

Merchant Rate Card Management

AUDIT REPORT

Report Number 25-003-R25 | July 2, 2025



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Highlights

Background

The U.S. Postal Service's Delivering for America 10-year plan includes initiatives to support small and medium businesses and grow parcel revenue. The Merchant Rate Card program supports this initiative, offering discounted rates to businesses (merchants) through agreements between the Postal Service and third-party platforms used by the merchant. The Postal Service had over [REDACTED] agreements that accounted for [REDACTED] billion in revenue through the Merchant Rate Card program in fiscal year 2024.

What We Did

Our objective was to assess the Postal Service's management of the Merchant Rate Card program. We evaluated controls, compliance, and used data analytics to assess postage accuracy for [REDACTED] packages from November 2023 to January 2025.

What We Found

The Postal Service's management of the Merchant Rate Card program was generally effective as 86 percent of platforms (54 of 63) sent USPS merchant identity and contact information as required, and the Postal Service received accurate postage for 99 percent of packages. However, we identified opportunities to strengthen program management. First, we found nine platforms that did not meet requirements to send unique merchant contact information, but the Postal Service detected only three of these platforms. The Postal Service also identified but did not properly resolve one non-compliance issue timely. With small improvements, the Postal Service can continue to monitor and enforce compliance while ensuring the integrity and safety of mail.

Second, the Postal Service did not identify [REDACTED] packages for which platforms submitted incorrect postage. Specifically, staff did not validate the platforms charged accurate postage during quarterly reviews and did not identify technical programming issues. As a result, we estimate the Postal Service lost \$1 million in revenue during the review period. At the same time, its platforms also overpaid the Postal Service \$2.6 million. In some cases, platforms advertised higher rates to merchants, which also could have caused the Postal Service to lose business to its competitors.

Recommendations and Management's Comments

We made seven recommendations, management agreed with five and disagreed with two. We consider management's comments responsive to recommendations 1, 2, 3, and 4, and partially responsive to recommendation 5. For recommendations 5, 6 and 7, we will work with management through the formal audit resolution process. Management's comments and our evaluation are at the end of each finding and recommendation. See [Appendix B](#) for management's comments in their entirety.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

July 2, 2025

MEMORANDUM FOR: SHIBANI GAMBHIR
VICE PRESIDENT, SALES INTELLIGENCE AND SUPPORT

STEVE DARRAGH
VICE PRESIDENT, FINANCE AND PLANNING

MARGARET PEPE
EXECUTIVE DIRECTOR, PRODUCT SOLUTIONS

ALEXANDRA ROBLETO
EXECUTIVE DIRECTOR, CUSTOMER ACCESS TECHNOLOGY

A handwritten signature in black ink, reading "Amanda H. Stafford", is positioned above the printed name.

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

SUBJECT: Audit Report – Merchant Rate Card Management
(Report Number 25-003-R25)

This report presents the results of our audit of Merchant Rate Card management.

All recommendations require U.S. Postal Service Office of Inspector General (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. We will work with management through the audit resolution process on recommendations 5, 6 and 7.

We appreciate the cooperation and courtesy provided by your staff. If you have any questions or need additional information, please contact Heidi Einsweiler, 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 Merchant Rate Card Management (Project Number 25-003). Our objective was to evaluate the U.S. Postal Service's management of the Merchant Rate Card program. See [Appendix A](#) for additional information about this audit.

Background

The U.S. Postal Service's *Delivering for America* 10-year plan, introduced in 2021, included initiatives to support the small and medium business segment, stay competitive, and grow parcel volume and revenue. One such initiative was the Merchant Rate Card, which the Postal Service developed in 2022 to facilitate discounted parcel rates to this business segment¹ (hereafter merchants²). In fiscal year (FY) 2024, the Postal Service had more than [REDACTED] agreements utilizing the Merchant Rate Card that accounted for [REDACTED] billion in revenue.

Developing the Merchant Rate Card

The Postal Service previously targeted this market with its Channel Partner strategy, relying on third-party resellers, which enabled small and medium-sized merchants to pay commercial prices and use Postal Service labels. In 2022, the U.S. Postal Service Office of Inspector General (OIG) noted issues with the Channel Partner strategy including that (1) it was difficult to identify and monitor the merchants who used the Postal Service to ship packages, and (2) it did not generate anticipated benefits.³ During the course of the audit, the Postal Service terminated all reseller agreements and created the Connect eCommerce program to connect to multi-carrier platforms (hereinafter platforms⁴) and enhance merchant visibility. These new agreements continue to use a third party who provides labels to merchants

and transmit merchant contact information to the Postal Service.

