Cardboard Mail Transport Equipment Recycling Program

AUDIT REPORT
Report Number 25-041-R25 | August 26, 2025

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Highlights

Background

The U.S. Postal Service uses significant quantities of cardboard mail transport equipment (MTE) for transportation of mail and packages. In its Delivering for America 2.0 strategic plan, the Postal Service aims to divert 75 percent of waste from landfills by fiscal year (FY) 2030. In FY 2024, the Postal Service diverted 66 percent of its total waste from landfills, with cardboard waste accounting for 31 percent of this diversion. This initiative helped the Postal Service avoid over $10.8 million in costs related to cardboard MTE trash services. Despite incurred costs of approximately $11.8 million, they generated about $6.5 million in revenue from recycled materials, yielding net savings of $5.5 million. Efficient recycling and reuse practices for materials such as cardboard MTE, reduce waste and support the Postal Service's sustainability target.

What We Did

Our objective was to assess the efficiency of the Postal Service's purchasing and recycling of cardboard MTE. We conducted observations at 11 mail processing facilities and interviewed facility management. We also reviewed contracts and data for purchasing and recycling of cardboard MTE from FY 2022 through FY 2024.

What We Found

We identified opportunities for the Postal Service to improve efficiency in purchasing and recycling cardboard MTE, which it partly manages through several contracts. Specifically, the lack of a monthly reconciliation process to verify the accuracy of contractor-reported data led to questioned costs of about $10 million in FY 2023 and $11.8 million in FY 2024. As a result, the Postal Service was vulnerable to fraud, waste, and abuse and at risk of making improper payments. Additionally, facility management inconsistently managed and reported their cardboard inventory, facilities were not efficiently utilizing cardboard MTE consistently, and recycling operations were not maximizing the amount of cardboard MTE loaded on trucks.

Recommendations and Management's Comments

We made five recommendations to address the issues identified in the report. Postal Service management agreed with four of the five recommendations. Management's comments and our evaluation are at the end of each finding and recommendation. The U.S. Postal Service Office of Inspector General considers management's comments responsive to all recommendations except for recommendation five, which we will discuss with management during the audit resolution process. For the others, the corrective actions should resolve the issues identified in the report. See Appendix B for management's comments in their entirety.

Transmittal Letter

OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

August 26, 2025

MEMORANDUM FOR: MARTIN PETREY
SENIOR DIRECTOR
FACILITIES AND FLEET ACQUISITION

DAVID RUPE
DIRECTOR, MAIL TRANSPORT EQUIPMENT

DANE COLEMAN
VICE PRESIDENT, PROCESSING OPERATIONS

Mary K. Lloyd

FROM: Mary Lloyd
Deputy Assistant Inspector General
 for Mission Operations

SUBJECT: Audit Report – Cardboard Mail Transport Equipment
Recycling Program (Report Number 25-041-R25)

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

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 appreciate the cooperation and courtesy provided by your staff. If you have any questions or need additional information, please contact Laura Roberts, Director, Network Operations, or me at 703-248-2100.

cc: Postmaster General
    Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of the Cardboard Mail Transport Equipment Recycling Program (Project Number 25-041). Our objective was to assess the efficiency of the U.S. Postal Service's purchasing and recycling of cardboard mail transport equipment (MTE). See Appendix A for additional information about this audit.

Background

The Postal Service uses significant quantities of cardboard MTE to transport sacks, parcels, and trayed mail between mailers and Postal Service facilities (see Figure 1). For example, the Postal Service purchased more than $95 million of cardboard MTE in fiscal year (FY) 2024. As part of its Delivering for America 2.0 strategic plan, the Postal Service set a sustainability target of diverting 75 percent of waste from landfills by FY 2030. In FY 2024, the Postal Service diverted 66 percent of its total waste from landfills, with 31 percent of that being cardboard waste. Efficient recycling and reuse practices for materials such as cardboard MTE reduce waste and support the Postal Service's sustainability target.

Acquisition

To purchase cardboard MTE, a purchase request is initiated by local management through the Postal Service's procurement system.[1] The system creates a purchase order for the supplier once the request is approved. Prior to awarding contracts for cardboard MTE suppliers, the Postal Service performed an in-depth competitive analysis of each supplier that submitted a proposal in FY 2017 and again in FY 2024. The analysis took into consideration the cost, the capability, and the geographic reach of each supplier. For example, not every supplier could serve required geographic regions or produce Postal Paks. In 2018, contracts were awarded to two of ▮▮▮▮ suppliers that submitted proposals (see Table 1).

Figure 1. Types of Cardboard MTE

Postal Pak

Pallet Box

Source: Equipment Inventory Reporting System MTE list.

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[1] An electronic commerce portal that provides Postal Service employees with electronic requisitioning, approval, and invoice certification capability.

Table 1. Cardboard MTE Supplier Award Summary

Contract Period	Supplier	Geographic Region Served
2018 to 2024	Supplier 1	Capital Metro, Eastern, Great Lakes, Pacific, Southern, Western
2018 to 2024	Supplier 2	Northeast

Source: Supply Management Competitive Award Recommendation.

