MAILERS TECHNICAL ADVISORY COMMITTEE (MTAC)

Workgroup 141 Spoilage and Shortage Reporting and Postage Reconciliation

Final Recommendations Report

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1 Executive Summary

The workgroup's efforts included bi-weekly conference calls that spanned from October 8, 2010 – June 2011 and four face-to-face meetings. The workgroup comprised nearly 60 members from the mailing industry and the US Postal Service. The industry was represented by mail owners, mail service providers, publishers, printers, software providers and consultants. The US Postal Service was represented by the Pricing, Mailing and Shipping Services, Operational Requirements, Mailing Standards, Business Service, Mail Entry and Payment Technology groups.

The workgroup assigned specific tasks to small subset of the group to take a deeper dive and perform testing in PostalOne! for postage affixed mailings. The testing confirmed the documentation aligned with the PostalOne! functionality. A small subset of the team also worked to map out process flows for spoilage and shortage. These process flows are contained within this report.
The workgroup's recommendations relative to spoilage reporting and shortage reporting determined that spoilage and shortage are not identical and require separate approaches for postage reconciliation.

These recommendations will be entered into the MTAC MITS RITS tracking system for follow up by MTAC Executive Committee and the MTAC Leadership Foursome responsible for this workgroup's efforts.

2 Issue Statement

"The workgroup will identify the business needs for reporting piece spoilages or shortages occurring within business mailings using either hard copy or electronic postage payment processes. The work group will develop consistent standard operating procedures for the handling of spoilage and shortages during the verification and acceptance, postage payment and mail induction processes. The workgroup will identify the business processes for reporting and reconciling spoilage/shortages using hard copy procedures. The workgroup will identify the business processes, at a level sufficient to develop information system requirements, for reporting and reconciling spoilage/shortages using electronic mailing information supported by the USPS."

3 Desired Results

- Recommend verification and acceptance procedures and policies including hard-copy and electronic documentation required
- Recommend postage payment and postage adjustment policies and procedures including proper postage statement reporting in both hard-copy and electronic form
- Recommend postal induction policies and procedures including proper 8125 completion and review (Workgroup recommends this issue be moved to the eInduction workgroup).

4 Scope of Input

The team began their efforts by reviewing existing mailing agreement guidelines (i.e., Optional Procedure, Manifest, Multi-line Optical Character – Presort) and the USPS' Guide to Intelligent Mail for Letters and Flats focusing on the sections applicable to spoilage and shortage. As a result of this review, the workgroup determined a need to map the documents to current mailer production and manufacturing processes and work flows. Because it was important to build our recommendations based on a broad base of mailing industry input, each team member was invited to share how their organization adjusted and reported spoilage and shortage.

These initial conversations led to the tracking of 19 ideas and issues that identified a lack of consistency across the industry segments.

5 Input Organization

The responses were reviewed individually and the issues and ideas that were very similar in nature were combined. The group then discussed each issue, with additional input from its originator and USPS representatives to drive further consolidation of the list and the migration of specific items to the USPS helpdesk.

Through discussions on calls and off-line research by the co-chairs and members, we found that some of the changes to the Guide to Intelligent Mail for Letters and Flats (Guide) had been made from the workgroups initial review leading to additional clarifications made to the full Workgroup. Some of the verbiage in the Guide will be need to be edited if the USPS agrees with and implements the workgroup recommendations. The review also led to off-line testing efforts to validate the USPS documentation.

6 Recommendations

6.1 Tolerance Recommendation

The USPS should be consistent and establish a threshold (≤1.5%) that applies across all classes of mail applied at the job level and not the tray level. Or devise a simplified worksheet formula to calculate additional postage owed. Additional postage can be paid by a PAR entry for electronic postage payment. (This would be a move away from practice of downgrading tray levels.)

The workgroup recommends that in lieu of providing the USPS acceptance personnel pieces and parts of damaged (spoiled) mail, production or manufacturing records will be provided if the spoilage is more than 1.5% and less than 5%. Adjustments to postage will be made by the appropriate piece price (if that can be determined by the mailer) or adjusted by the lowest price possible in the presort. No postage adjustment will be made if the spoilage is less than or equal to 1.5% across the mailing with no requirement to re-qualify the mailing.