Underpinning the Connect eCommerce offerings, the Postal Service created the Merchant Rate Card which facilitates competitive rates by quickly adjusting prices in response to changing market conditions. To achieve this, it developed a streamlined approval process with the Postal Regulatory Commission (PRC) to set general Merchant Rate Card pricing and discount parameters for applicable negotiated service agreements⁵ (NSA). If the Postal Service changes prices within those approved parameters, it does not require separate PRC approval, and all platforms must implement the new prices within a contractually agreed upon timeframe. Previously, the Postal Service had to obtain approval from the PRC for unique rates and changes for each individual agreement, which was a multi-step process that included filing the proposed prices and allowing time for review by the PRC to ensure legal and regulatory requirements are met, but did not allow it to quickly adjust prices to meet demand.⁶

For this audit, we evaluated the extent to which the issues we previously identified during our Channel Partners work were addressed under the new program, including the identification of underlying merchants and whether the Postal Service collected accurate postage given the more frequent pricing changes.

How it Works

Generally, a small or midsize merchant shopping for a competitive rate uses a platform and they enter package "attributes" — weight, size, and shipping time — into the platform's web interface. Then the platform's software presents shipping and pricing options for the USPS and its competitors.

¹ This pricing vehicle supports streamlined agreements between the Postal Service and multi-carrier platforms that can provide USPS labels or competitor labels to the merchant.

² A merchant is an end-shipper using a platform to ship their own packages, and not an intermediary, such as a postage reseller.

³ U.S. Postal Service, Office of Inspector General, *Key Issues with Channel Partners (22-069-1-R23)*, issued on October 13, 2022.

⁴ A multi-carrier platform has an agreement directly with the Postal Service to provide specific rates to merchants for its package labels, and may also provide competitor rates.

⁵ An NSA is a customized and mutually beneficial contractual agreement between the USPS and a specific mailer (customer or organization).

⁶ The Postal Service continues to offer customized NSAs with discounted rates and exclusive benefits for platforms. Merchant Rate Card is a more streamlined option suitable for the small and medium business segment.

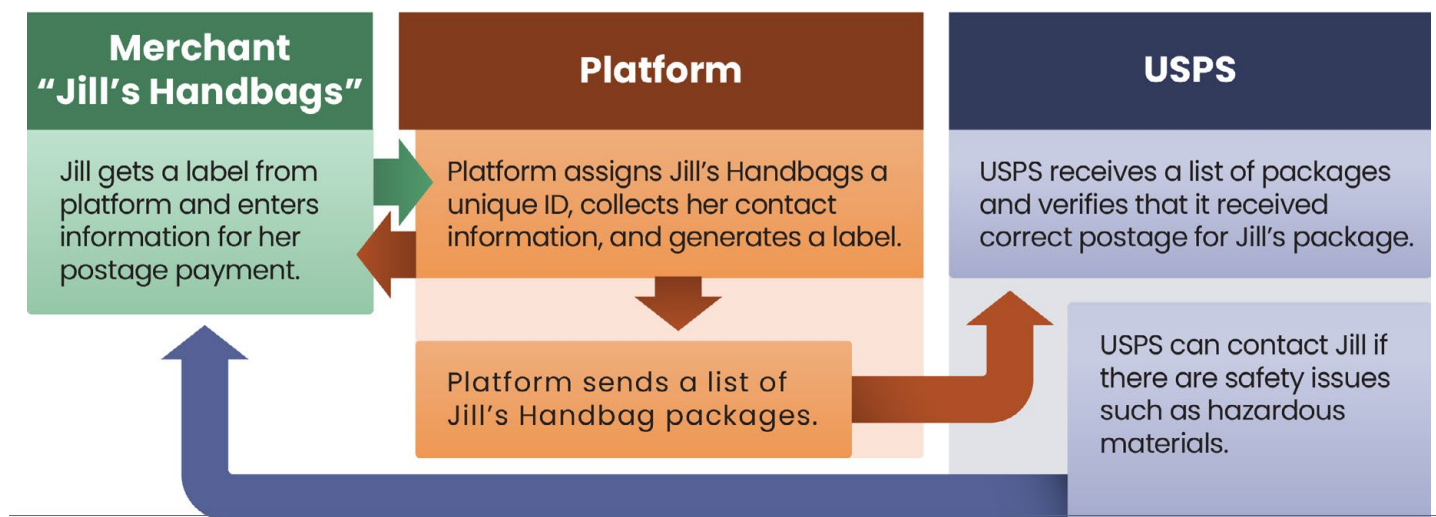
If the merchant selects the USPS, it then prints the appropriate label. Merchants pay the platform and bring their packages to the Postal Service for delivery.