In 2025, new contracts were awarded to four of the █ suppliers that submitted proposals (see Table 2).

Cardboard MTE is an asset to the Postal Service, as each Postal Pak costs about ████ while each Pallet Box costs about ██.[2] Cardboard MTE spend decreased in FY 2022; however, spending increased by $18,461,195 (24 percent) from FY 2023 to FY 2024. Management at several Postal Service facilities attributed the increased spending to changes in the network, such as the shift of air volume to ground transportation[3] and increased package volume requiring additional cardboard MTE to transport the mail. For example, package volume increased by about 716 million pieces (9 percent) from FY 2023 to FY 2024. See Figure 2 for the comparison of cardboard MTE costs to package volume.

Table 2. Cardboard MTE Supplier Award Summary

Contract Period	Supplier	Geographic Region Served
2025 to 2031	Supplier 1	Chesapeake, New York Metro
2025 to 2031	Supplier 2	South Atlantic, Gulf Atlantic, Midwest, Southwest, Lakeshores, Westshores, Southeast
2025 to 2031	Supplier 3	Southern California, Western, Pacific Northwest
2025 to 2031	Supplier 4	New England

Source: Supply Management Competitive Award Recommendation.

Figure 2. Change in Carboard MTE Costs and Package Volume
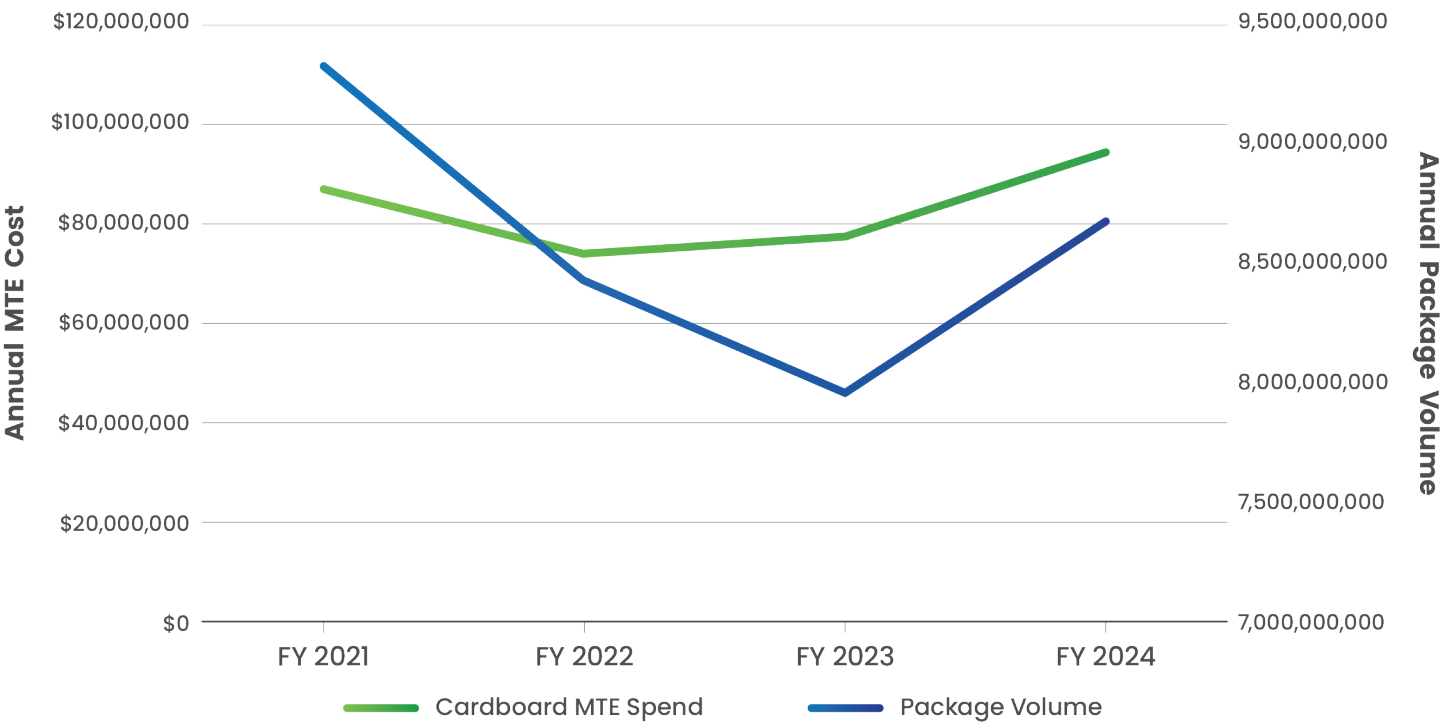
Source: Postal Service procurement system data and Management Operating Data System package volume data from FY 2021 to FY 2024.

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2 The U.S. Postal Service Office of Inspector General (OIG) calculated the average cost of each type of cardboard MTE from January 2025 through March 2025 based on data from the Postal Service's procurement system.
3 Shifting air volume to ground transportation was a key initiative in the Postal Service's Delivering for America strategic plan.