The following information will be sent to the PostalOne! User's Group for continued discussion and resolution. If spoilage is over 1.5% and less than 5% and removed with a PDR file, the pieces are removed at the actual rate paid and not at lowest rate as required for this spoilage range. Using a PAR file to perform this function does not allow the IMbs to be reused in a second mailing on 100% compliance mailings.

6.2 Postage Affixed (Issues 1, 8, 16, 18)

In October of 2010 the workgroup noted as an issue that PostalOne! could not create Postage Affixed postage statements reflecting spoilage.

The workgroup later discovered that the January 2011 release of PostalOne! did support making these statements. However, after testing by Monticello Software and confirmation from the USPS it was discovered that there was a problem with the way it was implemented in PostalOne! Credit for the postage affixed to the spoiled pieces is currently given on the PostalOne! electronic statement. This is not supposed to happen. The credit for the affixed

postage on the spoiled pieces should only be given when a hard-copy form 3533 is submitted. Under the current circumstances a mailer could conceivably “double dip” that is, cheat, by receiving the credit twice; once electronically in PostalOne! and then again by submitting a hard-copy 3533.

The USPS has identified this as bug that needs to be fixed and has scheduled it for the November release (Fix ticket is # 74993).

6.3 PAR (Issues 3, 4, 6)

The industry desires the ability to submit multiple PAR transactions (which may or may not occur over several days).

PostalOne! also requires adjustment to apply each PAR to its correct MPA - Unique Sequence/Grouping ID (already a required field in the PAR record) instead of "randomly" selecting the first ready-to-pay transaction it finds that included enough postage to cover the PAR transaction.

Mailers must have the ability to correct or even cancel a PAR after submitted. Under the current system, mailer must start entire process over.

6.4 Tolerance Level for Manifest (Issues 9, 10, 11)

There is no mention of a threshold or the need to re-qualify disqualified mail. The USPS uses a 1.5% Postage Adjustment Factor (PAF) for mailer manifest by dividing the total postage for the samples taken by the USPS acceptance employee by the total postage in the mailer’s manifest to determine if the correct postage has been paid. If the results of the sampling indicates the total manifest postage for the samples is underpaid by more than 1.5% (that is, the PAF is greater than 1.015) the USPS assesses additional postage due.

With itemized parcel manifesting, the USPS simply weighs a sample of parcels to see if the weight of each parcel matches. There is a sampling worksheet and if the variance is greater than 1.5% then the postage for the whole mailing is adjusted for the discrepancy.

This however does not apply to batch manifesting. For Standard Mail flat reorders a current tolerance of 1 percent applies to the mailing without adjusting the presort qualification. With manifesting the workgroup recommends that the tolerance percentage should be the same at 1.5% across the mailing. Most manifest vendors look at that tray as being the sampling unit so they will re-qualify remaining pieces at a higher rate if the spoils from that tray bring the number of remaining pieces fewer than 150.

The USPS should be consistent and establish a threshold (≤1.5%) that applies across all classes of mail applied at the job level and not the tray level. Or devise a simplified worksheet formula to calculate additional postage owed. Additional postage can be paid by a PAR entry. (This would be a move away from practice of downgrading tray levels.)

The USPS must determine how spoilage for batch manifests should be handled for hardcopy documentation and update pub 401 accordingly.

6.5 PS8125 – Determine Net Amount (Issue 13)

Clarification must be made on PS8125 reporting for migration to an e8125 on whether it is net amount, gross or both.

The group recommends moving all PS8125 discussions to the e8125 workgroup.

6.6 Storage of Spoiled, Wasted or Shorted Pieces (Issue 17)

Section 3.7.5 of the Guide to Intelligent Mail for Letters and Flats - “Verification of Spoiled, Wasted, or Shorted Pieces” does not match industry practices. Mailers do not store spoiled or wasted pieces and shorted pieces are not available for “storage”.

Holding spoiled (torn up pieces, etc.) for each machine or line and then merging them to give to a DMU clerk to verify (unless a refund is being requested for postage affixed pieces) was a

practice that was eliminated over 15 years ago as it was not logical and was impractical for both the mail service provider and the USPS.

The work group recommends a revision to the language in the Guide to Intelligent Mail for Letters and Flats.