Platforms collect the merchant's payment and send an electronic list containing the packages, contact information, and payment — called a manifest — to the Postal Service. The platform is also required to assign each merchant a unique identification (ID), and transmit the merchant's name, address, city, state, zip, email, and telephone number to the

Postal Service. The manifest and unique ID allow the Postal Service to: (1) verify whether it receives correct payments, and (2) contact merchants in case they need to address safety issues, such as a merchant sending hazardous materials, respectively (see Figure 1). The Postal Service requires platforms to transmit the required information to one of the Postal Service's payment platforms, such as PC Postage.⁷

Figure 1. Flow of Merchant Information from Merchant, Platform, and USPS

Below is a simplified example of how platforms help serve a fictitious merchant, Jill, who has a handbag shop. These platforms should send merchant information about Jill's Handbags to USPS for full visibility between the Postal Service and the merchant.



Source: OIG analysis of Postal Service documentation and processes.

As the package moves through the post office and processing plants, the Postal Service collects weight and dimensions data via scanners. Next, the Automated Package Verification (APV) system compares the accurate package attributes collected on this equipment against the "attributes" provided in the manifest. If the APV system detects that the merchant did not pay enough postage for a package (for example, shortpaid⁸), or overpaid postage, the Postal Service automatically invoices or refunds the platform for the postage difference.

If a merchant selects USPS to ship its packages over a competitor, the platforms can receive [REDACTED] agreed upon in their contract with the Postal Service. This incentivizes platforms to position the Postal Service's competitive rates and [REDACTED] from promoting USPS.

Compliance Monitoring

Management of the Merchant Rate Card program involves a cross-functional team of Postal Service stakeholders who use various measures to track compliance. The Revenue Analysis team, within Finance, works with the Access Technology team within IT and the Sales, Contracts and NSA Pricing

⁷ PC Postage is a USPS-owned software offered to authorized platforms to allow postage purchases from a personal computer.

⁸ Some examples of shortpaid packages may be a package that is heavier, larger, uses incorrect packaging or a combination of factors when compared to the description that the merchant provided through its platform on the manifest.

and Strategy teams within Sales Intelligence and Support to address noncompliance issues. Beginning in FY 2023, to ensure platforms paid the correct price, Revenue Analysis implemented a manual control to verify if contract prices were correctly charged to platforms with NSAs. Additionally, each platform with an NSA has a quarterly business review (QBR) with Sales Intelligence and Support, to evaluate whether they are fulfilling key terms within their contracts.⁹ During these meetings, the Postal Service discusses overall compliance, including the results of a review conducted by the Revenue Compliance and Planning team within Finance. Finance validates that the platform paid the Postal Service the correct contract prices by sampling at least 60 percent of total NSA revenue for the quarter. The Finance team also verifies that platforms have met contract requirements, including:

- *Merchant Data* – every unique merchant ID must include applicable name, address, and telephone number; and
- *Positioning* – platform required to fairly position Postal Service products on its platform by presenting rates accurately to enable comparable rate shopping.¹⁰

This audit evaluates the Postal Service's management and oversight of the Merchant Rate Card program between November 2023 and June 2025, including merchant data and postage payments associated with platforms using PC Postage – the majority of Merchant Rate Card volume.¹¹ These platforms, during our scope timeframe, shipped [REDACTED] packages.

⁹ QBRs are conducted each quarter for the [REDACTED] platforms responsible for more than [REDACTED] percent of all Merchant Rate Card revenue. The Postal Service conducts judgmental sampling of [REDACTED] platforms for review, based on a variety of factors, including platforms that had already been flagged for additional monitoring.

¹⁰ Postal Service contracts require platforms to fairly position Postal Service products to enable rate shopping with an "apples to apples" comparison with comparable products, if it offers rates from other carriers, including all applicable surcharges, fees, and additional services.

¹¹ During FY 2024, platforms sent approximately [REDACTED] percent of Merchant Rate Card volume using PC Postage.

Finding #1: Opportunities to Improve Merchant Data Compliance

Overall, we found that the Postal Service's management to ensure platforms met the requirement to provide a unique merchant identifier and contact information was generally effective.

“Overall, we found that the Postal Service's management to ensure platforms met the requirement to provide a unique merchant identifier and contact information was generally effective.”

Most platforms (86 percent) complied with requirements to send unique merchant data, and when they did not, the Postal Service successfully addressed almost all cases.