Handling

In FY 2022, the Cardboard Handling and Reuse Get it Right program was implemented to help facilities properly manage cardboard MTE with the goals of increasing reuse and reducing costs. The program required cardboard MTE at each facility to be properly sorted, segregated, and flat stacked for reuse or recycling.

Furthermore, in February 2025, the Postal Service introduced a new cardboard management initiative. This initiative continued its efforts to reduce unnecessary cardboard spending by maximizing cardboard MTE reuse and establishing inventory thresholds. It reinforced the importance of sorting reusable cardboard from non-reusable cardboard, and emphasized the requirement that cardboard should be used at least five times before being recycled. In accordance with this initiative, processing facilities were required to implement practices to clearly distinguish staging areas for reusable cardboard from those for non-reusable cardboard.

Recycling

When cardboard MTE cannot be reused, Postal Service facilities recycle the material. Recyclable materials must be sorted by material type and separated away from trash to minimize business impacts and maximize recyclable value.

Recycling contracts are awarded after bids are evaluated to determine the best contract value. Seventy-one contracts were awarded to support recycling operations at about 250 Postal Service facilities. The Postal Service pays contractors to pick up and haul recyclable cardboard. In return, contractors pay the Postal Service for the recycled material.

The Postal Service diverted nearly 86 percent of its used cardboard from landfills in FY 2023, and over 79 percent in FY 2024. As a result, it avoided costs of approximately $9.7 million in FY 2023 and $10.8 million in FY 2024. Its recycling efforts incurred costs of over $10 million in FY 2023 and $11.8 million in FY 2024 but generated about $1.6 million and $6.5 million in revenue from recycled materials. Overall, this resulted in net savings of about $1.2 million in FY 2023 and $5.5 million in FY 2024.

Findings Summary

We identified opportunities for the Postal Service to improve its efficiency when purchasing and recycling cardboard MTE. Specifically, we determined that there was no reconciliation process in place to validate the accuracy of monthly recycling reports, invoices, and checks submitted by contractors. This resulted in questioned costs of $21,851,852 in FYs 2023 and 2024, and opened doors for fraud, waste, and abuse. Additionally, we found that the Postal Service was inefficiently managing cardboard MTE inventory and the reuse of cardboard MTE. Finally, the Postal Service did not maximize the amount of cardboard MTE loaded on trucks when transporting recycled cardboard.

Finding #1: Recycling Reports Not Reconciled

We found that the Postal Service relied on data reported by recycling contractors when processing invoices. The recycling contracts' statement of work[4] requires contractors to submit monthly recycling reports populated with the weight of recycled material received, the number of hauls they performed, and the applicable market rate for recycled material pricing.[5] These reports were used to determine payments for recycling operations by calculating the net difference between expenses owed to the contractor and the revenue owed to the Postal Service.[6]

Although the Facility Services team periodically spot checks a sample of contractor-reported data, they do not have enough resources to reconcile monthly recycling reports for all contractors. Additionally, although contractors are required to maintain documentation such as weigh tickets, rebate check details, and itemized supplier shipping statements,[7] the statement of work does not require this supporting documentation to be submitted with the monthly reports. Further, there were no procedures in place to verify the number of hauls performed by contractors, even if resources were available.

Postal Service policy[8] states that the Contracting Officer's Representative (COR) must verify that invoice numbers, dates, and totals match supporting documentation from suppliers.

Without a reconciliation process to verify the accuracy of data reported by contractors each month, the Postal Service cannot ensure the accuracy of invoices or checks received for recycling operations. For example, we reviewed[9] a sample of 62 recycling reports and determined that recycling contractors misstated invoices and check totals by over $150,000. Therefore, the Postal Service is at risk

> "Without a reconciliation process to verify the accuracy of data reported by contractors each month, the Postal Service cannot ensure the accuracy of invoices or checks received for recycling operations."

of making improper payments and opens doors for fraud, waste, and abuse. As a result, the Postal Service incurred $21,851,852 of unsupported questioned costs[10] in FYs 2023 and 2024.

Recommendation #1

We recommend the **Senior Director, Facilities and Fleet Acquisition**, develop an automated process to validate the accuracy of monthly recycling reports, invoices, and checks submitted by contractors, including a process to validate supporting documentation maintained by contractors.

Postal Service Response

Management agreed with finding 1 and recommendation 1. Management stated they developed and initiated a manual reconciliation process to validate invoices and rebate checks against monthly recycling reports. However, they also stated there is no feasible alternative to relying on suppliers for reporting data. Each site would require a weigh station or would need to send someone from the facility to the weigh station.

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4   Recycling statements of work require contractors to provide a monthly recycling report using the USPS-provided Excel template by the 30th day after the close of the month.
5   These contracts rely on a cross-commodity price reporting agency.
6   The contractor sends either a check or an invoice to the Postal Service for the difference.
7   These documents are only provided upon request by the contracting officer.
8   *USPS iSupplier™ COR: Standard Work Instructions.*
9   We reviewed invoice and check totals related to a sample of 62 recycling reports from FY 2021 to FY 2025, using contractor-reported data included in the reports.
10 Costs called into question because of missing or incomplete documentation, or because of failure to follow required procedures.

