than mailer and if known when completing this form)				16b. Telephone
17. Origin Post Office™ (City, state, and ZIP+4) <b>Reading, PA 19612</b>			26a. Name of USPS® Employee Verifying Mail	26b. Employee's Telephone Number (include area code)
18. Verified at: <input type="checkbox"/> DMU (Mailer's plant) <input checked="" type="checkbox"/> BMEU or Post Office			26c. Signature of Verifying Employee <b>COPY</b>	27. Round Stamp (Required)
19. Permit Number		20. Postage Payment Method (Except for Periodicals) <input checked="" type="checkbox"/> Permit <input type="checkbox"/> Stamped <input type="checkbox"/> Meter		
21. Total Pieces <b>3,893</b>		22. Total Weight of Mailing <b>483</b>		
23. Vehicle PVDS Seal Number		24. Vehicle ID Number		
25. Comments		33. Load Condition Irregularities (Check all that apply) <input type="checkbox"/> Broken Pallets <input type="checkbox"/> Mailings are not separated by PS Form 8125 <input type="checkbox"/> Container Counts do not match PS Form 8125 <input type="checkbox"/> Overweight Pallets <input type="checkbox"/> Damaged Mail <input type="checkbox"/> Pallets Too Tall <input type="checkbox"/> Improper Mail Makeup <input type="checkbox"/> Incorrect Mail Class <input type="checkbox"/> Load Unsafe <input type="checkbox"/> Other (Describe in Item 32) <input type="checkbox"/> Incorrect Appointment Type		
28. Entry Office (Facility name, address, city, state and ZIP+4 code as found in the Drop Ship Product)  Note: Appointments with 100% Periodicals can be presented whenever the destination facility is open and staffed.		34. Scan the barcode upon receipt.		
29a. USPS Receiving Employee Signature		29b. USPS Receiving Employee Name		
30. Date/Time of Arrival		31. Date/Time of Departure		
32. Comments (NOTE: Enter bedload discrepancies as percentages and pallet discrepancies as pallet counts.)				

PS Form 8125, August 2014 (NSN 7530-02-000-7255) (Page 1 of 2)  
 Destination Office—1 Mailer—2 Origin Post Office—3  
 (Mailer: Complete original and make 2 copies.)

Source: OIG photograph taken August 16, 2022, at Reading, PA, Post Office.



These three issues occurred for a variety of reasons, including lack of adequate oversight at both the origin and destination facilities to ensure BMEU employees were properly verifying mail volume, weight, and preparation compliance. Further, some employees were not aware of the form retention policy. We also noted that plant managers and In-Plant Support personnel at 10 facilities did not conduct SORT reviews for 32 months and 130 weeks, respectively, of drop shipment procedures during FY 2022, as required. These reviews would likely have identified the issues we reported. Management did not provide sufficient attention to ensure facilities complied.

Mailings are at greater risk of errors and unauthorized alterations when controls are not followed, and the Postal Service is at risk of not collecting all revenue when mailings are not properly verified. We estimated \$5.8 million of revenue at risk in FY 2022, for the 12 facilities we reviewed, because of the identified issues. During our audit, four facilities created filing systems or adjusted their current procedures to ensure sufficient retention of PS Form 8125.

### Looking Forward

Beginning July 1, 2021, the Postal Service mandated the use of electronic processes (e.g., eInduction), which eliminated the need for paper PS Forms 8125 for mailers with Detached Mail Units<sup>10</sup> who use Full Service Intelligent Mail barcodes.<sup>11</sup> However, the use of paper PS Forms 8125 will likely continue for small mailers who do not have the capability to adopt electronic induction processes. Given the added risk associated with manually processing paper forms, the Postal Service may benefit from evaluating financial incentives for mailers to adopt electronic submission, providing employees with additional training, or enhanced controls, which could include limits on the number of mailpieces or containers that could be inducted using paper PS Forms 8125. Such controls would mitigate the risk of revenue loss and enhance efficiencies for Postal Service employees.

### Recommendation #1

We recommend the **Vice President, Processing and Maintenance Operations**, reinforce Plant Verified Drop Shipment document completion, retention, and verification requirements and improve upon the current oversight process to monitor compliance.

### Recommendation #2

We recommend the **Vice President, Product Solutions**, evaluate financial incentives, provide additional training, or enhance controls over the use of paper forms PS 8125, which could include limits on the number of containers or mailpieces that could be inducted.

## Management's Comments

Management agreed with the findings and recommendations. Management did not agree with the calculation of revenue at risk, and stated that the amount may be overstated. Management stated that it is more than likely that the proper amount of postage was collected. See [Appendix B](#) for management's comments in their entirety.

Regarding recommendation 1, management stated they will reinforce PVDS document completion, retention, and verification requirements. The target implementation date is July 31, 2023.

Regarding recommendation 2, management stated they will provide refresher training to all Business Mail Entry clerks and provide guidance for completing critical fields. The target implementation date is June 30, 2023.

## Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in the report. Regarding management's disagreement with the amount of revenue at risk, management did not provide an amount that was overstated in their disagreement. As such, our calculations present the amount of revenue at risk using the most conservative pricing calculations in effect at the time of the mailings.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. All recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

<sup>10</sup> A Detached Mail Unit is an area in a mailer's facility where U.S. Postal Service employees perform mail verification, acceptance, dispatch, and other postal functions.

<sup>11</sup> Federal Register Volume 85 Number 90 May 8, 2020: Requires all mailers with an authorized Detached Mail Unit to verify all Business Mail Entered full-service mailings, using only automated sampling and verification processes, beginning July 1, 2021.



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# Appendix A: Additional Information

## Scope and Methodology

Our audit scope covered the Atlantic Area and related facilities. The review covered current Plant Verified Drop Shipments (PVDS), associated revenue, and process controls.

To accomplish our objective, we:

- Obtained and reviewed policies and procedures that govern verification of PVDS.
- Obtained and analyzed Business Mail Entry Unit (BMEU) revenue and volume from the Application System Reporting (ASR) number of drop shipments, by facility type, from the Sarbanes-Oxley Remediation Tool (SORT), to determine facilities with both a BMEU and drop shipment location that would provide us with the greatest potential of manual forms.
- Interviewed Postal Service management to evaluate the effectiveness of PVDS oversight and reporting.
- Conducted fieldwork at 12 facilities in the Atlantic Area, manually counted 22,884 PS Form 8125s, of which we judgmentally sampled 1,456 processed from August 2021 to October 2022 to evaluate form completion: Lancaster, PA, Post Office; Reading, PA, Post Office; Boston, MA, P&DC; Brockton, MA, P&DC; Buffalo, NY, P&DC; Harrisburg, PA, P&DC; Hartford, CT, P&DC; Lehigh Valley, PA, P&DC; Philadelphia, PA, P&DC; Rochester, NY, P&DC; Westchester, NY, P&DC; and Wilmington, DE, P&DC.
- Randomly selected 183 out of the 1,456 forms to conduct additional analysis to ensure both origin and destination forms were complete, retained for 12 months, and not altered.
- Calculated the value of the 183 randomly selected forms to project the amount of revenue.
- Analyzed Postal Service SORT data for a 12-month period to evaluate internal controls over the PVDS process.
- Analyzed mailings verified at Detached Mail Units that were automation-compatible to determine if mailings were verified correctly.
- Reviewed several manual forms with the meter-as-payment method and analyzed PostalOne! data to identify potential fraud.

We conducted this performance audit from July 2022 through April 2023, 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 objectives. We discussed our observations and conclusions with management on March 13, 2023, and included their comments, where appropriate.

We assessed the reliability of BMEU revenue and volume data from ASR and the number of drop shipments by facility type from the SORT tool by performing completeness and validity tests on the data. We determined that the data were sufficiently reliable for the purposes of this report.

## Prior Audit Coverage

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

# Appendix B: Management's Comments



April 3, 2023

JOHN CIHOTA  
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Manual Verified Drop Shipments: Atlantic Area  
(Report Number 22-113-DRAFT)

Thank you for providing the Postal Service with an opportunity to review and comment on the findings and recommendations contained in the draft audit report, Manual Verified Drop Shipments: Atlantic Area.

Management generally agrees with the findings in this audit.

The Postal Service believes identified Revenue at Risk may be overstated due to assuming all revenue associated with mailings with potential Form 8125 errors is at risk. In reality, it is very highly unlikely that no revenue was received for these mailings and, more than likely, the proper amount of postage revenue was received for these mailings.

Recommendation 1:

We recommend the **Vice President, Processing and Maintenance Operations**, reinforce Plant Verified Drop Shipment document completion, retention, and verification requirements, and improve upon the current oversight process to monitor compliance.

Management Response/Action Plan:

The Vice President, Processing and Maintenance Operations agrees with the recommendation and will reinforce Plant Verified Drop Shipment requirements.

Target Implementation Date: July 31, 2023

Responsible Official: Sr Director, Strategic Planning & Implementation

Recommendation 2:

We recommend the **Vice President, Product Solutions**, evaluate financial incentives, provide additional training, or enhance controls over the use of paper forms PS 8125, which could include limits on the number of containers or mailpieces that could be inducted.

Management Response/Action Plan:

Management agrees with this recommendation. Product Acceptance will provide refresher training to all Business Mail Entry clerks. This will include a review of the current Job Aid 7a and will provide them a PS 8125 facsimile highlighting the eight critical fields which require completion.



Target Implementation Date: June 30, 2023

Responsible Official: Sr. Director, Product Acceptance & Support



Mike L. Barber  
VP, Processing & Maintenance Operations

E-SIGNED by Thomas.J Foti  
on 2023-04-03 14:21:29 CDT

Thomas Foti  
VP, Product Solutions

cc: *Manager, Corporate Audit Response Management*

# OFFICE OF INSPECTOR GENERAL

UNITED STATES



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