The first sentence of section 3.7.5 Verification of Spoiled, Wasted, or Shorted Pieces "Physical pieces must be made available for verification that the pieces were not mailed" should be removed from the Guide. For postage adjustments for shortages between 1.5% and 5%, production or manufacturing records will be provided to the verification clerks to support the postage adjustment.

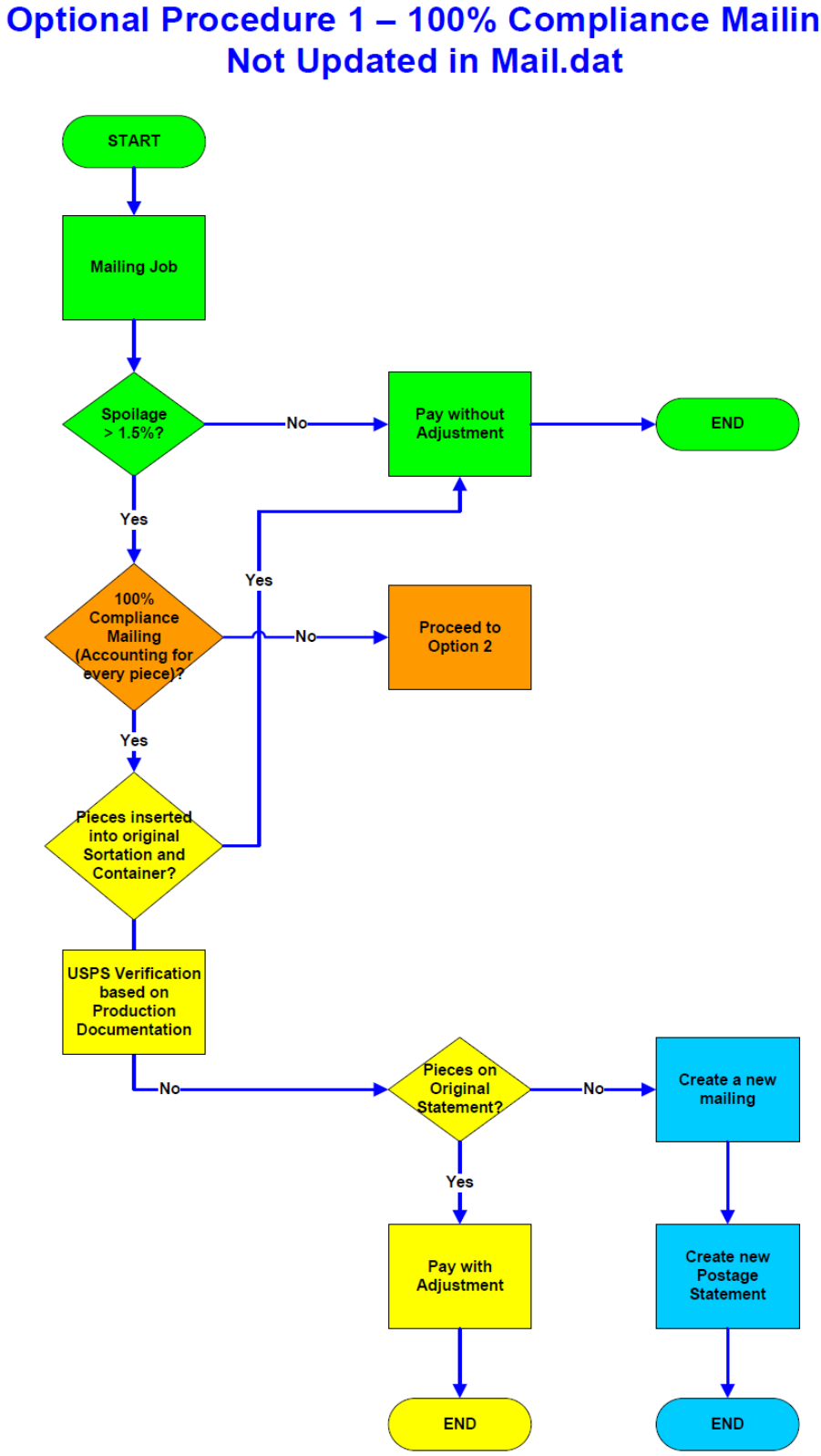
6.7 Seamless Acceptance Tolerance

While Seamless Acceptance was not within the scope of work group 141, the workgroup recommends that Workgroup 143 – Seamless Acceptance discuss and recommend a tolerance.