Regarding recommendation 1, management stated they have been exploring an automated platform and will continue to search for something feasible. The target implementation date is July 31, 2026.

Management disagreed with the monetary impact in the amount of $21,851,852 stating it is an unreasonable assumption that all expenses are erroneous. They stated there was no consideration of revenue or landfill cost avoidance. Management believes the monetary impact should be reduced to the percentage of error the OIG identified in our review of 62 recycling reports along with additional considerations.

OIG Evaluation

The OIG considers management's comments responsive to recommendation 1 and corrective action should resolve the issues identified in the report. While it may not be feasible to directly identify the weight of recycled material, the Postal Service could validate reported weights against weigh tickets. Additionally, the Postal Service should validate supplier reported hauls and market rates. We will work with management to ensure the reconciliation process validates contractor-reported data.

Regarding the monetary impact, the OIG is not assuming that all expenses were erroneous. Instead, we are stating that the recycling expenses paid were unsupported because of missing or incomplete documentation. Specifically, the Postal Service did not verify the accuracy of data reported by contractors and therefore could not verify expenses were accurate, putting it at risk of making improper payments. Any revenue generated and cost avoidances would not have an impact on the total expenses claimed by contractors.

Finding #2: Inconsistent Management of Cardboard MTE Inventory

We found that processing facility management was not consistently managing and reporting their cardboard inventory. According to policy,[11] processing facilities must count and submit an inventory report in the Mail Transport Equipment Ordering and Reporting (MTEOR) system[12] weekly. Additionally, processing facilities are required to hold no more than a seven-day supply of cardboard. Facility management is required to maintain a record of MTE provided to mailers, and to monitor the amount of MTE that mailers have on-hand.[13] On average, only 107 of 236 (45 percent)[14] processing facilities reported its cardboard MTE inventory into MTEOR weekly. Additionally, during our site visits, local management expressed concerns that Logistics personnel were distributing cardboard to mailers without maintaining accurate records of quantities provided.

> **"** On average, only 107 of 236 (45 percent) processing facilities reported its cardboard MTE inventory into MTEOR weekly. **"**

This occurred because management did not provide proper oversight of cardboard inventory reporting requirements. As a result, local management could not properly ensure that the facility maintained appropriate inventory levels.

If Postal Service facilities are not consistently following the policy to manage and report their cardboard inventory, the Postal Service is at risk of unnecessary cardboard spend, poor operational efficiency, an unnecessary amount of wasted space consumed by cardboard staging, and cardboard shortages or surpluses across the network. For example, facility

management stated that they have experienced cardboard MTE shortages in the past, resulting in a halt in operations. Additionally, we observed surpluses of new cardboard MTE on-hand at 5 of 11 facilities we visited[15] (see Figure 3). Further, when the Postal Service does not track the amount of cardboard provided to mailers, facilities are not able to properly plan for and maintain appropriate levels of inventory to meet the needs of their own operations and incoming requests from mailers.

Figure 3. Excessive Cardboard MTE On-hand

Source: OIG photos taken at the Chicago ISC (2/26/25) and Fort Worth P&DC (3/4/25).

Recommendation #2

We recommend the **Director, Mail Transport Equipment**, provide oversight of cardboard mail transport equipment inventory to ensure processing facilities only maintain a seven-day supply, and document facilities with exceptions to the policy.

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11   *Handbook PO 502* states facilities must complete inventory reports weekly.
12   MTEOR is a system used by facilities to report MTE inventory and allows mailers to request MTE. Mailers can request cardboard MTE from the Postal Service to facilitate the transportation of mail to Postal Service facilities.
13   *Handbook PO 502*, section 3-4.
14   Postal Service management could only provide reported inventory data from April 2024 through May 2025.
15   The five facilities were the Los Angeles Processing and Distribution Center (P&DC), Industry P&DC, Chicago International Service Center (ISC), Fort Worth P&DC, and Dallas Network Distribution Center (NDC).

Postal Service Response

Management agreed with finding 2 and recommendation 2. Management stated additional cardboard management guidance was issued in February 2025 and will provide oversight of cardboard MTE inventory. The target implementation date is October 31, 2025.

OIG Evaluation

The OIG considers management's comments responsive to recommendation 2, and corrective action should resolve the issues identified in the report.

We found that the Postal Service was not efficiently utilizing cardboard MTE consistently. In June 2022, processing facility management was required to certify that they had implemented the required business practices, and employees had been trained on the proper working instructions to maximize the usefulness of cardboard MTE. However, we determined that employees were not always separating reusable cardboard MTE from non-reusable, and that cardboard MTE was being intentionally damaged.

Specifically, we observed good, reusable cardboard staged to be recycled at all 11 processing facilities we visited (see Figure 4). Therefore, reusable cardboard MTE was being recycled prematurely before its actual end of life.

Figure 4. Reusable Cardboard Staged to be Recycled

Source: OIG photos taken at the Los Angeles P&DC (2/19/25) and Industry P&DC (2/20/25).

Additionally, cardboard MTE was being destroyed by employees to allow for easier access to the mail (see Figure 5). On June 20, 2025, Postal Service

Headquarters officials reminded all processing facility management of the policy stating Postal Paks are designed to be reused and not cut or destroyed.

