

# Revenue Risks of Processing Equipment Investments

## MANAGEMENT ALERT

Report Number 25-130-1-R26 | May 5, 2026



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# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

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May 5, 2026

**MEMORANDUM FOR:** LUKE T. GROSSMANN  
CHIEF FINANCIAL OFFICER & EXECUTIVE VICE PRESIDENT  
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VICE PRESIDENT, ENGINEERING SYSTEMS  
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VICE PRESIDENT, CONTROLLER  
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VICE PRESIDENT, TECHNOLOGY APPLICATIONS

A handwritten signature in black ink, reading "Amanda Stafford", is positioned below the list of recipients.

**FROM:** Amanda Stafford  
Deputy Assistant Inspector General, Retail, Marketing,  
& Supply Management

**SUBJECT:** Management Alert – Revenue Risks of Processing Equipment  
Investments (Report Number 25-130-1-R26)

This management alert presents issues identified during our ongoing audit of the Effectiveness of Package Verification Solutions (Project Number 25-130). The objective of this management alert was to provide U.S. Postal Service officials immediate notification of issues identified during our ongoing audit. These issues require immediate attention and remediation.

All recommendations require U.S. Postal Service Office of Inspector General's (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 questions or need additional information, please contact Heidi Einsweiler, Director, Sales, Marketing & International, or me at 703-248-2100.

Attachment

cc: Postmaster General  
Chief Technology Officer  
Corporate Audit Response Management

# Results

## Introduction

This management alert presents the issues the U.S. Postal Service Office of Inspector General (OIG) identified during the Effectiveness of Package Verification Solutions audit (Project Number 25-130). Our objective is to provide immediate notification of these issues. See [Appendix A](#) for additional information about this audit.

## Background

In August 2017, the U.S. Postal Service launched the Automated Package Verification (APV) system to identify insufficient postage for some package volume. The system compares shippers' reported package weights and measurements with actuals captured on postal processing equipment,<sup>1</sup> charging any additional postage due and refunding overpayments (see Figure 1 for an example of package processing equipment). In 2018, the Postal Service invested \$22.6 million to expand APV capabilities to improve revenue protection by evaluating every package that is processed on plant equipment. Since it was introduced, APV has increased Postal Service postage collection by \$1.1 billion.<sup>2</sup>

## How It Works

The Postal Service generally designed APV to use the most accurate weight and measurement data by comparing those attributes collected on different processing machines across the network to determine which are the most "trusted" or precise. The most accurate machine that scanned the package is used to adjust a shipper's postage, if necessary. The Postal Service may also identify some equipment as "never trusted," meaning that it does not want the APV system to use the weights or measurements collected from those machine types to compare or adjust a shipper's postage. Generally, this may occur because it considers the equipment

unreliable due to packages stacking on fast-processing equipment.

**Figure 1. Scale on Processing Equipment**



Source: OIG photo taken on November 15, 2023.

## Upgrades to Facilities and Equipment

In 2021, as part of the Delivering for America plan, the Postal Service developed strategies to modernize its aging network of processing facilities to achieve financial sustainability and improve its financial position. This included consolidating facilities and purchasing new processing machines that could efficiently sort larger volumes of packages to drive new revenue growth opportunities.<sup>3</sup>

To obtain new package processing equipment of over \$5 million, the Postal Service had a process where management prepared an investment proposal<sup>4</sup> with recommendations. Prior to fiscal year 2024, proposals outlined the problems or opportunities the investment aimed to address, and included evaluations of performance metrics, a SWOT analysis (strengths, weaknesses, opportunities, and

<sup>1</sup> There are two types of related equipment. First, dimensioners rely on specialized scanners to measure the length, width, and height of a package. Second, scales measure a package's weight.

<sup>2</sup> APV provides both refunds for overpayments and charges for "shortpaid" packages where not enough was paid for postage. Between 2017 and 2025, APV increased revenue by \$1.1 billion by collecting over \$1.4 billion in shortpaid packages and refunding approximately \$300 million in overpayments.

<sup>3</sup> Examples of consolidated facilities include regional processing and distribution centers and regional transfer hubs.