As part of its QBRs, the Postal Service decides how to address any noncompliance issues it identified and, where appropriate, the NSA Pricing and Strategy group sends noncompliance letters to platforms detailing the breach of contract issue

and steps for corrective action. The Postal Service monitors corrective action and escalates if the issue reemerges. When escalating, possible actions may include following up with the platform, terminating the contract, and ending discounted rates. It also surveys platforms to solicit confirmation that they have displayed the new rate card pricing within a contractually agreed upon timeframe. As a result of the Postal Service's process to identify and address merchant data noncompliance, we found issues affecting only about [REDACTED] packages (less than 2 percent) out of the total volume of nearly [REDACTED] Merchant Rate Card packages that we analyzed.

Although the Postal Service's overall controls were effective in identifying and resolving most issues, the

“As a result of the Postal Service's process to identify and address merchant data noncompliance, we found issues affecting only about [REDACTED] packages (less than 2 percent) out of the total volume of nearly [REDACTED] Merchant Rate Card packages that we analyzed.”

OIG identified that the Postal Service could enhance identification of noncompliance issues with specific platforms, as well as reiterate the importance of consistent resolution practices.

Identifying Noncompliant Platforms

We reviewed all 63 platforms using Merchant Rate Card in the first quarter of FY 2025 and found that 54 (86 percent) met the Postal Service's compliance targets. We identified nine platforms that did not send unique merchant contact information as required.¹² Although the Postal Service identified and addressed three noncompliant platforms (see [Table 1](#)), it did not identify the other six noncompliant platforms. These platforms all sent the same contact information, such as phone numbers, for multiple merchant IDs. Additionally, the volume of these packages exceeded 10 percent of the platforms' total volume.

For example, platform 1 used the same phone number for all packages sent by different merchants rather than a unique phone number per merchant. Platform 6 had over 2.9 million packages shipped by multiple merchants with the same phone number. One of the duplicated phone numbers was assigned to over 1,100 merchant IDs responsible for 20,000 packages.

¹² The Postal Service has an uncoded target of [REDACTED] percent regarding merchant data compliance including unique identifiers.

Table 1. Platforms With Noncompliant Merchant Data in FY 2025

Platforms	Total Packages	Percent of noncompliant merchant data ¹³	Identified by USPS?
1		100%	No
2		73%	No
3		31%	Yes
4		20%	No
5		19%	Yes
6		17%	No
7		16%	No
8		14%	Yes
9		11%	No

Source: USPS PC Postage merchant data.

The Postal Service did not identify the six platforms because:

- Although four platforms were sampled each quarter, total package volume was not reflected in the methodology for calculating noncompliance with requirements to send unique merchant contact information.
- Two other platforms (platforms 1 and 2 above) were not selected for a quarterly review based on [REDACTED]. The Revenue Analysis team prioritizes regular reviews for the [REDACTED] platforms,¹⁴ whereas these [REDACTED] platforms had not been selected for sampling, which resulted in this issue remaining unidentified.

To improve identification, the Postal Service should refine its methodology for evaluating whether platforms send unique merchant data to also incorporate whether platforms send a significant volume of packages without unique contact information. As the Postal Service continues to grow this product, the ability to identify and contact the underlying merchants for each package is critical to uphold mail safety and security.

Inconsistent Resolution for Noncompliance

In FY 2024, the Postal Service sent five letters to noncompliant platforms identified during its review. The cross-functional team resolved four of the five, and we verified those platforms remained compliant during our audit. In the first two quarters of FY 2025, the Postal Service sent six letters and all six had been resolved.

For the one outstanding case from FY 2024, the Postal Service did not follow its policy for resolution. Specifically, it sent a letter on [REDACTED] and gave the platform five business days to correct the issue. According to USPS procedures, the Postal Service should have monitored progress and escalated, if necessary. The OIG identified that despite temporary improvement, the platform reverted back to non-compliance, did not meet compliance targets by [REDACTED] and remained noncompliant through [REDACTED].

Postal Service management stated that this platform was monitored each quarter, but we found the issue was not escalated by the account manager for follow-up with the platform until [REDACTED], after OIG’s inquiry. Staff should have identified that progress did not occur during its routine monitoring

¹³ Calculated as the percent of total package volume where the provided phone number was assigned to multiple merchant IDs and fell short of the Postal Service's targets for [REDACTED] percent of platform's data to be compliant, and [REDACTED] percent or less noncompliant.
¹⁴ The Postal Service conduct QBRs each quarter for the [REDACTED] platforms, who are responsible for more than [REDACTED] percent of all Merchant Rate Card revenue.

and followed the policy by escalating the issue. NSA Pricing Strategy management did not supervise its staff and follow policy due to a change in managers. As of [REDACTED], this platform remained non-compliant, and the Postal Service said it planned on having an account manager follow up on the issue. The Postal Service should reiterate these policies with supervisors to ensure consistent compliance and successful resolution.