Figure 5. Cardboard Destroyed for Easier Access

Source: OIG photos taken at the Los Angeles P&DC (2/19/25) and Chicago ISC (2/26/25).

According to Postal Service policy,[16] employees are required to maximize the usefulness of each piece of cardboard MTE, as it should be reused a minimum of five times before being recycled. Facility management must designate cardboard MTE staging areas throughout the facility for employees to separate reusable cardboard MTE from non-reusable. Employees must collapse, fold, and neatly stack cardboard in the correct pile (see

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16 *Standard Work Instruction: Processing Facility Flat Stacking Reusable Cardboard Boxes.*

Figure 6). Facility management should also ensure that daily huddles include communication on proper cardboard management across each tour. Additional policy[17] states that facility management must walk the floor ensuring cardboard is only stored in properly designated locations throughout the facility.

Figure 6. Proper Cardboard Staging Area Layout
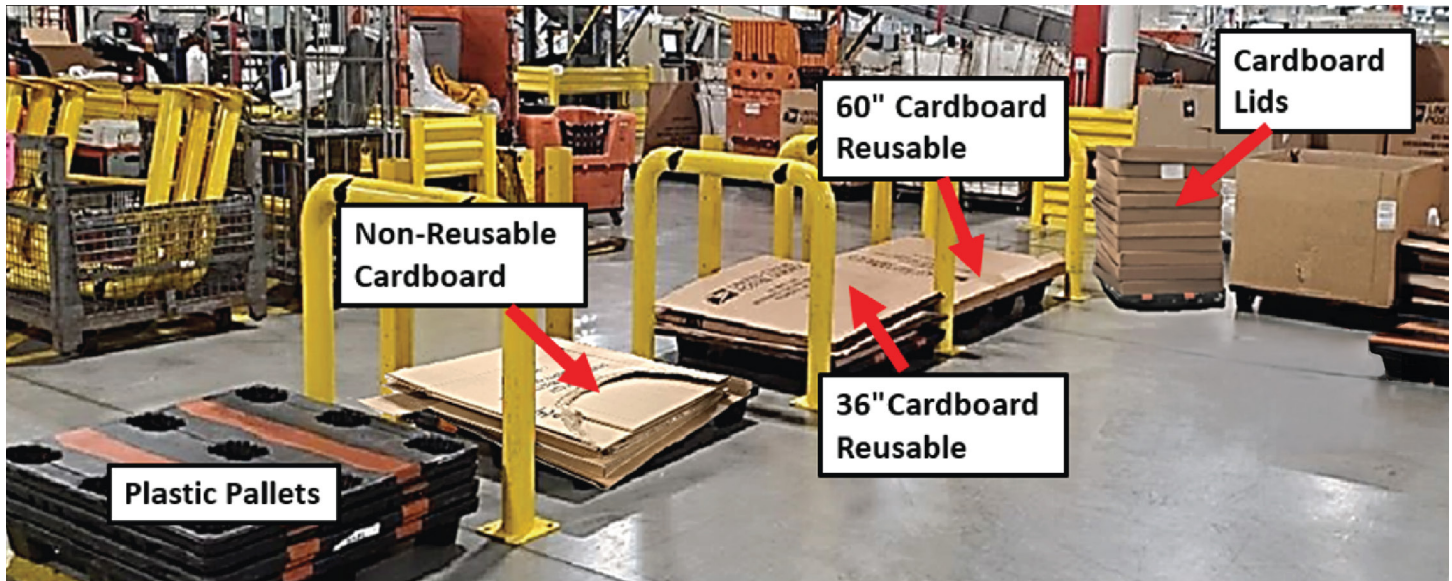
Source: Postal Service cardboard handling training.

These issues occurred because processing facility management did not consistently provide oversight of employees responsible for cardboard MTE handling and recycling operations. Cardboard staging areas were not organized or being utilized properly to separate reusable cardboard MTE from non-reusable at some facilities we visited (see Figure 7).