<sup>4</sup> Internally, the Postal Service called these proposals Decision Analysis Reports, and more recently, Investment Records. These are required for all investments over \$1 million and prepared by relevant stakeholders.

threats), and risk analysis. Then, the Postal Service transitioned to a new platform to submit proposals that included identified risks and provides a total financial benefit or return – which can be negative. The investment proposals for these new processing machines are then reviewed by an internal Investment Review Committee,<sup>5</sup> which votes on approval.

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<sup>5</sup> Currently, the Investment Review Committee serves as the review body for all investments that require approval by the postmaster general and establishes investment direction, as well as investment approval, execution, and control.

# Finding #1: Package Processing Equipment Investments Lack Consistent APV Integration to Protect Revenue

In its urgency to upgrade processing equipment, the Postal Service invested \$1.2 billion in multiple types of package processing machines without consistently or reliably integrating APV to identify postage adjustments for additional revenue.<sup>6</sup> Collectively, 66 percent of package volume processed at plants is run on one of these machines.<sup>7</sup> We found that eight of nine new types of machines the Postal Service invested in since 2018 did not use APV:

- Three of eight machine types were not designed to feed any measurements into the APV system, and
- Five of eight machine types do capture weights and/or measurements but were programmed to never be used by APV to assess for shortpaid or overpaid postage.<sup>8</sup>

Additionally, in 2020, the Postal Service invested in upgrading the main scales on legacy machines<sup>9</sup> and tested them to confirm that the scales were accurate. However, the upgraded, reliable scales were also not programmed to assess postage discrepancies. In 2025, the Postal Service invested in one other legacy equipment type,<sup>10</sup> even though OIG analysis shows that it provides [REDACTED] and was programmed to bypass APV.

## Revenue Protection Not Consistently Prioritized

Overall, this occurred because the Postal Service did not require investment proposals to include revenue-related performance goals and risks or develop a holistic revenue protection strategy to ensure equipment could support postage adjustments across the network.

## Investment Review Process Did Not Consistently Factor Revenue Goals or Risk

The Postal Service did not assign a business owner to ensure revenue protection goals were included in eight new processing investment proposals for equipment not used by APV. Instead, Processing and Engineering staff developed the proposals, which focused only on modernization and efficiency savings. Other than one legacy upgrade proposal and one new proposal for APV-connected equipment, none of the remaining eight new proposals for other machines addressed revenue protection or related risks, instead emphasizing processing metrics like sorting capabilities. During approval, the Investment Review Committee advanced these proposals without considering revenue protection goals or associated risks. While not every equipment investment must support revenue protection, the approval process should identify bypassing APV as a risk, particularly because these machines handle high volumes that could materially affect revenue collection. As a result, more than \$1 billion in investments were approved without demonstrating how postage adjustments were at risk or how those risks could be mitigated.

## Postal Service Lacked a Holistic Revenue Protection Strategy

Postal Service management lacked a unified equipment investment strategy to ensure the network could support APV-driven postage adjustments. Instead, it assumed packages would pass through at least one machine capable of capturing the required data. Engineering management selected equipment based on facility size, package volume, and replacement needs, without considering revenue protection. Some [REDACTED] machines were excluded from APV, which management said

6 After expanding APV deployment to evaluate all plant-processed packages in 2018, we identified processing equipment investments that were not consistently or reliably integrated with APV between 2018 and 2025. See [Appendix B](#) for details about the equipment, as well as one new machine investment that was connected to APV.

7 This reflects the volume of delivered packages running on these machines compared to the total volume of delivered packages generally sorted on plant processing machines. It does not include package volume that bypasses plants, such as packages dropped at delivery units. It also does not include the volume run on one individual legacy machine due to the expedited time for this alert; however, we plan to evaluate all machines during the full audit.

8 The Postal Service said machines were programmed as "never trusted" but did not provide support that they were providing inaccurate weights and measures. We will continue to evaluate this data during the full audit.