Overall, the Postal Service's oversight of the Merchant Rate Card program has allowed it to mostly identify platforms not meeting contractual requirements to provide merchant data and address issues of noncompliance. While the Postal Service has established successful relationships with platforms to help grow small and medium business segments, it is essential that it obtains underlying contact information for merchants. Having this data is critical for the Postal Service to reach a merchant that sent hazardous or other unsafe materials or may otherwise need to be contacted by law enforcement. With small improvements, the Postal Service can continue to strengthen its monitoring and enforce compliance while ensuring the integrity and safety of mail.

Recommendation #1

We recommend the **Vice President, Finance and Planning**, update their methodology to evaluate merchant data compliance to include analyzing the volume of packages without unique data for each platform.

Recommendation #2

We recommend the **Vice President, Sales Intelligence and Support**, reiterate existing compliance policies to supervisors to drive consistent and effective implementation by staff.

Postal Service Response

Management agreed with the finding and recommendations. Regarding recommendation 1, management stated they are in the process of moving platforms to make use of USPS-hosted software, which requires end customer identification. Management is also evaluating additional identity verification methods. In the interim, management stated that it will incorporate volume into its merchant information compliance assessments. The target implementation date is March 31, 2026. Regarding recommendation 2, management stated it will continue to reiterate the importance of complying with contract terms during partner business reviews with a target implementation date of July 31, 2025.

OIG Evaluation

The OIG considers management's comments responsive to recommendations 1 and 2 and the corrective actions should resolve the issues identified in the report.

Finding #2: Technical Controls Would Improve Accurate Revenue Collection

We evaluated nearly [REDACTED] packages using data analytics and found that platforms paid the Postal Service accurate postage for more than 99 percent of these packages. The Postal Service largely used its APV system to identify issues. However, the Postal Service did not conduct additional validation¹⁵ that platforms charged and paid accurate rates during quarterly reviews. Therefore, the Postal Service did not detect technical software issues, impacting [REDACTED] packages, which resulted in charging the wrong rate. These technical issues included incorrect weight rounding, software interface limitations, and a variety of other discrepancies. Critically, platforms overcharged merchants in some cases – which could have swayed merchants to choose competitors and caused the Postal Service to lose revenue.

Software Rounding

For one large platform, we found [REDACTED] packages mailed from November 2023 to January 2025 where the software incorrectly rounded package weights, causing the merchant and platform to pay incorrect postage. The platform’s software rounded any merchants’ package weighing [REDACTED] and charged merchants the higher price for Ground Advantage.

“Therefore, the Postal Service did not detect technical software issues, impacting [REDACTED] packages, which resulted in charging the wrong rate.”

Platforms typically receive higher profit through contract discounts for packages that are [REDACTED]. For example, one large platform received a [REDACTED] discount for Ground Advantage packages weighing less than [REDACTED], and a [REDACTED] discount for Ground Advantage packages weighing [REDACTED] (see Table 2 below). As a result, rounding would allow the platform to garner a larger commission.

This error may cause the merchant to be either overcharged or incentivize them to ship with competitors. If a merchant

entered a [REDACTED] package on this platform’s website, we confirmed that the platform presented the USPS rate for a [REDACTED] package, which would overcharge the merchant and increase the platform’s commission. Additionally, we observed that a major competitor’s rate for one-pound packages was lower in March 2025, which may have caused this merchant and others to select the lower competitor’s price to ship their package. Merchant Rate Card contracts require multi-carrier platforms to fairly position Postal Service products to enable accurate rate shopping with comparable products from competitors. Upon sharing this information with management, they expressed that they would work with the platform to rectify the issue.

Table 2. Example of Platform Incentives Based on Package Weight

Package Weight	Merchant Rate Card Price (paid by merchant)	Platform Discount	Platform Commission	USPS Receives
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Note: Figures are for demonstration purposes only and do not reflect actual Merchant Rate Card prices.
Source: OIG Analysis of possible platform discounts.

15 The Postal Service asks platforms to self-certify whether they are charging merchants the correct Merchant Rate Card rates. To identify incorrect rates, the OIG used Postal Service data and tested rates by printing USPS shipping labels through authorized platforms.

Software Interface Limitation

We found that another large platform only allowed entering [REDACTED], which could cause merchants to [REDACTED] or potentially select a competitor to ship its package.¹⁶ For example, the Merchant Rate Card price for [REDACTED] ounce packages are the same, but if a merchant unknowingly [REDACTED] for their package and be incentivized, by the platform, to ship with a competitor with a better rate. We found multiple public forums where merchants expressed confusion about the correct weight to input. We raised concerns about this issue to Postal Service management, as this issue could also result in lost business. Management stated that although merchants may be confused, they are ultimately paying the correct postage based on the weight they entered, and the issue may not explicitly violate contractual terms. Even so, they expressed that they would discuss the issue with the platform and possibly address it in future contracts.