Figure 7. Improperly Utilized Cardboard Staging Areas
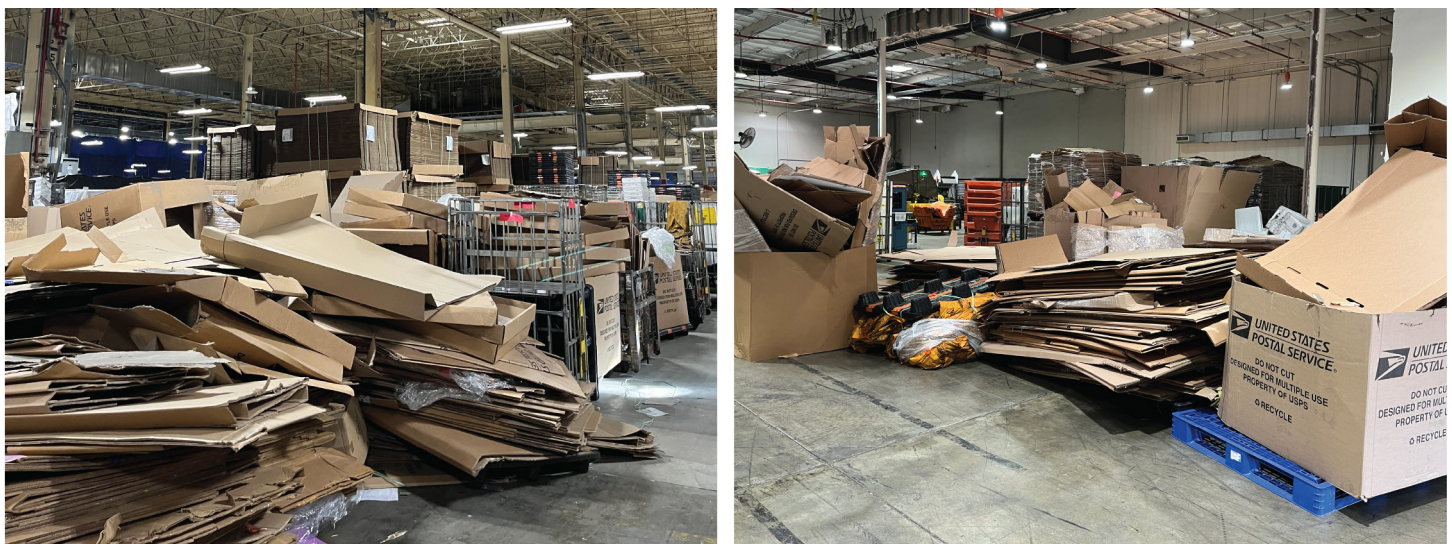
Source: OIG photos taken at the Chicago NDC (2/25/25) and Industry P&DC (2/20/25).

> **"**Inefficiently handling cardboard results in unnecessary cardboard spend, reduced operational efficiency, and congestion on workroom floors, and can lead to cardboard shortages and surpluses across the network.**"**

Additionally, management and employees stated that employees prefer and seek out new cardboard MTE when working their operations. We observed new cardboard MTE being used when reusable cardboard MTE was available. Therefore, management should ensure reusable cardboard MTE is used first, and that new cardboard MTE is unavailable to employees until it is required.

According to a new cardboard management initiative implemented in February 2025, inefficiently handling cardboard results in unnecessary cardboard spend, reduced operational efficiency, and congestion on workroom floors, and can lead to cardboard shortages and surpluses across the network.

Recommendation #3

We recommend the **Vice President, Processing Operations**, require processing facility management to annually certify proper cardboard mail transport equipment recycling and reuse business practices are in place and employees are aware of and following these practices.

Recommendation #4

We recommend the **Vice President, Processing Operations**, direct Plant Managers to enforce proper cardboard mail transport equipment recycling and reuse practices.

Postal Service Response

Management agreed with finding 3 and recommendations 3 and 4. Management stated additional cardboard management guidance was issued in February 2025 describing management roles and responsibilities in detail.

Regarding recommendation 3, management stated an annual certification will be required for mail processing facilities. The target implementation date is January 31, 2026.

Regarding recommendation 4, management stated it will reinforce the process for regular inspections of the facility's recycling area to validate proper cardboard MTE recycling and reuse practices are followed. The target implementation date is November 30, 2025.

OIG Evaluation

The OIG considers management's comments responsive to recommendations 3 and 4, and corrective action should resolve the issues identified in the report.

Finding #4: Inefficient Recycling Operations

We found that the Postal Service was not maximizing the efficiency of their cardboard recycling operations. Maintenance employees at Postal Service facilities prepare recyclable cardboard for contractors to haul in various ways (see Figure 8) such as:

- Loosely loaded trailers can hold no more than 2 tons of cardboard. This method is inefficient and advised against.

- Flat stacked trailers can hold 5-7 tons of cardboard. This method is preferred when baling is unavailable.

- Baled trailers can hold 20 tons of cardboard. This method is the most efficient and cost effective.

Figure 8. Cardboard Loading Methods

Loose

Flat stacked

Baled

Source: OIG photos taken at the Los Angeles P&DC (2/19/25), Dallas P&DC (3/5/25), and Industry P&DC (2/20/25).

Baling recyclable cardboard for transport is a much more efficient method than flat stacking or loosely loading it on trailers. However, not all processing facilities implemented a baler[18] in their recycling operations. Specifically, only 139 of 250 processing facilities (56 percent) with recycling operations had balers. Postal Service management stated they do not provide balers to all facilities, rather they wait until a facility requests one.

Additionally, the Postal Service performed cost-benefit analyses for three processing facilities showcasing the increased efficiency of baling recyclable cardboard over other methods. Following the implementation of a baler, the Des Moines, IA, NDC was able to increase their average tons per load from 3 to 16; the Manchester, NH, P&DC from about 6 to about 17 tons per load; and the El Paso, TX, P&DC from 2 to 16 tons per load.

The Postal Service pays contractors for each haul performed. Therefore, the Postal Service would reduce costs and its carbon footprint by ensuring all processing facilities without approved deviations were furnished with baling equipment.

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18   Not all facilities are capable of accommodating a baler due to space constraints and other variables.