9 See [Appendix B](#) for more information about this legacy equipment - [REDACTED]

10 See [Appendix B](#) for more information about this equipment - [REDACTED]

was intentional. It incorrectly assumed that other machines would provide sufficient and accurate weight and measurement data to protect revenue. Without a holistic strategy for integrating [REDACTED], it also incorrectly assumed the newer, slower machines would support APV and were surprised to learn they were not programmed to do so. Additionally, although upgrades to [REDACTED] equipment improved accuracy, the machines were not reprogrammed to support APV after the upgrades.

Forty percent of all plant-processed packages between September 2025 and December 2025 did not receive a trusted weight, measurement, or both for pricing adjustments — meaning they may have been eligible for a postage adjustment if the new processing equipment was reliable and connected to APV. As a result, we estimate that 1.8 billion packages were not checked to see if the shipper paid the correct price in 2025.<sup>11</sup> This gap highlights the urgent need for the Postal Service to reassess its recent investments and determine whether additional equipment, equipment improvements, or APV enhancements are needed to generate additional measurements and safeguard revenue.

While the Postal Service aims to reduce costs and grow revenue through efficiency-focused investments, revenue protection is equally critical — especially during a period of financial loss. To strengthen long-term financial sustainability, the Postal Service must incorporate revenue protection into investment decisions, engage key stakeholders in reviewing future proposals, and establish a comprehensive strategy to guide package processing equipment investments across the network.

#### **Recommendation #1:**

We recommend the **Chief Financial Officer & Executive Vice President**, assign a business owner responsible for including revenue protection goals or risks for major investment proposals.

#### **Recommendation #2:**

We recommend the **Vice President, Controller**, in coordination with the **Vice President, Processing Operations**, the **Vice President, Finance and Planning**, the **Vice President, Engineering Systems**, and the **Vice President, Technology Applications**, develop a unified equipment investment strategy that accounts for package processing equipment across the network supporting postage adjustments.

#### **Recommendation #3:**

We recommend the **Vice President, Engineering Systems**, in coordination with the **Vice President, Technology Applications**, and the **Vice President, Processing Operations**, reassess recent investments and add equipment, improve equipment, or enhance the Automated Package Verification system to generate additional measurements for revenue protection analysis.

#### **Postal Service Response**

Management agreed with the finding and recommendations but disagreed with the OIG's methodology. See [Appendix C](#) for management's official comments in their entirety.

Regarding the methodology, management stated that combining packages that received a trusted weight but did not receive a trusted dimension and encountered an excluded machine into a singular metric is misleading because USPS Ship measures weight and dimensions independently. Management believes that untrusted metrics should have been measured separately for weight and dimensions.

Regarding recommendation 1, management stated that for relevant investments, Capital Investment staff will include revenue protection in its analysis, and Revenue Assurance staff will be included in the investment agreement process to ensure they are fully aware of all capital investments. The target implementation date is February 28, 2027.

<sup>11</sup> As we complete our full audit on this topic, we will further explore the associated revenue impact and identify other opportunities to better protect revenue during a critical period of financial loss.

Regarding recommendation 2, management stated that Revenue Assurance staff, working with relevant departments, will help develop a unified equipment investment strategy focused on revenue protection. This will include defining objectives by equipment type to create a consistent evaluation framework. Management plans to assess current equipment and APV capabilities, identifying revenue protection gaps and supporting a cost-benefit-driven plan to address gaps. It will also ensure alignment with enterprise investment governance processes. The target implementation date is February 28, 2027.

Regarding recommendation 3, management stated it conducted an in-depth analysis of four machine types for trust enablement in the APV system and plans to implement a cascading schedule with rigorous beta testing to ensure proper data integration from July 15 to October 1, 2026. Performance will be monitored,

and adjustments will be made to optimize revenue protection. The target implementation date is April 28, 2027.

#### **OIG Evaluation**

Regarding management's disagreement with the methodology, the OIG maintains that it is appropriate to combine the analyzed packages into a single metric to determine the impact of excluded machines. The Postal Service's pricing models require a combination of both weight and dimension to fully assess whether postage was paid correctly.

Regarding the recommendations, the OIG considers management's comments responsive to all recommendations, and the corrective actions should resolve the issues identified in the report.