Other Rate Inaccuracies

We also found that postage paid by platforms using PC Postage did not always match the required postage rate. Specifically, we identified three issues causing incorrect payment to the Postal Service:

1. [REDACTED] packages where the platform paid rates meant for a rural destination ZIP Code when the package was destined for a non-rural ZIP Code.¹⁷
2. [REDACTED] packages where the platform paid cubic rates but should have paid weight-based rates.¹⁸
3. [REDACTED] packages with a destination outside the United States where the platform paid a lower rate than required.

Management could not explain what caused these issues to occur and indicated they could be due

“We also found that postage paid by platforms using PC Postage did not always match the required postage rate.”

to a number of technical issues. Postal Service management should take steps to identify the cause of these technical issues and work with platforms to address them, to ensure that merchants are presented with the correct rates and protect future business.

Further, the Postal Service did not identify any of these technical issues because it did not conduct data analysis during QBRs to validate that platform rates and fees were accurate. As a result, the Postal Service lost an estimated \$1 million in revenue and received overpayments of \$2.6 million from November 2023 to January 2025.¹⁹ There are likely additional, incalculable revenue losses as merchants were presented with higher pricing in some cases, which could have resulted in loss of business to competitors' products. While these issues collectively comprise a small fraction of total Merchant Rate Card revenue, the monitoring limitations for postage discrepancies makes the program vulnerable to larger issues, including business lost to competitors. By adopting proactive quarterly rate monitoring, the Postal Service can strengthen its revenue collection to maintain a successful program that drives growth.

Recommendation #3

We recommend the **Vice President, Sales Intelligence and Support**, adjust platform contracts, requiring platform software to allow [REDACTED] that align with the Postal Service's rate categories.

¹⁶ For example, merchants can enter [REDACTED], but not [REDACTED].

¹⁷ Starting in September 2024, the Postal Service introduced two different Merchant Rate Cards for packages destined to rural or non-rural ZIP codes.

¹⁸ Ground Advantage and Priority Mail packages are typically priced either on weight or cubic volume. One or the other may be more cost-effective based on different package characteristics.

¹⁹ Specifically, platforms over-paid the Postal Service \$2,561,601.77, and the Postal Service missed collecting \$958,697.16 for short-paid packages.

Recommendation #4

We recommend the **Executive Director, Customer Access Technology**, identify and address Merchant Rate Card platforms' technical compliance issues to improve rate accuracy.

Recommendation #5

We recommend the **Vice President, Sales Intelligence and Support**, in coordination with the **Vice President, Finance and Planning**, require quarterly business reviews to include data analytics to validate the platforms charge accurate postage and fees and resolve platform issues.

Recommendation #6

We recommend **Executive Director, Product Solutions**, coordinate with platforms to collect previously undetected short-payments resulting from postage discrepancies identifiable based on package information transmitted to the Postal Service.

Recommendation #7

We recommend **Executive Director, Product Solutions**, coordinate with platforms to refund previously undetected over-payments resulting from postage discrepancies identifiable based on package information transmitted to the Postal Service.

Postal Service Response

Management agreed with the finding, monetary impact, and recommendations 3, 4, and 5 but disagreed with recommendations 6 and 7.

Regarding recommendations 3 and 4, management stated that it is in the process of moving platforms to use USPS-hosted software that supports appropriate decimal places and rounding rules. Regarding recommendation 5, management added that its plan to move platforms will ensure that platforms are given

accurate postage to charge. Management also said it requires platforms to certify that the Merchant Rate Card rate is the final price presented to merchants, and if platforms do not certify, their agreements are subject to cancellation. The target implementation date for the recommendations 3, 4, and 5 is March 31, 2026.

Regarding recommendations 6 and 7, management stated they will continue to leverage APV to collect postage from short payments and that issues related to non-rural and offshore ZIP Codes were resolved on May 1, 2025.

OIG Evaluation

The OIG considers management's comments responsive to recommendations 3 and 4 and the corrective actions should resolve the issues identified in the report. The OIG considers management's comments partially responsive to recommendation 5. Migrating platforms does not guarantee that new technical issues would not occur in the future. Given the volume of Merchant Rate Card packages and that APV does not identify all postage issues by design, routine verifications of initially received postage from platforms are still warranted.

The OIG does not consider management's comments responsive to recommendations 6 and 7 and views the recommendation as unresolved. Regarding these recommendations, we identified multiple technical issues during the audit, beyond non-rural and offshore ZIP Codes. Although identifying and fixing the noted technical issues eliminates incorrect postage payments going forward, it does not address the short-payments and over-payments we noted in the report. We will pursue recommendations 5, 6, and 7 through the audit resolution process.