Recommendation #5

We recommend the **Senior Director, Facilities and Fleet Acquisition,** in coordination with the **Vice President, Processing Operations,** 1) perform a cost benefit analysis for baling cardboard at all processing facilities, 2) provide balers for facilities identified to have a positive benefit, and 3) for the facilities that cannot accommodate a baler, document the approved deviations.

Postal Service Response

Management agreed with finding 4 but disagreed with recommendation 5. Regarding the finding, management stated that balers have been installed in more than half of the existing processing facilities and are included in start-up planning for new facilities. However, management did not provide justification for their disagreement with recommendation 5.

OIG Evaluation

The OIG considers management's disagreement with recommendation 5 as unresponsive and will work with the Postal Service through the formal audit resolution process.

Appendices

Appendix A: Additional Information

Scope and Methodology

Our audit scope included a nationwide review of the efficiency of the Postal Service's management of the cardboard MTE recycling program from FY 2022 through FY 2024.

- Interviewed Postal Service management about cardboard acquisition, handling, and recycling.

- Obtained contracts for ordering cardboard to review terms and processes and consistency between contracts.

- Obtained contracts for disposal of cardboard to review terms and processes.

- Obtained, analyzed, and trended changes in volume the Postal Service has experienced to determine if there is a correlation between volume and cardboard usage.

- Obtained, analyzed, and trended data from the Postal Service's procurement system for cardboard orders placed to determine the amount spent on cardboard.

- Obtained and analyzed cardboard inventory data to determine the amount of cardboard on hand and cost savings from utilizing the reuse program.

- Obtained and analyzed packaging recycled data to determine the percent of packaging recycled content as outlined in the DFA 2.0.

- Conducted judgmental site visits at the Los Angeles P&DC, Industry P&DC, Chicago Regional P&DC, Chicago ISC, North Texas P&DC, Fort Worth P&DC, Dallas P&DC, Dallas NDC, New Jersey NDC, Queens P&DC, and New Orleans P&DC from February to March 2025 to observe:

  - Cardboard sortation, segregation, and flat stacking.

  - Cardboard inventory on hand.

  - Material separation and contamination prevention.

  - Cardboard stored on leased trailers.

  - Trailer utilization and cardboard stacking on loads.

- Interviewed site visit personnel to determine:

  - Management oversight of cardboard acquisition and recycling.

  - Ordering process and responsibilities.

  - Recycling roles and responsibilities.

  - Cardboard inventory on hand.

  - Usage of the reuse program and its effects.

  - Best practices.

We conducted this performance audit from January 2025 through August 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. 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 July 14, 2025 and included its comments where appropriate.

In planning and conducting the audit, we obtained an understanding of the cardboard MTE recycling program 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 four components were significant to our audit objective:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication

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

We assessed the reliability of the data by obtaining and reviewing Vendor Expense Report data, MTEOR inventory data, and Monthly Recycle Report and invoice data. We assessed the reliability of the data by performing tests for data completeness, reasonableness, accuracy, and validity. 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 last five years.

Appendix B: Management's Comments

August 6, 2025

Laura Lozon
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Cardboard Mail Transport Equipment
Recycling Program (25-041-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,
Cardboard Mail Transport Equipment Recycling Program.

Management generally agrees with the findings.

Finding #1: Recycling Reports Not Reconciled
Management agrees there are opportunities to improve the monthly reconciliation
process. The Category Management Center (CMC) has relied on review of monthly
reports from CMC Staff, National Recycling Operation Personnel, and Site Point of
Contacts (POCs) (site POC's change often and no consistency). However, in recent
months the CMC has initiated and developed a manual reconciliation process –
monthly reports are reconciled with invoices and rebate checks. The CMC relies on
suppliers for reporting data – there is no feasible alternative, and this is industry
standard. Each site would require a weigh station to weigh loads or send someone
from the facility with each trip to the weigh station/destination.

Finding #2: Inconsistent Management of Cardboard Mail Transport Equipment
(MTE) Inventory
Management agrees that there are opportunities to improve management of
cardboard MTE inventory. Cardboard Management Guidebook v9.1 was distributed
to Plant Managers in February 2025. The document reiterated processes related to
cardboard management, accurately measuring inventory and the MTE process.

Finding #3: Inefficient Management of Reusable Cardboard
Management agrees that there are opportunities to improve management of
reusable cardboard. Cardboard Management Guidebook v9.1 was distributed to
Plant Managers in February 2025. The document reiterated management roles and
responsibilities and described requirements in detail. Links to Standard Work
Instructions and other training documents were included.

Finding #4: Inefficient Recycling Operations
Management agrees that there are opportunities to improve the efficiency of
cardboard recycling operations and has worked cross-functionally to reduce costs
and increase revenues. Balers have been installed in more than half of existing
processing facilities and are included in start-up planning for new facilities.