# Appendix A: Additional Information

## Scope and Methodology

The scope of this management alert focused on revenue risks in processing equipment investments.

To accomplish our objective, we

- Reviewed new mail processing equipment contracts from 2018 to 2025 to identify significant contract terms and understand the intended operational capabilities and expected performance of the equipment.
- Reviewed investment planning and approval documents, including Decision Analysis Reports produced from 2017 to 2025, focusing on whether revenue protection measures were included in the evaluation of major investment proposals for mail processing equipment.
- Analyzed data:
  - To determine if new mail processing equipment weights and dimensions were recorded as intended.
  - To assess whether weight and dimension data was used within the trusted system for revenue verification.
  - To identify gaps in data capture, inconsistencies in measurement, and any impediment to accurately or timely integrating weights and dimensions data into the trusted system process.

This management alert presents issues identified during the Effectiveness of Package Verification Solutions (Project Number 25-130) audit announced in September 2025. We conducted this management alert from March 2026 through May 2026 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.

On March 23, 2026, we notified management of our intent to draft this management alert. We discussed our observations and conclusions with management on April 7, 2026, and included its comments where appropriate.

In planning and conducting the audit, we obtained an understanding of the use of the Automated Package Verification system and the 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 risk assessment, information and communication, and monitoring components were significant to our audit objective.

We developed audit work to ensure that we assessed these controls. Based on the work performed, we identified internal control deficiencies related to risk assessment, information and communication, 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 trusted weight and measurement data by testing for completeness, reasonableness, accuracy, and validity. We determined that the data were sufficiently reliable for the purposes of this report.

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## 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.

Additional information or recommendations regarding the issues addressed in this Management Alert may also be included in the final report resulting from our related ongoing audit.

# Appendix B: Equipment Investments Made Between 2018 and 2025

## Investments in Machines That Do Not Use APV

| Machine Name             | APV Status                    | Legacy or New | Planned Investment         |
|--------------------------|-------------------------------|---------------|----------------------------|
| [REDACTED]               | Upgraded Scales Never Trusted | Legacy        | \$22,539,313 <sup>12</sup> |
| [REDACTED]               | Not Connected                 | New           | \$82,061,845               |
| [REDACTED]               | Never Trusted                 | New           | \$5,765,000                |
| [REDACTED]               | Never Trusted                 | New           | \$261,687,000              |
| [REDACTED]               | Never Trusted                 | New           | \$504,402,075              |
| [REDACTED]               | Not Connected                 | New           | \$75,594,000               |
| [REDACTED]               | Not Connected                 | New           | \$46,765,843               |
| [REDACTED]               | Never Trusted                 | New           | \$83,343,841               |
| [REDACTED]               | Never Trusted                 | Legacy        | \$6,024,747                |
| [REDACTED]               | Never Trusted                 | New           | \$67,461,000               |
| <b>Total Investment:</b> |                               |               | <b>\$1,155,644,664</b>     |

Source: USPS OIG analysis of package sorting machine contracts.

## Investments in Machines that Use APV

| Machine Name | Trust Status | Legacy or New | Planned Investment |
|--------------|--------------|---------------|--------------------|
| [REDACTED]   | Used by APV  | New           | \$37,599,683       |

Source: USPS OIG analysis of package sorting machine contracts.

<sup>12</sup> The [REDACTED] upgrade also addressed other issues. We included only investments related to scales.

# Appendix C: Management's Comments



April 21, 2026

LAURA LOZON  
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: *Management Alert - Revenue Risks of Processing Equipment Investments (25-130-1-DRAFT)*

Thank you for providing the Postal Service with an opportunity to review and comment on the findings and conclusions contained in the draft audit report, *Management Alert - Revenue Risks of Processing Equipment Investments*.

Management agrees that additional package processing equipment should be utilized in the capture of Trusted Weight and Dimension scans for APV, management disagrees with OIG's Methodology in Finding #1.

Management agrees with the OIG findings in the audit report that additional package processing equipment should be utilized in the capture of Trusted Weight and Dimension scans for APV. We acknowledge the importance of developing a unified equipment investment strategy that comprehensively accounts for package processing equipment across the network supporting postage adjustments. We agree that a coordinated strategy is essential to align investment decisions with revenue protection goals and to optimize the effectiveness of the Automated Package Verification (APV) system.