Looking Forward

Overall, we found that the Postal Service identified most postage issues affecting Merchant Rate Card revenue using the APV system. However, the Postal Service designed the APV system to automatically flag postage discrepancies only when certain conditions were met. As a result, shortpaid and overpaid postage were not always identified. The OIG plans to review the APV system implementation in the upcoming fiscal year, to evaluate the extent that this critical control fully supports accurate revenue collection throughout the Postal Service network and across its relevant product offerings.



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Appendix A: Additional Information

Scope and Methodology

Our audit scope was a nationwide review that covered Postal Service management of the Merchant Rate Card program. To accomplish our objective, we:

- Reviewed prior audit work from OIG related to the subject matter.
- Reviewed Postal Service policies and criteria that govern the Merchant Rate Card program.
- Interviewed Postal Service management and staff to acquire knowledge of Merchant Rate Card processes and controls.
- Interviewed Postal Service management to evaluate the effectiveness of Merchant Rate Card oversight.
- Analyzed ████████ Merchant Rate Card packages shipped from November 2023 to January 2025, comparing all Merchant Rate Card prices, including discounts and change iterations during the scope period, to the actual postage paid for all the packages in our scope. We calculated the difference to identify correct payments, under payments, and over payments.
- Reviewed noncompliance data and documentation to assess internal controls and contract compliance measures in FYs 2024 and 2025.
- Reviewed Merchant Rate Card data requirements to identify shortpaid and overpaid trends and merchant data requirements, and calculate revenue loss.
- Reviewed USPS rate changes to ZIP Codes for discriminatory practices or universal service obligation violations.
- Consulted with internal experts to review and evaluate statistical methodology.

We conducted this performance audit from November 2024 through July 2025 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(s). 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 4, 2025, and included its comments where appropriate.

In planning and conducting the audit, we obtained an understanding of Merchant Rate Card internal control structure to help determine the nature, timing, and extent of our audit procedures. We reviewed the management controls for overseeing the program and mitigating associated risks. Additionally, we assessed the internal control components and underlying principles, and we determined that the following five components were significant to our audit objective: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring

We developed audit work to ensure that we assessed these controls. Based on the work performed, we identified internal control deficiencies related to Control Activities and Monitoring that were significant within the context of our objectives. Our recommendations, if implemented, should correct the weaknesses we identified.

We assessed the reliability of postage payment and merchant data for Merchant Rate Card PC Postage platforms by consulting with knowledgeable Postal Service personnel and conducting a variety of tests to ensure data quality. These included searching for null values in fields, checking for duplicates, and comparing Postal Service values to OIG calculations. 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
Key Issues With Channel Partners	To communicate issues identified during our audit that require accelerated attention to U.S. Postal Service Officials	22-069-1-R23	10/13/2023	\$0
ePostage Oversight	To evaluate program management and postage verification of ePostage payments	23-149-R24	8/8/2024	

Appendix B: Management's Comments



June 25, 2025

VICTORIA SMITH
ACTING DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: *Merchant Rate Card Management (25-003)*

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, *Merchant Rate Card Management*.

Finding #1: Opportunities to Improve Merchant Data Compliance

Management agrees with Finding #1. The USPS is in the process of moving platforms to utilize USPS-hosted APIs by March 31, 2026. USPS APIs require end customer identification via Shipper Visibility Method in the Labels API. The platform must provide either the CRID/MID of the end shipper in the Payment Authorization as the 'Label Owner' or must provide the Sender Address including business name and address. The USPS is evaluating additional identity verification enhancements.

In a limited number of cases, platforms are not providing the required end customer identifiers or are providing duplicate data across providers. In the interim, the USPS will incorporate volume into our PCID compliance assessment.

Finding #2: Technical Controls Would Improve Accurate Revenue Collection

Management agrees with Finding #2. The USPS is in the process of moving platforms to utilize USPS-hosted APIs. These APIs already support appropriate decimal places and include rounding rules which will eliminate potential rounding issues.

Monetary Impact: The USPS agrees with the monetary impact.

The following are our comments on each of the seven recommendations:

Recommendation 1:

We recommend the Vice President, Finance and Planning, update their methodology to evaluate merchant data compliance to include analyzing the volume of packages without unique data for each platform.

Management Response/Action Plan:

Management agrees with this recommendation. The USPS is in the process of moving platforms to utilize USPS-hosted APIs by March 31, 2026. The USPS APIs require end customer identification via Shipper Visibility Method in the Labels API. The platform must provide either the CRID/MID of the end shipper in the Payment Authorization as the 'Label Owner' or must provide the Sender Address including business name and address. The USPS is evaluating additional identity verification enhancements.