Management disagrees with the monetary impact calculations of $21M, primarily because the monetary impact finding assumes all costs are erroneous. This is not a reasonable statement. There was no consideration of revenue and recorded deposits. This same data drives the rebates. There were multiple stakeholder report reviews by the CMC and National Recycling Operation (NRO). The CMC and NRO have subject matter expertise to recognize anomalies and addressed as such. The (OIG) first reported $350K of errors of 62 reports prior to their issuance of the draft report. After reviewing the OIG's findings, the CMC identified that the OIG did not reconcile correctly based on their knowledge of the reports. This was acknowledged, and the error amount reduced to $150K in the final draft report.

The draft report also recognizes net savings of $1.3 million in FY 2023 and $5.5 million in FY 2024, based off of rebates and landfill cost avoidance. This is not calculated or factored into the monetary impact.

Paragraph from Draft Report
The Postal Service diverted over 86 percent of its used cardboard from landfills in FY 2023, and 79 percent in FY 2024. As a result, it avoided costs of approximately $9.8 million in FY 2023 and $10 million in FY 2024. Its recycling efforts incurred costs of over $10 million in FY 2023 and $11.8 million in FY 2024 but generated about $1.6 million and $6.5 million in revenue from recycled materials. Overall, this resulted in net savings of about $1.3 million in FY 2023 and $5.5 million in FY 2024.

Management acknowledges that the reconciliation process can use improvement, but it is not reasonable to assume all $21M of expenses are erroneous. Based off of the acceptance of the OIG's error percentage, the monetary impact should be reduced to $2.9M. This also does not include the documented deposits of revenue from rebates. In total $4.6M was deposited into AIC 149 and AIC 156 per EDW (Enterprise Data Warehouse) reporting system during the same time period of the audit.

The CMC would suggest that the $4.6M of documented rebate revenue deposits further reduce the monetary impact of $2.9M, resulting in a NET SAVINGS of $1.7M (in line with the net savings described OIG's initial background in the Discussion Draft, Page 4).

OIG Sampling of 62 Recycling Reports	
Expenses	$1,111,139.00
Misstated	$150,000.00
Error Percentage	13.50%

OIG Report Expenses (Monetary Impact)	$21,851,852.00
Acceptable Monetary Impact % of Error	$2,949,925.98

Documented EDW Revenue Deposits	$4,597,012.71

Following are our comments on each of the five recommendations.

Recommendation 1:
We recommend the Senior Director, Facilities and Fleet Acquisition, develop an automated process to validate the accuracy of monthly recycling reports, invoices, and checks submitted by contractors, including a process to validate supporting documentation maintained by contractors.

Management Response/Action Plan:
Management agrees to and has implemented a manual reconciliation process to validate the accuracy of monthly reports. Management has been exploring an automated platform for several years and has not found a compatible platform to meet the needs thus far. Management agrees to continue exploration into the feasibility of an automated platform. An automated platform also includes a funding decision and possible constraint.

Target Implementation Date: 07/31/2026

Responsible Official:
Senior Director, Facilities and Fleet Acquisition

Recommendation 2:
We recommend the Director, Mail Transport Equipment, provide oversight of cardboard mail transport equipment inventory to ensure processing facilities only maintain a seven-day supply, and document facilities with exceptions to the policy.

Management Response/Action Plan:
Management agrees with this recommendation. Director, Mail Transport Equipment, will provide oversight of cardboard mail transport equipment inventory.

Target Implementation Date: 10/31/2025

Responsible Official:
Director, Mail Transport Equipment

Recommendation 3:
We recommend the Vice President, Processing Operations, require processing facility management to annually certify proper cardboard mail transport equipment recycling and reuse business practices are in place and employees are aware of and following these practices.

Management Response/Action Plan:
Management agrees with the recommendation. An annual certification will be required for Mail Processing facilities.

Target Implementation Date: 01/31/2026

Responsible Official: Sr. Director, Strategic Planning & Implementation

Recommendation 4:
We recommend the Vice President, Processing Operations, direct Plant Managers to enforce proper cardboard mail transport equipment recycling and reuse practices.

Management Response/Action Plan:
Management agrees with the recommendation. Management will reinforce the process for regular inspections of the facility's recycling area to validate proper cardboard mail transport equipment recycling and reuse practices are followed.

Target Implementation Date: 11/30/25

Responsible Official: Sr. Director, Strategic Planning & Implementation

Recommendation 5:
We recommend the Senior Director, Facilities and Fleet Acquisition, in coordination with the Vice President, Processing Operations, perform a cost benefit analysis for baling cardboard at all processing facilities. Provide balers for facilities identified to have a positive benefit. For the facilities that cannot accommodate a baler, document the approved deviations.

Management Response/Action Plan:

Management disagrees with this recommendation.

Target Implementation Date: N/A

Responsible Official: N/A

E-SIGNED by Martin Petrey
on 2025-08-06 13:38:42 EDT

Martin Petrey
Senior Director, Facilities and Fleet Acquisition

E-SIGNED by DAVID.E RUPE
on 2025-08-06 11:36:38 EDT

David Rupe
Director. Mail Transport Equipment

E-SIGNED by DANE.A COLEMAN
on 2025-08-06 16:19:32 EDT

Dane A. Coleman
Vice President, Processing Operations

cc: *Corporate Audit & Response Management*

Contact us via our Hotline and FOIA forms. Follow us on social networks. Stay informed.

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