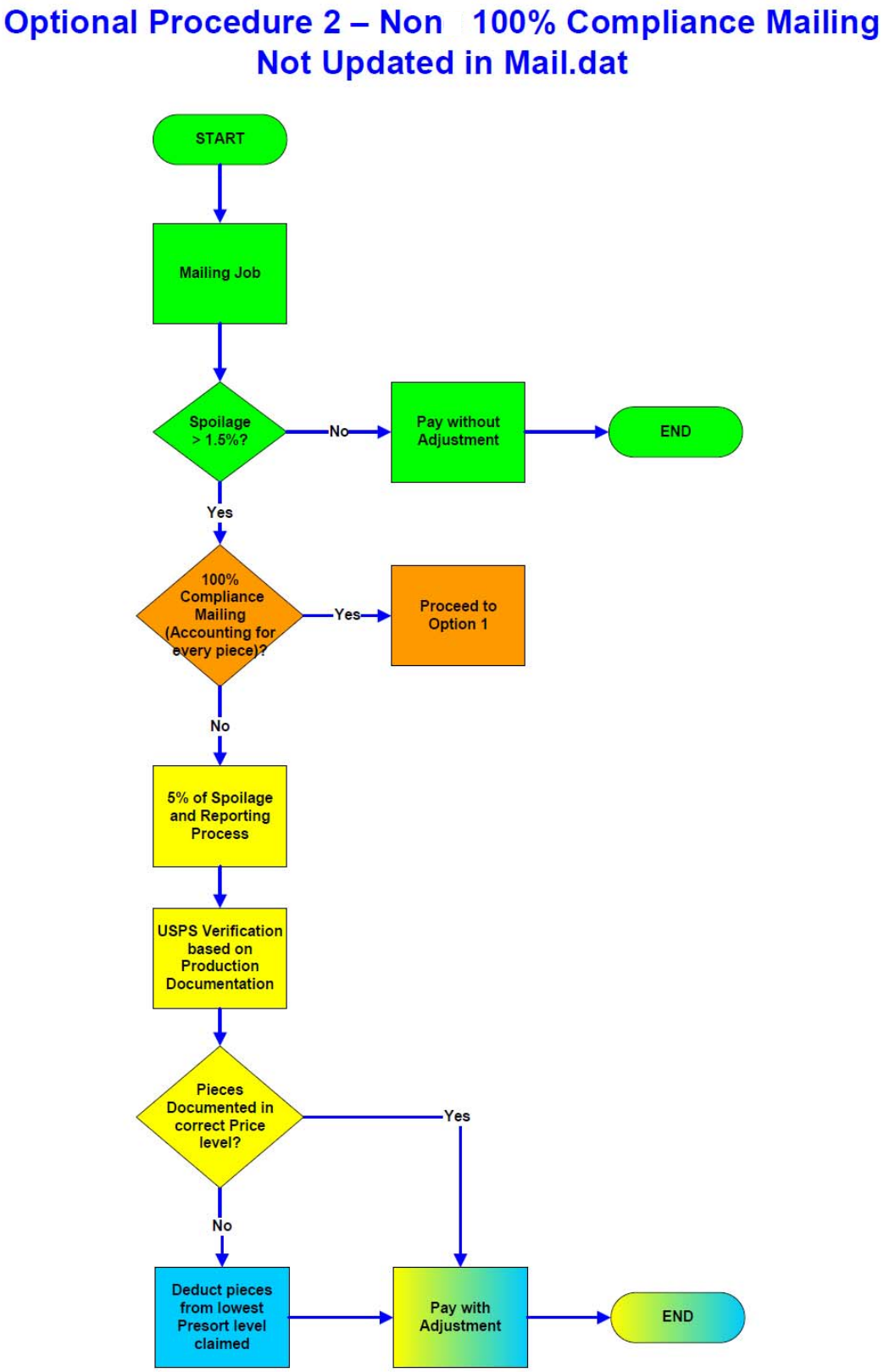
7 Recommended Decision Diagrams

Decision Diagrams were created to ensure alignment and capture recommendations for acceptance. Two were created for non-electronic scenarios and one for electronic documentation