In a limited number of cases, platforms are not providing the required end customer identifiers or are providing duplicate data across providers. In the interim, the USPS will incorporate volume into our PCID compliance assessment.

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Washington, DC 20260
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Target Implementation Date: 03/31/2026

Responsible Official:

Vice President, Finance and Planning; Vice President, Sales Intelligence & Support; Vice President, Technology Applications

Recommendation 2:

We recommend the Vice President, Sales Intelligence and Support, reiterate existing compliance policies to supervisors to drive consistent and effective implementation by staff.

Management Response/Action Plan:

Management agrees with this recommendation. Management will continue to re-iterate with our Sales teams the importance of ensuring CEC compliance with contractual terms during business reviews with partners.

Target Implementation Date: 07/31/2025

Responsible Official:

Vice President, Sales Intelligence and Support

Recommendation 3:

We recommend the Vice President, Sales Intelligence and Support, adjust platform contracts, requiring platform software to allow [REDACTED] that align with the Postal Service's rate categories.

Management Response/Action Plan:

Management agrees with this recommendation. The USPS is in the process of moving platforms to utilize USPS-hosted APIs. These APIs already support appropriate decimal places and include rounding rules. This will eliminate potential rounding issues.

Target Implementation Date: 03/31/2026

Responsible Official:

Vice President, Technology Applications

Recommendation 4:

We recommend the Executive Director, Customer Access Technology, identify and address Merchant Rate Card platforms' technical compliance issues to improve rate accuracy.

Management Response/Action Plan:

Management agrees with this recommendation. The USPS is in the process of moving platforms to utilize USPS-hosted APIs. These APIs already support appropriate decimal places and include rounding rules. This will eliminate potential rounding issues.

Target Implementation Date: 03/31/2026

Responsible Official:

Executive Director, Customer Access Technology, Vice President Technology Applications

Recommendation 5:

We recommend the Vice President, Sales Intelligence and Support, in coordination with the Vice President, Finance and Planning, require quarterly business reviews to include data analytics to validate the platforms charge accurate postage and fees and resolve platform issues.

Management Response/Action Plan:

Management agrees with this recommendation. The USPS is in the process of moving platforms to utilize USPS-hosted APIs. This will ensure platforms have been given accurate postage amounts to

charge. The USPS requires platforms to certify that the Merchant Rate Card rate is the final price being presented to merchants. Platforms that do not complete certification are subject to CEC agreement cancellation.

Target Implementation Date: 03/31/2026

Responsible Official:

Vice President, Finance and Planning; Vice President, Sales Intelligence and Support; Vice President, Technology Applications

Recommendation 6:

We recommend the Executive Director, Product Solutions, coordinate with platforms to collect previously undetected short payments resulting from postage discrepancies identifiable based on package information transmitted to the Postal Service.

Management Response/Action Plan:

Management disagrees with this recommendation. The USPS continues to leverage APV to collect postage from short payments. The technical issues related to non-rural ZIP Codes and offshore ZIP Codes that resulted in undetected short payment during the period of review have been identified and resolved on May 1, 2025.

Target Implementation Date: N/A

Responsible Official: N/A

Recommendation 7:

We recommend the Executive Director, Product Solutions, coordinate with platforms to refund previously undetected over-payments resulting from postage discrepancies identifiable based on package information transmitted to the Postal Service.

Management Response/Action Plan:

Management disagrees with this recommendation. The USPS continues to leverage APV to collect postage from short payments. The technical issues related to non-rural ZIP Codes and offshore ZIP Codes that resulted in undetected short payment during the period of review have been identified and resolved on May 1, 2025.

Target Implementation Date: N/A

Responsible Official: N/A

E-SIGNED by STEVEN.A DARRAGH
on 2025-06-23 14:09:04 EDT

Steven Darragh
Vice President, Finance & Planning

E-SIGNED by SHIBANI.S GAMBHIR
on 2025-06-23 13:27:31 EDT

Shibani S. Gambhir
Vice President, Sales Intelligence & Support

E-SIGNED by MARGARET.M PEPE
on 2025-06-24 09:33:43 EDT

Margaret Pepe
Executive Director, Product Solutions

- 4 -

E-SIGNED by ALEXANDRA ROBLETO
on 2025-06-24 13:00:20 EDT

Alexandra Robleto
Executive Director, Customer Access Technology

cc: audittracking@uspsoig.gov
CARManager@usps.gov

OFFICE OF INSPECTOR GENERAL UNITED STATES POSTAL SERVICE



This document contains sensitive information that has been redacted for public release. These redactions were coordinated with USPS and agreed to by the OIG.

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