However, Management disagrees with the OIG methodology and classification for Untrusted Scales. "Packages that received a trusted weight but did not receive a trusted dimension and encountered an excluded machine" were considered untrusted. Combining these packages into a singular metric is misleading because USPS Ship measures weight and dimensions independently. Due to this, management believes that the untrusted metrics should have been measured separately for weight and dimensions. A metric for trusted weight would have reported that 21.7% of packages did not have a trusted weight compared to the broader 39.95% of packages not having a trusted scan metric within the OIG report.

The following are our comments on each of the three recommendations.

Recommendation 1:

We recommend the Executive Vice President, Chief Financial Officer, assign a business owner responsible for including revenue protection goals or risks for major investment proposals.

Management Response/Action Plan:

Management agrees with this recommendation. For relevant investments, Capital investment will include revenue protection as in scope or out of scope in Finance Investment Navigator (FIN) Investment Records (IRs). The scope will be reported to the Investment Review Committee (IRC) at the Scope Freeze and Full Funding Tollgates. Additionally, Revenue Assurance will be included in the Investment Concurrence process prior to the Full Funding vote to ensure Revenue Assurance is fully aware of all Capital Investments.

Target Implementation Date: 2/28/2027

Responsible Official:  
Vice President, Finance & Planning

Recommendation 2:

We recommend the Vice President, Controller, in coordination with the Vice President, Processing Operations, the Vice President, Finance and Planning, the Vice President, Engineering Systems, and the Vice President, Technology Applications, develop a unified equipment investment strategy that accounts for package processing equipment across the network supporting postage adjustments.

Management Response/Action Plan:

Management agrees with this recommendation. Revenue Assurance, in coordination with Processing Operations, Finance and Planning, Engineering Systems, and Technology Applications, will support the development of a unified equipment investment strategy incorporating revenue protection considerations.

In its oversight role, Revenue Assurance will help ensure the strategy defines revenue protection objectives by equipment type, including APV, and establishes a consistent framework for evaluating capabilities and investment decisions.

This includes assessing current equipment and APV capabilities, identifying gaps relative to revenue protection objectives, and supporting a prioritized, cost-benefit-driven plan to address those gaps or formally accept risk where appropriate.

Revenue Assurance will also help ensure alignment with enterprise investment governance processes.

Target Implementation Date: 2/28/2027

Responsible Official:  
Vice President, Controller

Recommendation 3:

We recommend the Vice President, Engineering Systems, in coordination with the Vice President, Technology Applications, and the Vice President, Processing Operations, reassess recent investments and add equipment, improve equipment, or enhance the Automated Package Verification system to generate additional measurements for revenue protection analysis.

Management Response/Action Plan:

Management agrees with this recommendation. An in-depth analysis was conducted to recompute the shared scan volume across four key machine types—[REDACTED]—to identify those eligible for trust enablement within the APV system. The analysis demonstrated a high level of trust in these machines' ability to accurately capture weights and/or measurements necessary to identify postage adjustments and generate additional revenue.

To ensure a controlled and effective deployment, management is planning a cascading schedule to enable trust on these four machine types. Each machine type will undergo rigorous beta testing in a controlled environment to validate that the data is properly ingested into the Ship and APV systems before full activation. This phased approach will help mitigate risks and ensure data integrity throughout the deployment.

The anticipated schedule for trust enablement initiation is as follows:

- [REDACTED] July 15, 2026
- [REDACTED] August 1, 2026
- [REDACTED] October 1, 2026
- [REDACTED] October 1, 2026

Management will continue to monitor performance and make necessary adjustments to optimize revenue protection.

Target Implementation Date: 4/28/2027

Responsible Official:  
Director, Acceptance Technology Services

E-SIGNED by LUKE.T GROSSMANN  
on 2026-04-21 07:50:26 EDT

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Luke T. Grossmann  
Chief Financial Officer and Executive Vice President

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# OFFICE OF INSPECTOR GENERAL

UNITED STATES



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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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