7.1 Non-electronic Diagram for 100% Compliance Mailings



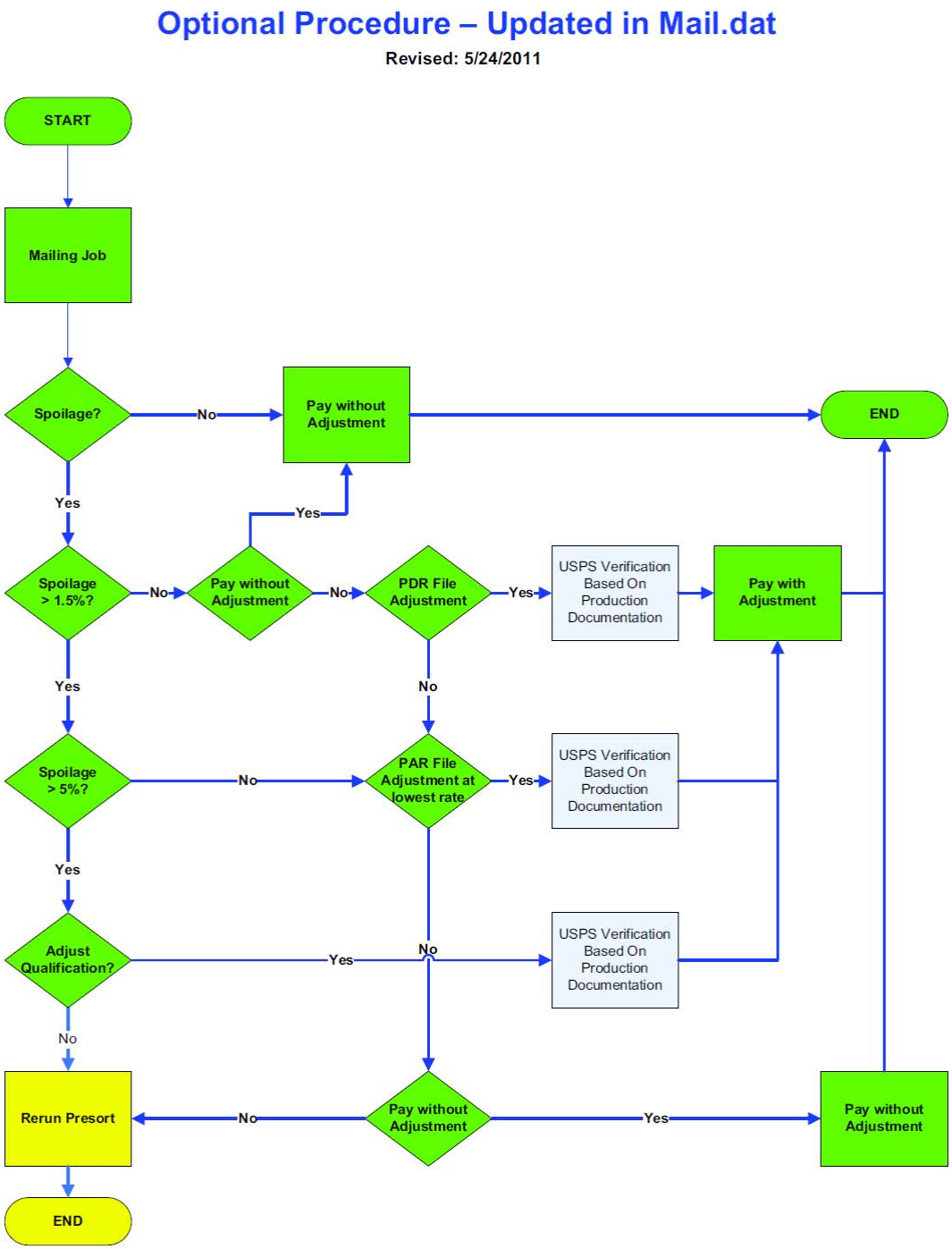
7.2 Non-electronic Diagram for non-100% Compliance Mailings



Version 3, May 24, 2011

7.3 Optional Procedure – Updated in Mail.dat

Note: The following information will be given to the PostalOne! User's Group for continued discussion and resolution. If spoilage is over 1.5% and less than 5% and removed with a PDR file, the pieces are removed at the actual rate paid and not at lowest rate as required for this spoilage range. Using a PAR file to perform this function does not allow the IMb's to be reused in a second mailing on 100% compliance mailings.



8 Appendix 2: Workgroup Roster

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